s 22

Subject: s 47F
Location: s 22

Start: Mon 17/08/2026 5:00 PM
End: Mon 17/08/2026 5:00 PM

Recurrence: (none)

s 22

Subject: Macquarie

Start: Wed 24/06/2026 12:30 PM
End: Wed 24/06/2026 1:00 PM

Recurrence: (none)

Organizer: s 22

s 22 , head of GR at Macquarie

s 22

From: s 47F (FPE) s 47F @macquarie.com>
Sent: Friday, 10 July 2026 11:25 AM
To: s 22
Subject: Macquarie Mid-Year Economic Insights
Attachments: MidYearEconomicandMarketOutlookAfterthewar20260624.pdf

Hi s 22 ,

You may be interested in our Chief Economist s 22 mid-year economic insights.

A bit of Friday afternoon reading for you.

s 47F

MACQUARIE

s 47F | Senior Manager, Government Relations
Corporate Affairs | Macquarie Group Limited
Level 12, 1 Elizabeth Street, Sydney NSW 2000 Australia
M s 47F | s 47F @macquarie.com

Strategists
Global

s 22 [redacted]

Mid-Year Economic and Market Outlook

After the war...

When we last updated our forecasts three months ago, we noted that the global economic outlook was highly contingent on the duration of the closure of the Strait of Hormuz. Rather than the normal point forecast, we outlined two scenarios: under the first, the war ended quickly, with little economic damage, while under the second the conflict continued through to the end of June, oil prices went to ~$200 and global growth slowed materially.

With the war now seemingly over, and the Strait reopening, the starting point for our new forecasts is somewhere between those two scenarios, with the duration of the war more like scenario 2, but the impact on oil markets and the economy much more like that envisaged in scenario 1.

- Consistent with the pattern over the past decade, the global economy has remained relatively resilient, with oil inventories and AI spending the shock absorbers this time around.
- Nonetheless, global growth looks to have slowed modestly, from ~2½% saar in Q1 to a soggy ~2% saar in Q2.

With oil prices likely to soon fall back to pre-war levels (currently only ~10% higher), and AI spending growing rapidly, we expect global growth to speed up again over the coming year.

- The US is the centre of the AI boom, and is likely to lead the rebound as investment growth broadens beyond AI.
- Chinese growth has fallen below the Government's target despite rapid export growth, with the authorities now likely to boost domestic demand.
- European growth is likely to gradually recover, notwithstanding the ECB's recent rate hike.
- Australian growth is likely to remain soggy for a time, as the impact of recent rate hikes and the Budget weigh on the housing market. However, we suspect the RBA has completed its hiking cycle, with growth likely to rebound into 2027.

The risks to global growth look balanced. In the near term there is a risk that the "deal" unwinds, however if that happens the impact is again likely to be short-lived. Longer term, it is possible that spending broadens more quickly than we expect, resulting in stronger aggregate growth.

The ECB may hike once more, with the Fed following later in the year. However, with oil prices likely to fall to something like $69 by Q4, we expect fine-tuning rather than another significant hiking cycle. Base metal prices are likely to remain elevated as industrial production growth strengthens, while the dollar is likely to resume its decline.

Authors

Macquarie Securities (Australia) Limited

s 22 s 22
s 22 @macquarie.com
s 22 s 22
s 22 @macquarie.com
s 22 s 22
s 22 @macquarie.com
s 22 s 22
s 22 @macquarie.com
s 22 s 22
s 22 @macquarie.com

Macquarie Futures USA LLC

s 22 s 22
s 22 @macquarie.com

Macquarie Bank Limited London Branch

s 22 s 22
s 22 @macquarie.com
s 22 s 22
s 22 @macquarie.com
s 22 s 22
s 22 @macquarie.com
s 22 s 22
s 22 @macquarie.com

Macquarie Energy Canada Ltd.

s 22 s 22
s 22 @macquarie.com
s 22 s 22
s 22 @macquarie.com

Macquarie International Services Limited

s 22 s 22
s 22 @macquarie.com
s 22 s 22
s 22 @macquarie.com

Macquarie Commodities Trading (Shanghai) Co. Ltd

s 22 s 22
s 22 @macquarie.com
s 22 s 22
s 22 @macquarie.com

Macquarie Bank Limited Singapore Branch

s 22 s 22
s 22 @macquarie.com
Florence Sun s 22
s 22 @macquarie.com

Macquarie Bank Limited, Representative Office

s 22 s 22
s 22 @macquarie.com
s 22 s 22
s 22 @macquarie.com
s 22 s 22
s 22 @macquarie.com

Macquarie Global Services Private Limited

s 22 s 22
s 22 @macquarie.com

Contents

s 22
s 22
s 22 @macquarie.com
s 22
s 22
s 22 @macquarie.com
s 22
s 22
s 22 @macquarie.com
s 22
s 22
s 22 @macquarie.com

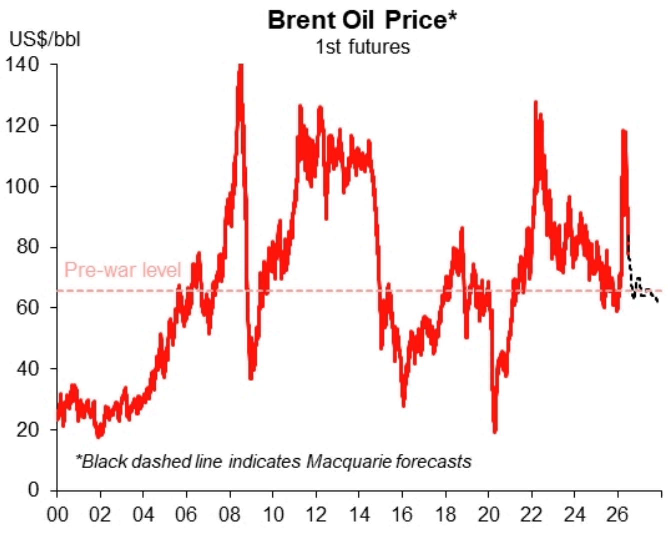
Global economic outlook: After the war...

When we last updated our forecasts three months ago, the global economic outlook was highly contingent on the duration of the closure of the Strait of Hormuz. Given elevated uncertainty, rather than the normal point forecast, we outlined two scenarios.

- Under the first, the war ended quickly, with little economic damage.
- Under the second, the conflict continued through to the end of June, oil prices went to $200 and global growth slowed materially, albeit still narrowly avoiding a global recession.

With the war now seemingly over, and the Strait reopening, it looks like the starting point for our new forecasts is somewhere between those two scenarios, with the duration of the war more like scenario 2, but the impact on oil markets and the economy much more like that envisaged in scenario 1.

Figure 1 - Oil prices look set to return to pre-war levels



Source: Bloomberg, Macrobond, Macquarie Macro Strategy

Figure 2 - Global growth slowed a bit in q2, but is likely to recover thereafter as the impact of the US-Iran war fades

Source: Macrobond, Macquarie Macro Strategy

Global growth looks to have slowed a bit (from ~2½% saar in Q1 to a soggy ~2% saar in Q2). However, consistent with the pattern over the past decade, the recent experience has strengthened our conviction that the global economy is very resilient, with oil inventories and AI spending the shock absorbers this time around.

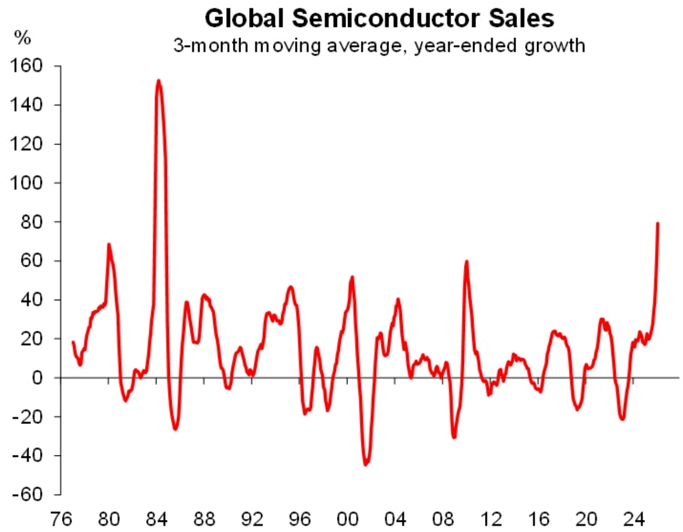
With oil prices likely to soon fall back to pre-war levels (currently only ~10% higher), and AI spending growing rapidly, we expect global growth to speed up again over the coming year, with GDP expanding by an above-average 3% over the year to 2027Q4.

