


Rabobank

Will he, won't he?

Global Daily
RaboResearch

Global Economics &
Markets
knowledge.rabobank.com

[Jane Foley](#)

Senior FX Strategist

Market comments

If it had not been for the concerns raised by the previous day's US CPI inflation report, the release of the US June PPI inflation data would not have garnered so much interest. For the consumer price data, it was the detail of the report rather than the headline numbers that troubled the market. Economists were specifically looking for information as to what impact tariffs were having on the US economy and they found signs of price hikes in tariff sensitive sectors. The initial market reaction to yesterday's PPI inflation report was one of relief. Treasury yields moved lower in recognition of the cooler than expected headline numbers. The impact faded, however, once the market took on board the upward revisions to the May data. US industrial production figures brought signs of economic resilience. The series rose 0.3% m/m in June and followed an upward revision to the May number. The Fed's Beige Book also underpinned the view that the economy is avoiding the worst-case tariff induced scenarios, though slight pessimism and uncertainty was noted.

The biggest market moves yesterday were sparked by reports that Trump had asked a group of lawmakers whether he should oust Fed Chair Powell. Equities and the USD dropped sharply, and the treasury curve steepened as a result. Trump later insisted that Powell's removal was unlikely, but the market is likely to remain wary. The DXY index recovered some ground on Trump's assurances, but it remains below yesterday's highs, though stocks ended in the green and yields closed lower. This week's CPI report arguably had the effect of focusing attention on the question of Fed independence. Trump's dislike of Powell is clearly not new news, but the market impact of the Trump/Powell saga in recent weeks appeared to have been watered down by the view of various market participants that further Fed rate cuts were needed as well as by the perception that checks and measures would prevent a 'yes' man from taking control over Fed decisions anyway. The CPI inflation report underpinned Powell's view that the Fed should wait for more information before acting and countered Trump's call for immediate rate cuts, which highlighted the dangers of any compromise of Fed independence.

UK PM Starmer made a dramatic attempt to restore control over the Labour party yesterday after last week's refusal by MPs to accept welfare reform. Four Labour MPs were suspended, and three others have been stripped of their trade envoy roles. The Chancellor had hoped to save GBP5 bln from the welfare bill. The absence of these savings means that UK tax hikes in the autumn budget now look likely instead. The three MPs who have had the whip removed can sit as independents in the House of Commons.

Germany has rejected the EU's proposed EUR2 trn draft budget, arguing that a substantial increase is unacceptable at a time when all member states are making efforts to consolidate national budgets. The Commission is planning to allocate up to EUR100 bln for the reconstruction of Ukraine and review its massive agricultural subsidies.

Day ahead

In the wake of this week's US price data, US retail sales will take its place in the spotlight today. The market consensus points to a small 0.1% m/m increase and 0.3% m/m for the ex-auto number following declines in both series in May. Consumer confidence indices have recovered some ground since April which should be a good omen for this release, though the June survey

numbers have been mixed. Initial jobless claims and the July Philly Fed survey are also on the calendar for today, along with another round of Fed speak.

Just as the US CPI inflation report had elevated the importance of the US PPI inflation data, yesterday's release of the stronger than expected UK CPI inflation numbers focussed attention on this morning's release of UK labour data. BoE Governor Bailey had indicated at the weekend that UK rate cuts were contingent on the slack in the labour market. He was also reported as stating that there was "consistent" evidence of businesses "adjusting employment" after Reeves hiked employers' national insurance contributions, which came into effect in April. If the labour market data demonstrates that the loosening in conditions is hastening, the inference is that Bailey will be less concerned about secondary inflationary effects since employees are likely to have less wage bargaining power. This morning's release showed a higher-than-expected UK unemployment rate at 4.7% and a 41K drop in the number of workers on payrolls. While earnings growth slowed from the previous month, it was still mostly firmer than expected with private sector earnings at 4.9% 3m y/y. Rabobank expect that the BoE will cut rates by a further 25 bps at the August 7 policy meeting.

Australian employment rose just 2K in June, compared with a consensus forecast of 20K. The data have underpinned expectations of a rate cut at the RBA's August 12 policy meeting. The market had been surprised by the absence of a rate cut on July 8.

G20 finance ministers are due to meeting in S. Africa today, though noticeably US Treasury Secretary Bessent will not be present. The absence of Bessent has triggered questions about the future direction of the group given recent disputes over issues connected with Russia's war in Ukraine and western sanctions on Moscow. The US takes the rotating presidency of the group at the end of the year amid reports that it intends to streamline its functions.

The world will continue to listen for more news from the Trump Administration regarding trade deals. Trump reported yesterday that the US is very close to an agreement with India, and possibly the EU, though he commented that it is too early to say whether a deal can be done with Canada.