The risks to growth look balanced. On the downside, there is still a risk that the current ceasefire proves fleeting. On the upside, the AI boom may broaden to other sectors, as productivity growth strengthens.

Figure 3 - Gobal trade has grown strongly over the past year despite the US imposing punitive "Liberation Day" tariffs...

Source: Macrobond, Macquarie Macro Strategy

Figure 4 - ...with AI-related tech demand driving growth



Source: Macrobond, Macquarie Macro Strategy

US resilience but no boom (yet)...

The US looks to have weathered the impacts of higher oil prices well with the economy even picking up steam in Q2.

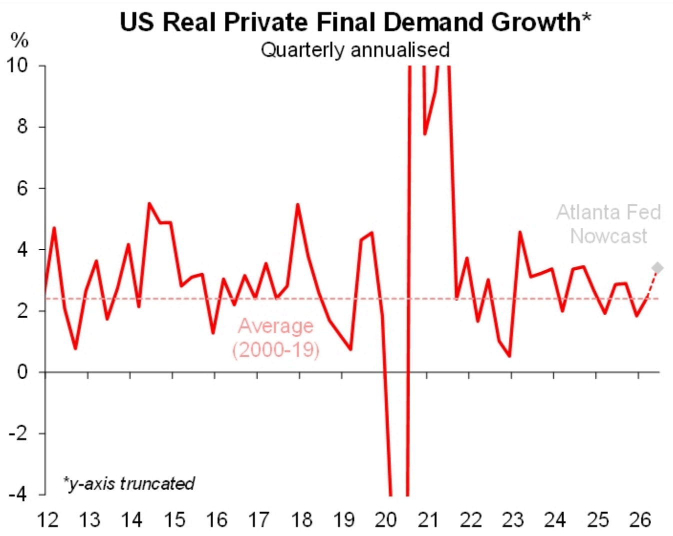
- Real consumption growth has remained solid in spite of the headwinds for real disposable income growth flowing elevated gasoline prices.
- Tech-related capital expenditures have been a continued source of strength.

In 2026H2, we anticipate a modest pickup as fixed business investment strength broadens and there are ongoing real consumption gains, fuelled in part by continued labour market improvement.

Over 2027, we anticipate continued expansion amid structural resilience. With many of the cyclical components of the economy subdued, further declines are more challenging.

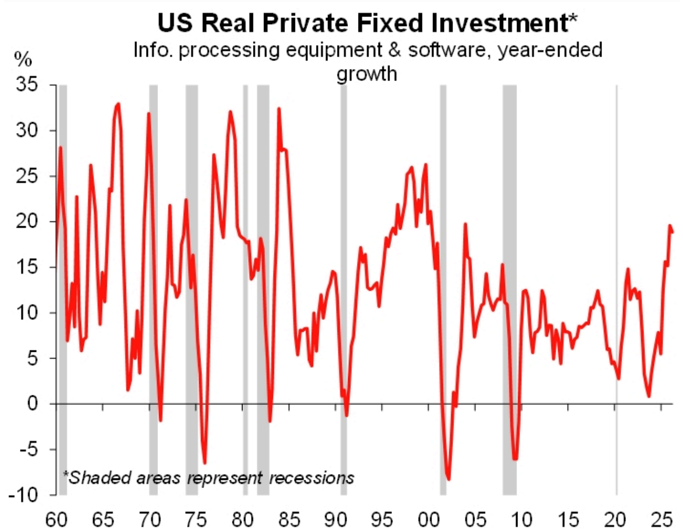
- Tech-related investment is a key risk given how stretched it has become relative to GDP.

Figure 5 - US real private demand remains resilient



Source: Macrobond, Macquarie Macro Strategy

Figure 6 - IT investment is now growing the fastest since the tech boom of the late 1990s



Source: Macrobond, Macquarie Macro Strategy

Policy support coming in China

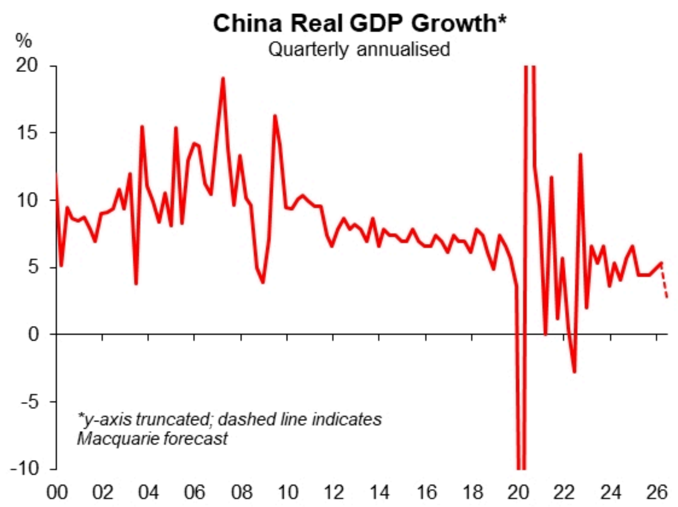
China's growth momentum has slowed sharply in recent months. We expect real GDP growth to ease from 5.0% y/y in Q1 to 4.4% y/y in Q2. However, mainly due to higher oil prices, nominal GDP growth likely accelerated from 4.9% y/y in Q1 to 6.6% y/y in Q2, ending 12 consecutive quarters of GDP deflation.

The two-speed growth pattern has become extreme.

- Already strong exports have been further reinforced by the AI capex boom. Headline exports rose 16% y/y in Jan-May this year, with a 35% y/y surge in high-tech shipments.
- On the other hand, domestic demand has weakened due to a lack of policy supports. Retail sales grew by just 1% y/y in the first five months of 2026, while new home sales by floor space fell 11% y/y.

Looking ahead, the Politburo meeting in July will likely turn more supportive given the sharp slowdown in Q2, after sounding less dovish in April. As a result, growth could accelerate again from Q2 to H2, so that policymakers achieve this year's growth target of 4.5-5%.

Figure 7 - The latest activity data suggest Chinese growth slowed noticeably in Q2...



Source: Macrobond, Macquarie Macro Strategy

Figure 8 - ....with weak domestic demand offsetting strong exports

Source: Macrobond, Macquarie Macro Strategy

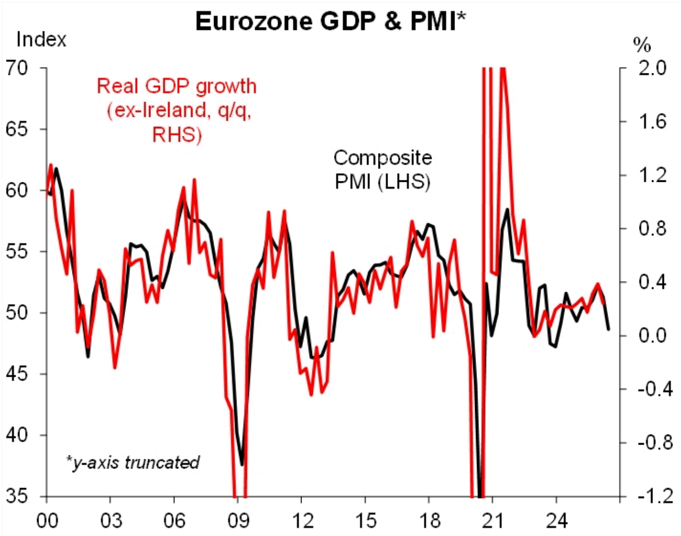
Eurozone to gradually recover from oil shock

The Eurozone economy has shown signs of slowing in Q2 in response to the Middle East conflict and higher energy prices, reflecting its position as a net energy importer and as consumers have pulled back spending growth. Soft growth is also consistent with other factors.

- Competitive pressures from China continue to constrain growth in manufacturing and exports.
- Tech investment is not providing the same boost to growth as it is in the US, China and some other Asian economies.

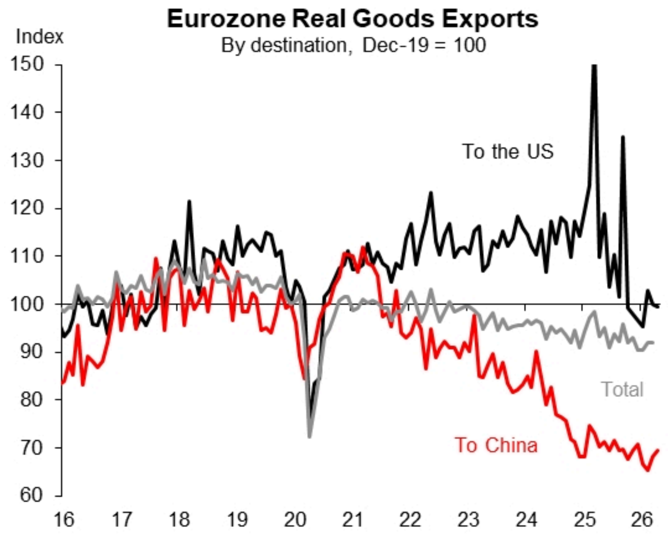
With oil prices coming down from recent highs, and our expectation of further falls, we should start to see some recovery in growth over the remainder of the year. However, the spike in inflation in Q2 and higher interest rates is likely to see below-trend growth in 2026. Growth in 2027 is likely to return to trend.

Figure 9 - Gulf War 3 has weighed on the Eurozone's recovery...



Source: Macrobond, Macquarie Macro Strategy

Figure 10 - ...while competitive pressures from China continue to constrain the manufacturing sector



Source: Macrobond, Macquarie Macro Strategy

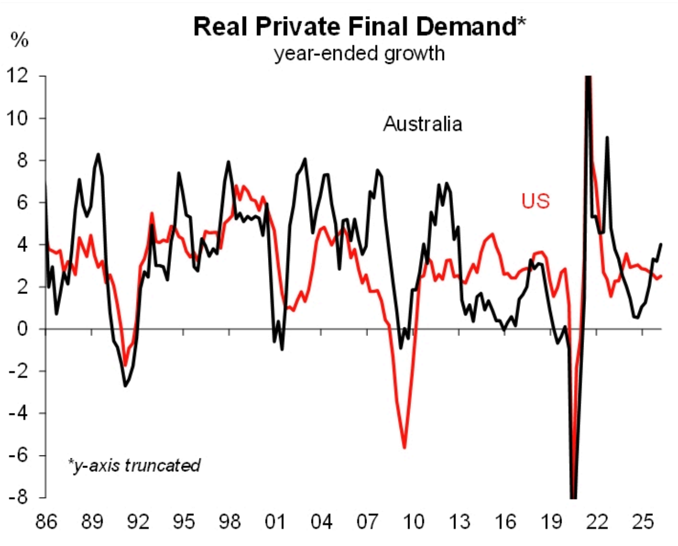
Australia's growth outlook soggy

The Australian economy performed well over the year to Q1 2026, with GDP growth of 2.5%, which was faster than in most other advanced economies. However, the outlook has softened.

- Inflation has reared its head again, reflecting capacity constraints in the economy as well as the Middle East conflict shock.
  - ⇒ The RBA has responded swiftly, with 75bps of hikes (to 4.35%) between February and May (in line with the recent peak in 2023-24).
- Rate hikes, as well as Budget tax policy changes, will see housing activity weigh on growth. Indeed, housing prices and turnover have already started to fall.
- Strong AI-related investment (data centres and software) is likely to remain a bright spot. However, the high import content of this investment limits the direct benefit to the economy.

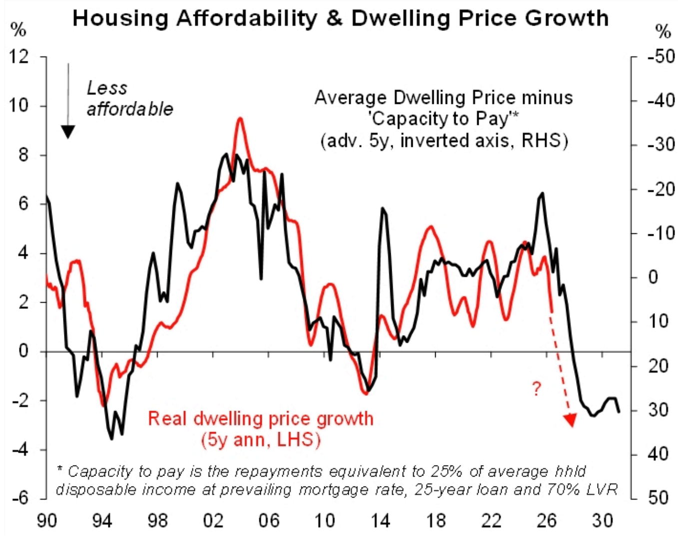
Lower energy prices and easing inflation should support a gradual recovery into 2027. However, growth may remain below average next year as the RBA keeps monetary policy somewhat restrictive in order to ensure inflation makes its way back to the 2.5% target band midpoint.

Figure 11 - Australian private demand growth over the year to Q1 was among the fastest in the advanced world...



Source: Macrobond, Macquarie Macro Strategy

Figure 12 - However, the outlook is now softer, following rate hikes and housing tax policy changes. Housing activity and prices are set to weaken



Source: Macrobond, Macquarie Macro Strategy

Rates

Up until the beginning of the war, the FOMC had guided the market toward rate cuts later this year. However, consistent with our long held view, bond markets are now expecting a hike later this year. The exact timing is uncertain and will hinge on incoming data, however we anticipate a 25bps hike in 2026Q4, with another 25bps hike in 2027Q1.

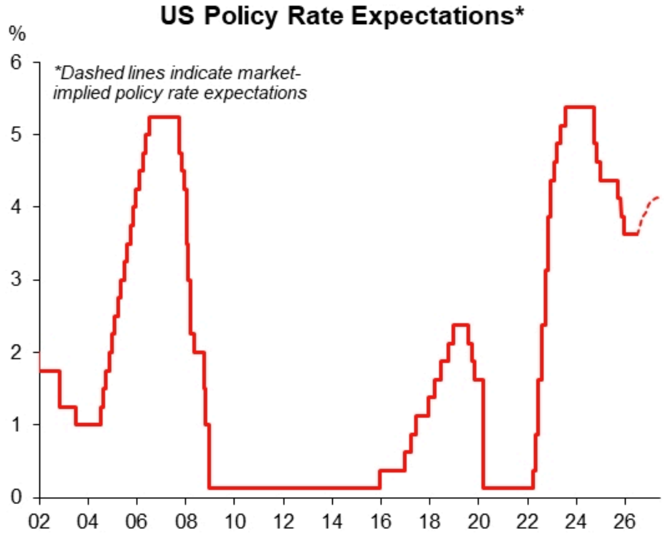
With oil prices seemingly headed back to pre-war levels, we see this as fine-tuning rather than the beginning of another significant tightening cycle: we suspect the neutral rate has returned to the ~4% level that prevailed before the Great Recession.

Long yields in the US have trended upwards with the 10-year Treasury yield resting at around 4.50% at present. With economic momentum growing in H2 of this year we suspect the 10-year will rise further to 5.0% by year-end. In 2027, we anticipate the 10-year to trend back down to 4.5% as the Fed's rate hikes contribute to a modest slowing in activity and inflation subsides somewhat.

The ECB's recent 25bps hike to 2.25% reflected an effort to get ahead of rising inflation expectations and second-round effects from higher oil prices. While core inflation may be slow to return to the ECB's 2% target, with oil prices lower and growth to remain soft this year, we think the ECB may hike only once more to 2.50% (with September the most likely timing). This would leave rates around the top end of the ECB's view of the neutral range. Long-term German yields are currently around 2.95%. There may be some upward pressure to 3.25% from higher US yields in H2, with yields edging back under 3% in 2027.

The RBA is on pause for now, as it assesses the impact of past monetary tightening, the housing investor tax changes and oil market developments. Our base case is that the RBA has finished its tightening cycle and could maintain its policy rate at 4.35% through to end 2027 (with risks skewed towards another hike this year). The steady policy rate outlook (reflecting a 'higher-for-longer' view) and higher US yields should keep 10-year Australian government bond yields elevated. We see yields remaining around the recent range of 4.80-5.10%.

Figure 13 - With inflation still well above target, the market thinks the next Fed move will be up



Source: Macrobond, Bloomberg, Macquarie Macro Strategy

Figure 14 - Bond markets have "normalised" after a period of historically low rates

Source: Macrobond, Macquarie Macro Strategy

Commodities

In the face of the largest oil supply disruption in modern history, commodities have navigated 2026 with surprising composure so far. This has not been without a very intensive daily news cycle and volatility.

- The oil market's resilience has rested on entering the conflict with excess supply and substantial reserves, supplemented by demand suppression, stockpile releases and refinery flexibility.

Our biggest call for 2026Q3 is that oil normalises far more quickly than the consensus expects, with the new trade routes and diversions established during the conflict leaving the supply chain even more flexible than before.

- That said, calmness is not the same as clarity. Dislocation between physical reality and prices persist. Moreover, our ability to monitor available supply has been hampered by ships going dark as well as inventory being tied up in ETFs or stockpiled ahead of expected tariffs.