[For an overview of our macro-economic and financial markets forecasts please click here.](#)

RaboResearch

Global Economics & Markets
mr.rabobank.com

Global Head

Jan Lambregts

+44 20 7664 9669
Jan.Lambregts@Rabobank.com

Macro Strategy

Global

Michael Every

Senior Macro Strategist
Michael.Every@Rabobank.com

Europe

Elwin de Groot

Head Macro Strategy
Eurozone, ECB
+31 30 712 1322
Elwin.de.Groot@Rabobank.com

Bas van Geffen

Senior Macro Strategist
ECB, Eurozone
+31 30 712 1046
Bas.van.Geffen@Rabobank.com

Stefan Koopman

Senior Macro Strategist
UK, Eurozone
+31 30 712 1328
Stefan.Koopman@Rabobank.com

Maartje Wijffelaars

Senior Economist
Italy, Spain, Eurozone
+31 88 721 8329
Maartje.Wijffelaars@Rabobank.nl

Americas

Philip Marey

Senior Macro Strategist
United States, Fed
+31 30 712 1437
Philip.Marey@Rabobank.com

Christian Lawrence

Head of Cross-Asset Strategy
Canada, Mexico
+1 212 808 6923
Christian.Lawrence@Rabobank.com

Mauricio Une

Senior Macro Strategist
Brazil, Chile, Peru
+55 11 5503 7347
Mauricio.Une@Rabobank.com

Renan Alves

Macro Strategist
Brazil
+55 11 5503 7288
Renan.Alves@Rabobank.com

Molly Schwartz

Cross-Asset Strategist
+1 516 640 7372
Molly.Schwartz@Rabobank.com

Asia, Australia & New Zealand

Teeuwe Mevissen

Senior Macro Strategist
China
+31 30 712 1509
Teeuwe.Mevissen@Rabobank.com

Benjamin Picton

Senior Macro Strategist
Australia, New Zealand
+61 2 8115 3123
Benjamin.Picton@Rabobank.com

FX Strategy

Jane Foley

Head FX Strategy

G10 FX

+44 20 7809 4776

Jane.Foley@Rabobank.com

Rates Strategy

Richard McGuire

Head Rates Strategy

+44 20 7664 9730

Richard.McGuire@Rabobank.com

Lyn Graham-Taylor

Senior Rates Strategist

+44 20 7664 9732

Lyn.Graham-Taylor@Rabobank.com

Credit Strategy & Regulation

Matt Cairns

Head Credit Strategy & Regulation

Covered Bonds, SSAs

+44 20 7664 9502

Matt.Cairns@Rabobank.com

Bas van Zanden

Senior Analyst

Pension funds, Regulation

+31 30 712 1869

Bas.van.Zanden@Rabobank.com

Cas Bonsema

Senior Analyst

Financials

+31 6 127 66 642

Cas.Bonsema@Rabobank.com

Maartje Schriever

Analyst

ABS

+31 6 251 43 873

Maartje.Schriever@Rabobank.com

Agri Commodity Markets

Carlos Mera

Head of ACMR

+44 20 7664 9512

Carlos.Mera@Rabobank.com

Charles Hart

Senior Commodity Analyst

+44 20 7809 4245

Charles.Hart@Rabobank.com

Oran van Dort

Commodity Analyst

+31 6 423 80 964

Oran.van.Dort@Rabobank.com

Andrick Payen

RaboResearch Analyst

+1 212 808 6808

Andrick.Payen@Rabobank.com

Energy Markets

Joe DeLaura

Senior Energy Strategist

+1 212 916 7874

Joe.DeLaura@Rabobank.com

Florence Schmit

Energy Strategist

+44 20 7809 3832

Florence.Schmit@Rabobank.com

Client coverage

Wholesale Corporate Clients

Martijn Sorber	Global Head	+31 30 712 3578	Martijn.Sorber@Rabobank.com
Hans Deusing	Europe	+31 30 216 9045	Hans.Deusing@Rabobank.com
Neil Williamson	North America	+1 212 808 6966	Neil.Williamson@Rabobank.com
Adam Vanderstelt	Australia, New Zealand	+61 2 8115 3102	Adam.Vanderstelt@rabobank.com
Ethan Sheng	Asia	+852 2103 2688	Ethan.Sheng@Rabobank.com
Ricardo Rosa	Brazil	+55 11 5503 7150	Ricardo.Rosa@Rabobank.com

Financial Institutions

Short-term Interest Rates

Marcel de Bever	Global Head	+31 30 216 9740	Marcel.de.Bever@Rabobank.com
-----------------	-------------	-----------------	------------------------------

Bonds & Interest Rate Derivatives

Henk Rozendaal	Global Head Fixed Income	+31 30 216 9423	Henk.Rozendaal@Rabobank.com
----------------	--------------------------	-----------------	-----------------------------

Solutions

Sjoerd van Peer	Global Head	+31 30 216 9072	Sjoerd.van.Peer@Rabobank.com
-----------------	-------------	-----------------	------------------------------