Across other commodities there is little that is too far out of place, though smaller markets such as sulphur and LNG will take longer to settle. Our precious metals forecasts are broadly unchanged while copper has been revised higher, reflecting the gap between abundant inventory and AI driven demand.

The conditions for surprises over H2 of the year remain: reserves and market flexibility have been drawn down, the geopolitical risks have not gone away, and the market feels battered and bruised. One of the longer term scars of this conflict, gained at some cost, will be a greater focus on resilience and flexibility in supply chains. Longer term, this may actually exacerbate the oversupply in some markets.

FX

The Fed turned hawkish within 24 hours of the diplomatic breakthrough that re-opened Hormuz, causing two distinct directional drivers (the former USD-bullish, the latter USD-bearish) to mostly cancel each other out.

For now, the Fed dimension has a slight upper hand in dictating the US dollar price action. But with two Fed rate hikes fully priced in by January 2027, further oil price declines from here should eventually win out and push the dollar lower overall.

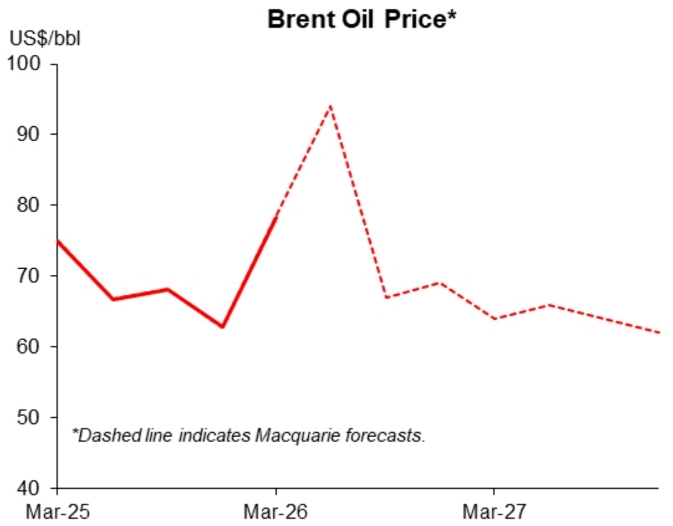
The currencies of Asia-Pacific have most to gain from an eventual return to pre-war global energy flows, as economic dependence on Middle Eastern oil had left them exposed.

Ongoing structural CNY appreciation should contribute to this weaker dollar process too, with a possible repatriation-driven yen rebound playing a wildcard supporting role.

But the approaching Presidential election in France and the UK's own political drama mean both the euro and sterling are compromised — and without the euro's participation in it, any broad US dollar weakness ahead should be mild.

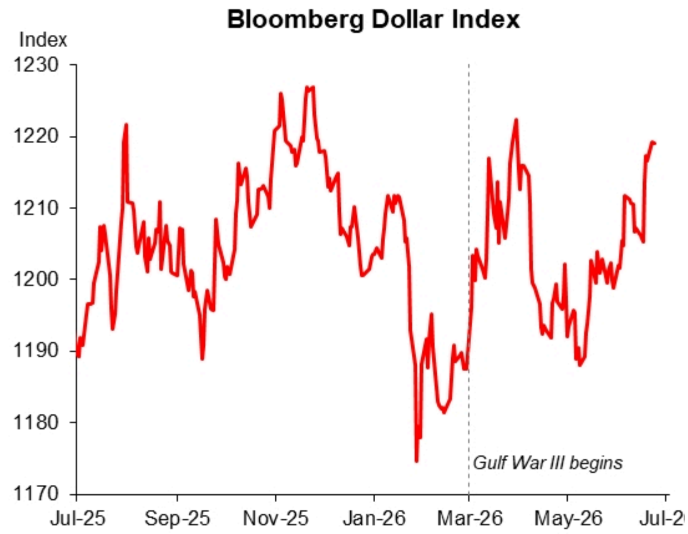
The US being at the epi-centre of the AI-driven tech boom means foreign inflows into US equity markets should also limit the scope for US dollar weakness ahead.

Figure 15 - We expect oil to normalise quickly over the rest of the year



Source: Bloomberg, Macrobond, Macquarie Macro Strategy

Figure 16 - Further oil price declines from here should also push the dollar lower



Source: Bloomberg, Macquarie Macro Strategy

Table 1 - GDP growth forecasts (forecasts shaded)

	Quarterly								
GDP, QoQ	**Q4-2025**	**Q1-2026**	**Q2-2026**	**Q3-2026**	**Q4-2026**	**Q1-2027**	**Q2-2027**	**Q3-2027**	**Q4-2027**
US	0.1	0.4	0.6	0.7	0.7	0.7	0.7	0.6	0.6
China	1.2	1.3	0.7	1.3	1.3	1.2	1.0	1.0	1.1
Eurozone	0.2	(0.2)	0.2	0.2	0.3	0.4	0.4	0.4	0.4
Japan	0.2	0.5	0.2	0.0	0.2	0.2	0.3	0.1	0.2
UK	0.2	0.6	0.1	0.1	0.2	0.3	0.3	0.3	0.3
Canada	(0.2)	(0.0)	0.5	0.6	0.6	0.6	0.6	0.5	0.5
Australia	0.9	0.3	0.4	0.3	0.3	0.3	0.4	0.5	0.5
New Zealand	0.5	0.8	0.2	0.4	0.6	0.7	0.7	0.8	0.8
Global (MER)	0.6	0.6	0.5	0.7	0.8	0.8	0.7	0.7	0.7
Global (PPP)	0.8	0.8	0.6	0.8	0.9	0.9	0.8	0.8	0.9

										Annual*		
GDP, YoY	**Q4-2025**	**Q1-2026**	**Q2-2026**	**Q3-2026**	**Q4-2026**	**Q1-2027**	**Q2-2027**	**Q3-2027**	**Q4-2027**	**2025**	**2026**	**2027**
US	2.0	2.6	2.2	1.8	2.5	2.8	2.8	2.8	2.6	2.1	2.3	2.8
China	4.5	5.0	4.4	4.7	4.8	4.7	4.8	4.4	4.2	4.9	4.7	4.5
Eurozone	1.2	0.3	0.4	0.3	0.5	1.1	1.3	1.5	1.6	1.5	0.4	1.4
Japan	0.4	0.3	0.2	0.8	0.8	0.6	0.7	0.8	0.8	1.1	0.6	0.7
UK	1.0	1.1	1.1	1.1	1.1	0.8	0.9	1.1	1.2	1.4	1.1	1.0
Canada	0.7	(0.1)	0.7	0.8	1.7	2.4	2.5	2.4	2.3	1.9	0.8	2.4
Australia	2.5	2.5	2.0	2.0	1.3	1.4	1.3	1.5	1.7	2.0	1.9	1.5
New Zealand	1.5	1.5	2.4	1.9	2.0	1.9	2.4	2.8	3.0	0.2	1.9	2.6
Global (MER)	2.7	2.8	2.5	2.4	2.6	2.8	3.0	3.1	3.0	2.9	2.6	3.0
Global (PPP)	3.4	3.4	3.1	2.9	3.1	3.2	3.5	3.5	3.5	3.5	3.1	3.4

Source: National sources, Macrobond, Macquarie Macro Strategy

**Year-average*

David Doyle
s 22
s 22 @macquarie.com

Chinara Azizova
s 22
s 22 @macquarie.com

United States: Strength ahead

The US has weathered the impacts of higher oil prices well with the economy appearing to pick up steam in recent months.

- Q2 real GDP still appears to be on firm footing with the FRB Atlanta tracking estimate at 3.0%.
- The ISM Manufacturing PMI has turned further upwards into expansionary territory with ongoing strength in new orders.
- Same store sales growth has accelerated in recent months with readings suggesting gains in the 9-10% range.
- Payrolls growth has improved sharply with solid detail suggesting clear improvement in the labour market.

With tensions in the Middle East subsiding and oil prices falling over the past month, we anticipate improving growth in coming quarters.

- The decline in the oil price should free up consumer disposable incomes and push real wage growth back into positive territory in 2H26.
- The labour market has now clearly improved with the trend pace of payrolls growth accelerating in recent months.
- A reduction in uncertainty on the outlook should provide a boost to both consumption and fixed business investment.
- Tech investment is likely to remain strong, including that allocated to software, information processing equipment, and data centre structures.
- Housing activity may stabilise or even improve slightly after being a drag for most of the past two years.

Structural resilience remains a key theme to the outlook with many of the cyclical components of GDP still depressed relative to their historical norms.

- This creates upside risks to growth as it suggests room from these areas to contribute disproportionately to growth.
- It also helps to guard against the risk of a potential downturn. Given that these components are historically low, it is difficult (although not impossible) for them to fall significantly further.
- One notable exception to this theme is the potential for the tech investment impulse to stall out or reverse. This has become stretched relative to GDP suggesting there is potential downside should capex plans begin to moderate.

Table 2 - United States economic forecasts (forecasts shaded)

		Quarterly									Annual*		
		Q4-2025	Q1-2026	Q2-2026	Q3-2026	Q4-2026	Q1-2027	Q2-2027	Q3-2027	Q4-2027	2025	2026	2027
GDP	q/q saar	0.5	1.6	2.5	2.7	3.0	3.0	2.7	2.5	2.3			
	y/y	2.0	2.6	2.2	1.8	2.5	2.8	2.8	2.8	2.6	2.1	2.3	2.8
PCE	q/q saar	2.9	4.6	4.8	(0.2)	2.3	1.9	2.6	2.3	2.2			
	y/y	2.8	3.1	3.7	3.0	2.8	2.2	1.7	2.3	2.3	2.6	2.8	2.3
Core PCE	q/q saar	2.7	4.4	3.6	2.3	2.1	2.4	2.5	2.5	2.5			
	y/y	2.9	3.1	3.4	3.2	3.1	2.6	2.3	2.4	2.5	2.8	3.1	2.5
Unemployment rate	%	4.4	4.3	4.3	4.2	4.1	4.0	3.9	3.8	3.8	4.4	4.1	3.9
EUR USD		1.17	1.15	1.15	1.15	1.14	1.12	1.14	1.15	1.15	1.17	1.14	1.14
Policy rate**	%	3.63	3.63	3.63	3.63	3.88	4.13	4.13	4.13	4.13	3.63	3.88	4.13
2-yr yield	%	3.47	3.79	4.15	4.25	4.30	4.35	4.35	4.35	4.35	3.47	4.30	4.35
10-yr yield	%	4.18	4.30	4.50	4.75	5.00	5.00	4.75	4.50	4.50	4.18	5.00	4.50

Source: National sources, Macrobond, Macquarie Macro Strategy

**Year-average for GDP and CPI; year-ended for FX, rates and unemployment **Fed funds rate mid-point*

Relief ahead for real disposable income

Underlying consumption trends have remained solid in recent months.

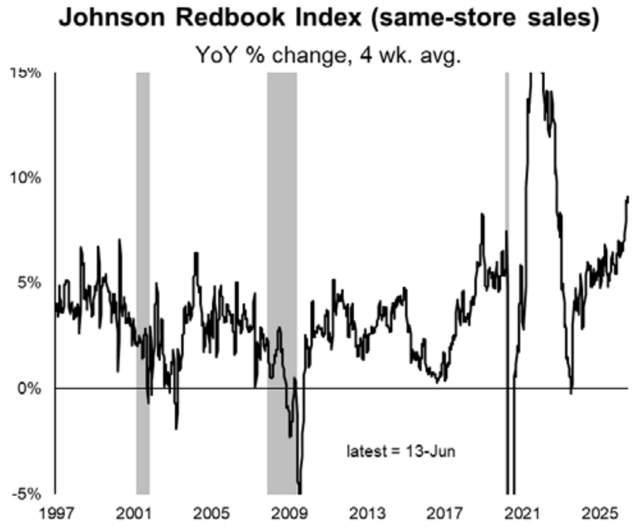
- Same store sales growth has accelerated into the 9-10% y/y range.
- Retail sales growth has also accelerated, although the magnitude has been more subdued, with growth ~4-5% y/y.
- Nominal personal consumption growth has been robust at nearly 6% y/y, although real consumption growth has been a more subdued ~2%.

The upbeat numbers have occurred despite increasing pressure on real disposable income growth (and wages) due to elevated inflation readings driven by the gasoline price. Instead, spending has been supported by falling savings rate, asset price gains, a pick-up in consumer credit growth and tax refund checks that flowed from the One Big Beautiful Bill Act (OBBBA).

We anticipate solid real spending growth to continue through this year.

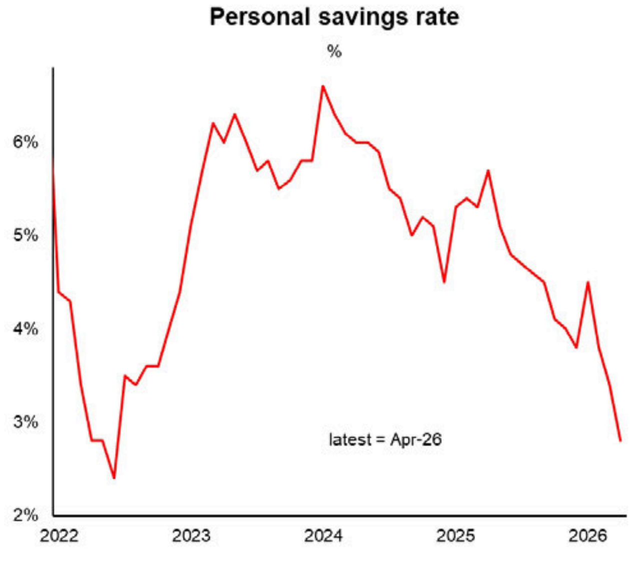
- Employment growth has been picking up providing a boost to aggregate nominal income growth.
- The gasoline price has been trending lower in June, with further relief ahead given the US-Iran agreement.
- Should these trends sustain, it should provide a boost to real disposable income through the end of the year.

Figure 17 - Same-store sales growth has accelerated in recent months, suggesting firm nominal spending growth



Source: Macrobond, Macquarie Macro Strategy

Figure 18 - Consumption has held up despite the gasoline price spike, in part because of a decline in the personal savings rate



Source: Macrobond, Macquarie Macro Strategy

Housing trending sideways at subdued levels

Housing has remained subdued. Residential investment has been a headwind to real GDP for seven of the last eight quarters, contracting by ~6% over this time period and down nearly 18% from its peak in 2021Q1.

- Much of the recent weakness has come from single family structures.
- Ownership transfer costs have remained subdued reflecting low home sales volumes.

While recent data have pointed towards some potential improvement in single family starts, we suspect overall housing is likely to remain soft and anticipate a neutral contribution to the growth outlook ahead. Headwinds remain from structural challenges.

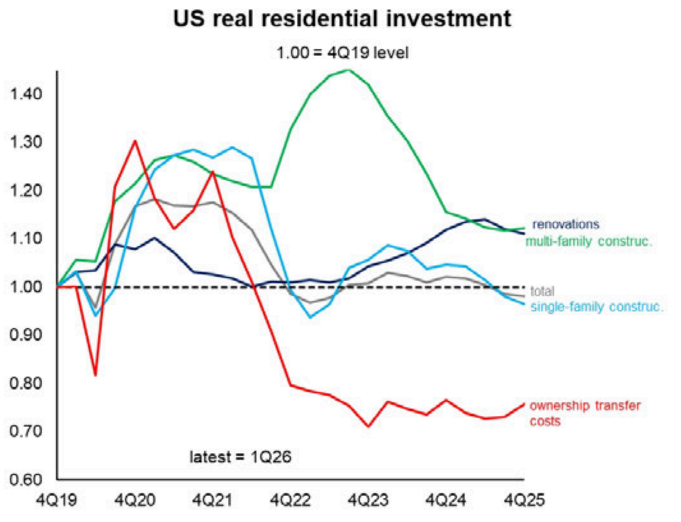
- Despite some improvement since 2022–24, affordability remains stretched from both a down payment and a monthly repayment perspective. This has worsened somewhat since the oil price spike as mortgage rates have backed up by ~50bps.

- The shift in immigration policy has led to a slowdown in household formation growth. This is constraining housing demand growth.

Despite these headwinds, housing is unlikely to be the source of economic weakness ahead. This is because cyclical areas are already depressed, making it a challenge to see them falling substantially further.

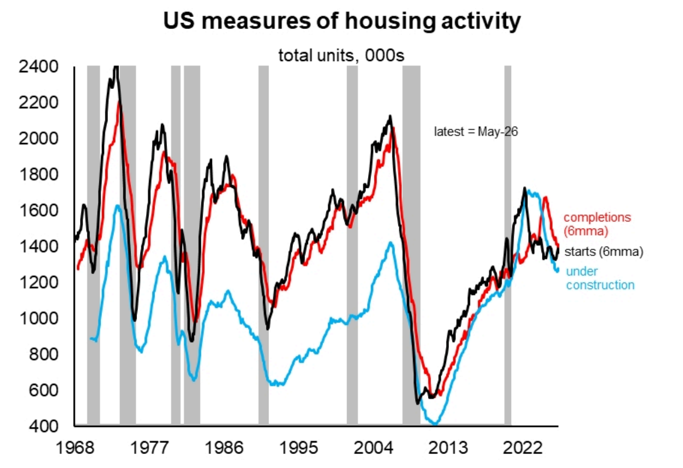
- Single family residential investment has fallen more than 25% from its peak and is now one standard deviation lower as a share of GDP compared to its history.
- Total home sales as a share of the working age population continues to trend sideways at levels near all-time lows that occurred post the 2008 financial crisis.