Relationship Management

Rogier Everwijn	Global Head	+31 30 712 2440	Rogier.Everwijn@Rabobank.com
Rob Eilering	Banks	+31 30 712 2162	Rob.Eilering@Rabobank.com
Petra Schuchard	Insurers		Petra.Schuchard@Rabobank.com
Frank Dekkers	Asset Managers		Frank.Dekkers@Rabobank.com
Javier Alvarez de Eerens	MDB	+31 30 712 1015	Javier.Alvarez@Rabobank.com
Christel Kleinhaarhuis	Fintech		Christel.Klein.Haarhuis@Rabobank.com

Capital Markets

Laura Bijl	Global Head	+31 88 726 3254	Laura.Bijl@Rabobank.com
Christopher Hartofilis	Capital Markets USA	+1 212 808 6890	Christopher.Hartofilis@Rabobank.com
Ian Baggott	Capital Markets Asia	+852 2103 2629	Ian.Baggott@Rabobank.com
Adriana Gouveia	Capital Markets Brazil	+55 11 5503 7305	Adriana.Gouveia@rabobank.com
Willem Kröner	Global Head ECM	+31 30 712 4783	Willem.Kroner@Rabobank.com
Harman Dhami	DCM Syndicate	+44 20 7664 9738	Harman.Dhami@Rabobank.com
Crispijn Kooijmans	DCM FIs & SSAs	+31 30 216 9028	Crispijn.Kooijmans@Rabobank.com
Bjorn Alink	DCM Securitisation & Covered Bonds	+31 30 216 9393	Bjorn.Alink@Rabobank.com
Othmar ter Waarbeek	DCM Corporate Bonds	+31 30 216 9022	Othmar.ter.Waarbeek@Rabobank.com
Joris Reijnders	DCM Corporate Loans	+31 30 216 9510	Joris.Reijnders@Rabobank.com
Brian Percival	DCM Leveraged Finance	+44 20 7809 3156	Brian.Percival@Rabobank.com

Disclaimer

Non-Independent Research

This document is issued by Coöperatieve Rabobank U.A. incorporated in the Netherlands, trading as "Rabobank" ("Rabobank") a cooperative with excluded liability. The liability of its members is limited. Authorised by De Nederlandsche Bank in the Netherlands and regulated by the Autoriteit Financiële Markten. Rabobank London Branch (RL) is authorised by De Nederlandsche Bank, the Netherlands and the Prudential Regulation Authority, and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Further details are available on request. RL is registered in England and Wales under Company no. FC 11780 and under Branch No. BR002630. This document is directed exclusively to Eligible Counterparties and Professional Clients. It is not directed at Retail Clients.

This document does not purport to be impartial research and has not been prepared in accordance with legal requirements designed to promote the independence of Investment Research and is not subject to any prohibition on dealing ahead of the dissemination of Investment Research. This document does NOT purport to be an impartial assessment of the value or prospects of its subject matter and it must not be relied upon by any recipient as an impartial assessment of the value or prospects of its subject matter. No reliance may be placed by a recipient on any representations or statements made outside this document (oral or written) by any person which state or imply (or may be reasonably viewed as stating or implying) any such impartiality.

This document is for information purposes only and is not, and should not be construed as, an offer or a commitment by RL or any of its affiliates to enter into a transaction. This document does not constitute investment advice and nor is any information provided intended to offer sufficient information such that is should be relied upon for the purposes of making a decision in relation to whether to acquire any financial products. The information and opinions contained in this document have been compiled or arrived at from sources believed to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness.

The information contained in this document is not to be relied upon by the recipient as authoritative or taken in substitution for the exercise of judgement by any recipient. Any opinions, forecasts or estimates herein constitute a judgement of RL as at the date of this document, and there can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. All opinions expressed in this document are subject to change without notice.

To the extent permitted by law, neither RL, nor other legal entities in the group to which it belongs accept any liability whatsoever for any direct or consequential loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

Insofar as permitted by applicable laws and regulations, RL or other legal entities in the group to which it belongs, their directors, officers and/or employees may have had or have a long or short position or act as a market maker and may have traded or acted as principal in the securities described within this document (or related investments) or may otherwise have conflicting interests. This may include hedging transactions carried out by RL or other legal entities in the group, and such hedging transactions may affect the value and/or liquidity of the securities described in this document. Further it may have or have had a relationship with or may provide or have provided corporate finance or other services to companies whose securities (or related investments) are described in this document. Further, internal and external publications may have been issued prior to this publication where strategies may conflict according to market conditions at the time of each publication.

This document may not be reproduced, distributed or published, in whole or in part, for any purpose, except with the prior written consent of RL. By accepting this document you agree to be bound by the foregoing restrictions. The distribution of this document in other jurisdictions may be restricted by law and recipients of this document should inform themselves about, and observe any such restrictions.

A summary of the methodology can be found on our [website](#)

© Rabobank London, 60 London Wall, London, EC2M 5AA +44(0) 207 809 3000