Figure 19 - Real residential investment has now contracted for the 7 out of last 8 quarters, but appears likely to be stabilize ahead



Source: Macrobond, Macquarie Macro Strategy

Figure 20 - The number of housing starts have risen in recent months, while housing completions has fallen, suggesting some stability in units under construction ahead



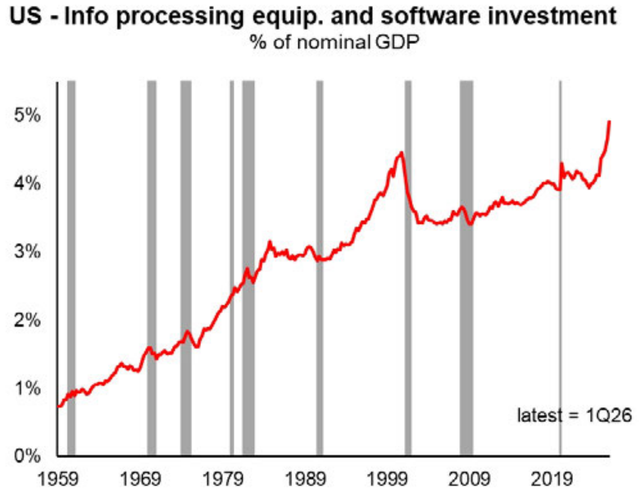
Source: Macrobond, Macquarie Macro Strategy

The tech investment boom persists

Fixed business investment has been a source of strength in the US economy in recent quarters (up 5.7% y/y in Q1), and is likely to remain so ahead. Much of this has come from the AI investment build out with software, information processing equipment, and data centres all showing persistent strength.

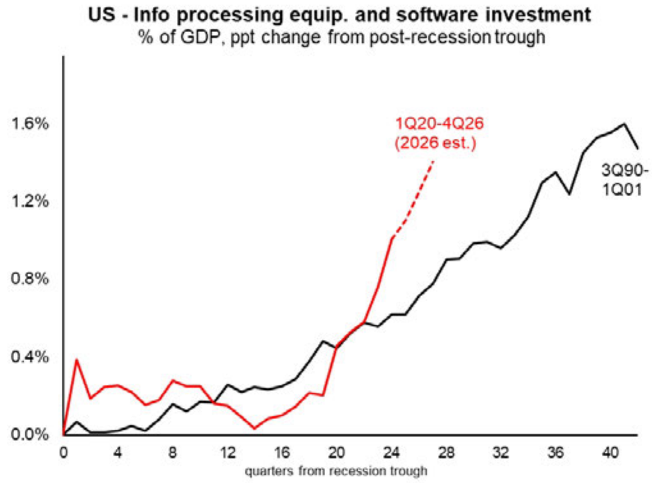
Looking ahead, we anticipate continued investment strength thanks to easing trade policy uncertainty, OBBBA immediate expensing provisions, tax refunds as well as the continued tech investment boom.

Figure 21 - Information processing equipment and software investment as a share of GDP has increased sharply in recent quarters



Source: Macrobond, Macqaurie Macro Strategy

Figure 22 - The increase in tech-related investment is now well above the levels that occured in 1990's



Source: Macrobond, Macquaire Macro Strategy

Labor market improvement is likely to persist

Recent data have suggested broadening evidence of improvement in labor market activity.

- Non-farm payrolls have seen solid gains for three consecutive months
- Job openings are now rising on a year-on-year basis.
- Leading indicators suggest the upturn should persist.
- Both initial and continuing claims data indicate that layoffs remain low.

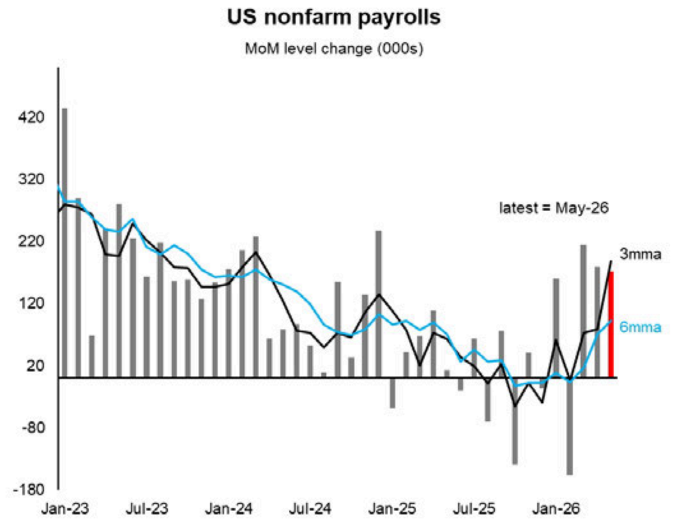
While the unemployment rate remains at 4.3%, our sense is this should decline ahead driven by further months of steady job gains.

- The decline in unemployment may be amplified by low labour force growth that could see this fall more rapidly than otherwise.

In some areas of the labour market there are already clear signs of a reduction in slack.

- The employment to population ratio for those of core working age remains near multi-decade highs.
- The unemployment rate amongst those with a bachelor's degree or higher has been falling year-to-date.

Figure 23 - Nonfarm payrolls has seen solid gains over the past three months following a period of weakness



Source: Macrobond, Macquarie Macro Strategy

Figure 24 - The unemployment rate stands at 4.3% and may be poised to fall in the months ahead

Source: Macrobond, Macquarie Macro Strategy

Inflation to remain elevated, despite near-term relief

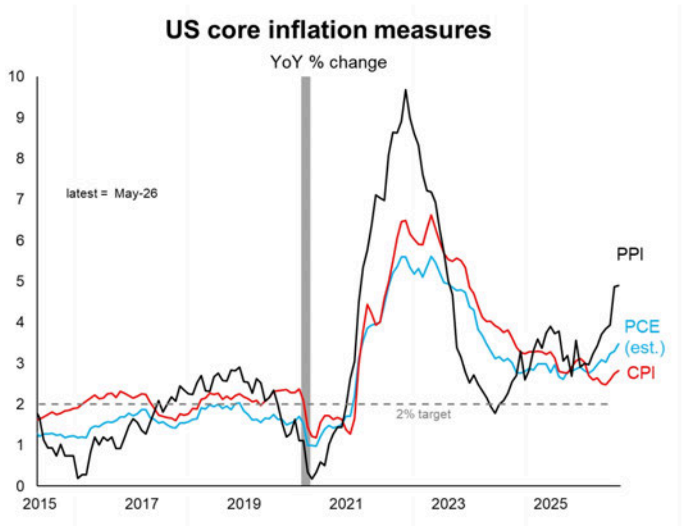
Headline and core measures of inflation have picked up to varying degrees in recent months, largely driven by elevated gasoline prices from February to May. Core measures have also remained firm due to a pick-up in services inflation.

- Momentum has slowed in core goods as tariff pass-through abates and now appears to be largely complete.
  - ⇒ Tech related inflation remains strong and remains an under-reported inflation driver in 2026.
  - ⇒ As one example, computer software & accessories (a category within CPI) is now at 14.5% y/y and signals a regime change in tech pricing relative to what transpired from 1999 to 2024.
- Core services inflation has picked up.
  - ⇒ This has been partly driven by an apparent bottoming in shelter related components as core services ex-rent/OER has remained elevated.
  - ⇒ Airline fares have been strong, showing some pass through from higher oil prices into core inflation.

Looking ahead, we anticipate annualised core PCE inflation to moderate back into the 2.0-2.5% saar range in H2 of this year, before stabilising at around 2.5% over the course of 2027.

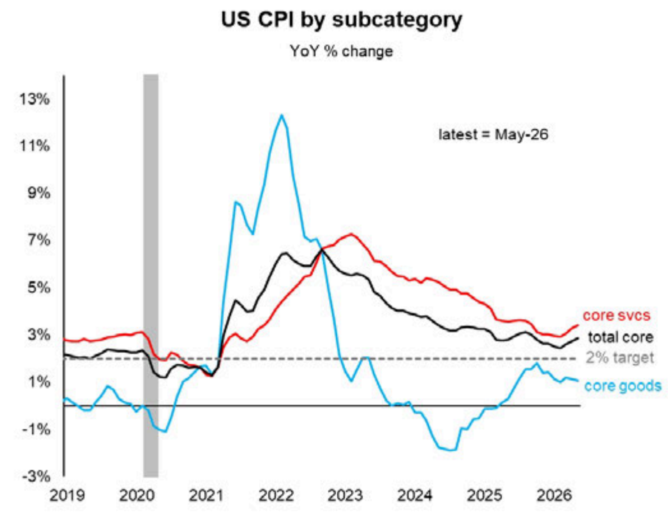
- Lower oil prices should provide some relief.
- We don't anticipate substantial new tariffs (relative to what is in place now), meaning core goods inflation should moderate ahead.
- These developments are likely to be partially offset by a reduction in labour slack, which should lead to ongoing firmness in core services inflation.

Figure 25 - Core measures of inflation have surged following the oil price shock



Source: Macrobond, Macquarie Macro Strategy

Figure 26 - The rise in core CPI inflation has been primarily driven by a pickup in services inflation of late, while the growth in goods prices remain subdued



Source: Macrobond, Macquarie Macro Strategy

Fiscal policy still supportive

Fiscal policy remains supportive of growth. Federal spending has continued to rise and the cash impulse from the OBBBA has been stimulative.

- Tax refund checks have on average been 11.5% higher in 2026 than they were in 2025 with the total number of refunds rising by 6% relative to 2025.

While the CBO projected deficits of 5.8% in FY26 and 5.7% in FY27 in February, we see upside risks to these (see here).

- Tariff revenues have fallen after the IEEPA tariffs were declared illegal.
- IEEPA tariff refunds have begun to be distributed.
- Fed policy expectations have shifted, driving interest costs higher.
- Defence costs have increased due to the war in Iran. This may lead to more spending should Congress pass a funding bill.

Fed hikes ahead now seem likely

At the June meeting, the Fed statement formally dropped its easing bias and placed more emphasis on price stability. The dot plot suggested the possibility of a hike ahead, although this was downplayed by Chair Warsh.

Fed policy ahead is likely to be driven by the incoming economic data. With core inflation likely to remain elevated and unemployment poised to decline in our view, we anticipate the next Fed move to be a rate hike.

- While the timing of this remains uncertain and will hinge on the incoming data, we expect a first 25bps hike to occur in 2026Q4 and a second 25bps hike in 2027Q1. These would bring the fed funds rate back to the 4.0 to 4.25% range.

Larry Hu
s 22
s 22 @macquarie.com

Yuxiao Zhang
s 22
s 22 @macquarie.com

China: Sharp slowdown in Q2

Moving into 2026, China has been facing twin shocks: a positive shock from the AI-driven export boom and a negative one from the Iran crisis.

External demand has been robust so far, allowing policymakers to ride the export wave while holding back on domestic stimulus. As a result, China's two-speed growth has become more extreme.

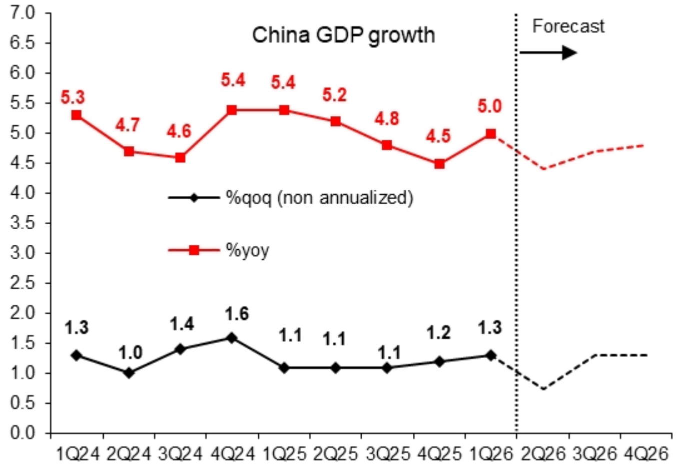
- Strong exports/manufacturing: headline exports rose 16% y/y in Jan-May, underpinned by a 35% y/y surge in high-tech shipments.
- Weak consumption/property: retail sales grew by just 1.4% y/y over the same period, while new home sales fell by 11% y/y in floor space.

Overall, real GDP growth could slow from 5.0% y/y in Q1 to 4.4% in Q2. However, nominal GDP growth could accelerate from 4.9% in Q1 to 6.6% y/y in Q2, the highest since 2022Q2 amid elevated energy prices.

- The last time we saw such a large slowdown was in 2024, when real GDP growth fell from 5.3% y/y in 2024Q1 to 4.6% in 2024Q2. In retrospect, investors felt rather bearish on China's domestic demand in summer 2024, until the policy pivot came in September 2024.

While the April Politburo meeting turned less dovish on the "better than expected" Q1 data, the Politburo meeting in July will likely turn more supportive given the sharp slowdown in Q2. For the rest of 2026, policymakers will continue to calibrate stimulus based on this year's growth target of 4.5-5%.

Figure 27 - Growth slowed sharply in Q2



Source: NBS, WIND, Macquarie Macro Strategy

Figure 28 - Forecasts of major activity indicators

Unit: %	2021	2022	2023	2024	2025	2026E
Real GDP	8.6	3.1	5.4	5.0	5.0	**4.7**
CPI inflation	0.9	2.0	0.2	0.2	0.0	**1.0**
PPI inflation	8.1	4.1	-3.0	-2.2	-2.6	**2.0**
Industrial production	9.6	3.6	4.6	5.8	5.9	**5.0**
Retail sales	12.5	-0.2	7.2	3.5	3.7	**2.0**
Fixed asset investment	4.9	5.1	3.0	3.2	-3.8	**-3.0**
Exports	29.6	5.6	-4.7	5.8	5.5	**12.0**
Imports	30.1	0.7	-5.5	1.0	0.0	**15.0**

Source: NBS, GACC, WIND, Macquarie Macro Strategy

Table 3 - China economic forecasts (forecasts shaded)

		Quarterly									Annual*		
		Q4-2025	**Q1-2026**	**Q2-2026**	**Q3-2026**	**Q4-2026**	**Q1-2027**	**Q2-2027**	**Q3-2027**	**Q4-2027**	**2025**	**2026**	**2027**
GDP	q/q	1.2	1.3	0.7	1.3	1.3	1.2	1.0	1.0	1.1			
	y/y	4.5	5.0	4.4	4.7	4.8	4.7	4.8	4.4	4.2	4.9	4.7	4.5
CPI	y/y	0.4	0.7	1.2	1.1	0.9	0.9	0.7	0.8	0.8	(0.0)	1.0	0.8
Core CPI	y/y	1.2	1.4	1.1	1.0	0.9	0.8	0.8	0.9	0.9	0.7	1.1	0.9
Unemployment rate	%	5.1	5.4	5.2	5.2	5.1	5.2	5.0	5.1	5.1	5.1	5.1	5.1
USD CNY		7.00	6.89	6.77	6.75	6.72	6.69	6.66	6.64	6.62	7.00	6.72	6.62
Policy rate**	%	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
2-yr yield	%	1.36	1.27	1.25	1.27	1.40	1.40	1.30	1.20	1.20	1.36	1.40	1.20
10-yr yield	%	1.85	1.82	1.75	1.82	1.90	1.90	1.80	1.70	1.70	1.85	1.90	1.70

Source: NBS, PBoC, WIND, Macquarie Macro Strategy

**Year-average for GDP and CPI; year-ended for FX, rates and unemployment **7-day Reverse Repo rate*

Exports riding the AI capex wave

Thanks to the AI capex boom, China's exports surged by 16% y/y in Jan-May, in line with other players in the East Asian tech supply chain such as South Korea (43% y/y), Taiwan (49% y/y) and Japan (17% y/y).

- Chips and computers & parts accounted for over 40% of the headline export growth so far this year. Notably, chips have become China's biggest export item, surging by 90% y/y in Jan-May this year.
- AI infrastructure has also boosted the demand for power equipment, including batteries, wire & cable, switch, transformer and generator. Over Jan-May, exports of these items rose by 31% y/y, contributing around 10% of headline export growth.

China's high-tech exports, which account for roughly 25–30% of total exports, grew 35% y/y in Jan-May (2025: 8%). This momentum could continue, as suggested by the Philadelphia Semiconductor Index, which tends to lead China's high-tech exports by about six months.

- We expect China's export growth to accelerate from 5% in 2025 to 12% in 2026, marking the fastest pace since 2022.

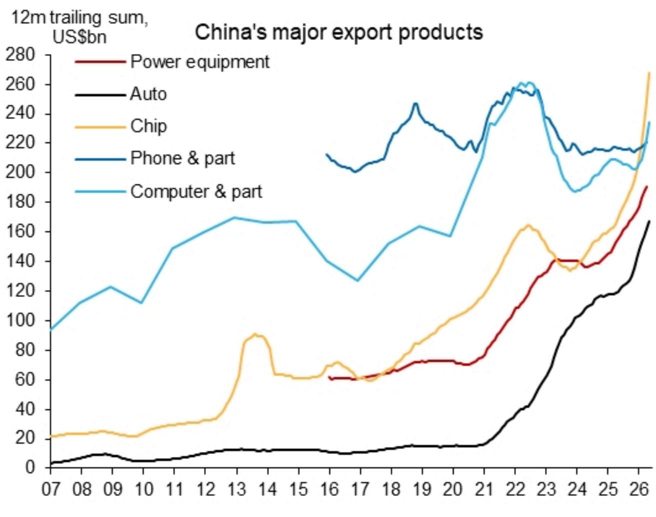
Trump-Xi Summit: détente with limited deliverables

President Trump's visit to Beijing in mid-May marked the first US presidential visit to Beijing in nine years. We view this meeting is more about optics and tone-setting than diplomatic breakthroughs (link).

- The two leaders agreed to pursue a "constructive relationship of strategic stability".
- On trade, the US and China will establish a Board of Trade and a Board of Investment. They may reduce tariffs on over US$30bn of non-critical goods.
- And on Taiwan, shortly after the summit, the Trump administration announced a pause on a US$14bn arms sale to Taiwan.

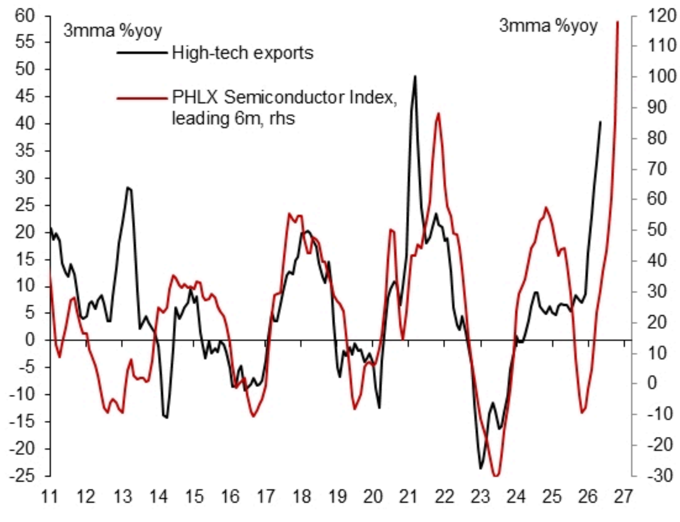
The current US-China relationship is defined by a "balance of vulnerability". Both sides are aware of each other's choke points (rare earths for the US; advanced chips for China). This balance may shift if one party resolves its bottlenecks, but we do not view it as a near-term risk.

Figure 29 - AI boom have supported China's external demand



Source: GACC, WIND, Macquarie Macro Strategy

Figure 30 - High-tech export upcycle may still have runway



Source: GACC, WIND, Macquarie Macro Strategy

Higher oil prices pulls China out of deflation

Due to the war, Brent crude surged from an average of US$69/bbl in Feb to US $104/bbl in May. As a result, China's PPI inflation turned positive in March and reach 3.9% y/y in May, the fastest pace since Aug 2022. Notably, domestic oil and gas prices rose 36% y/y in April, vs. -13% in Feb, accounting for over 90% of the change in PPI.

- Looking ahead, we expect CPI to rise 1% (2025: 0%) and PPI to rise 2% (2025: -2.6%) in 2026.
- While real GDP growth may ease slightly from 5.0% in 2025 to 4.7% in 2026, nominal GDP growth could rebound from 4.0% to 6.5%.

Rising oil prices would lift China out of deflation, but they have not produced a broad-based earnings recovery. A-share 2026Q1 reports point to corporate return-on-equity under pressure with pronounced distributional effects.

- Upstream sectors are benefitting from higher prices: chemicals profits rose 54% y/y and energy gained 7% in Q1, with further upside likely in coming quarters.
- By contrast, downstream consumer sectors face margin compression amid weak price pass-through; in 2026Q1, consumer discretionary profits fell 24% y/y and consumer staples declined 13%.

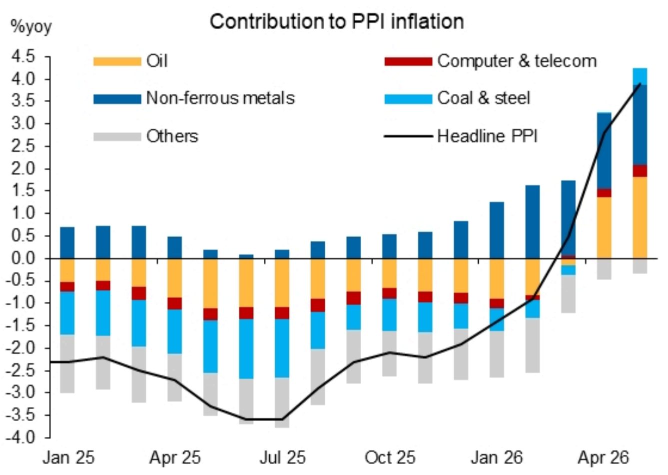
Policy in wait-and-see mode

Given strong export momentum on robust tech demand, policymakers have adopted a wait-and-see approach in Q2.

- The April Politburo meeting turned less dovish, with policymakers viewing Q1 growth as better than expected. Notably, the readout made no mention of policy rate or RRR cuts.
- The central bank has kept policy rates unchanged for a year since last June. It also drained RMB2.2tn of liquidity via open market operations in Feb-May, the fastest pace since 2024Q2.
- The credit impulse, our gauge of China's policy stance, turned negative in April and fell in May to its lowest level since last February.

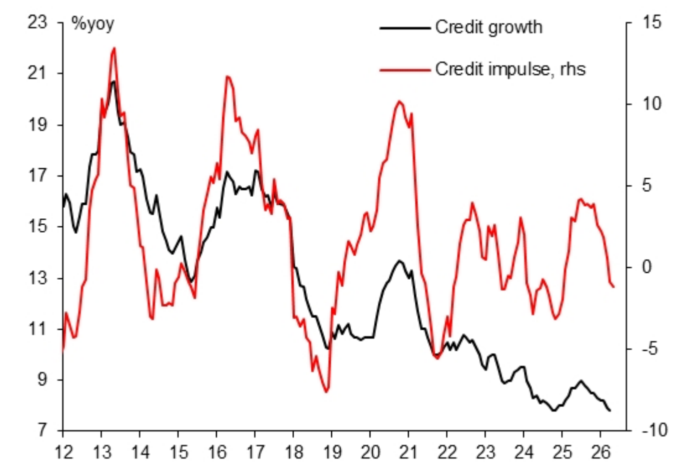
The restraint so far this year aligns with our view that policymakers tend to calibrate stimulus based on the growth target, neither missing nor over-achieving it. Going forward, the Politburo meeting in July will likely turn more supportive given the sharp slowdown in Q2. The performance of exports will determine how much stimulus Beijing will deploy for domestic demand.

Figure 31 - Oil lifts China out of deflation



Source: NBS, WIND, Macquarie Macro Strategy

Figure 32 - Credit impulse on the decline



Source: NBS, PBoC, WIND, Macquarie Macro Strategy

Weak housing despite green shoots

Since late last year, several green shoots have emerged in China's housing market.

- Existing home prices, as reported by the NBS, have eased from -0.7% m/m last Dec to -0.3% m/m in May this year.
- After seasonal adjustment, new home sales in 30 major cities have been recovering since last December. In year-on-year terms, it dropped by 8% so far this year, after falling 29% in 2025Q4.

Despite recent improvements, sustainability is in doubt. Without forceful stimulus, China's housing market may still contract this year and next, albeit at a slower pace than in previous years.

- Expectations are the key constraint. With home prices back at 2016 levels, rents at 2015 levels, and tepid wages growth, potential home buyers are expecting further falls, which have become self-fulfilling.

Forceful stimulus could reset expectations, but with exports buoyed by the ongoing tech boom, policymakers feel no urgency to act. Back in 2021, a 30% surge in exports gave Beijing the window to deflate property. Conversely, an export crash would prompt Beijing to prop up property as an alternative growth driver (see here).

Consumption faces intensifying pressure

Consumption has been deteriorating so far this year. In Jan-May this year, retail sales grew by 1.4% y/y, following 3.7% growth in 2025. In May alone, retail sales fell by 0.6% y/y, the first decline since end-2022.

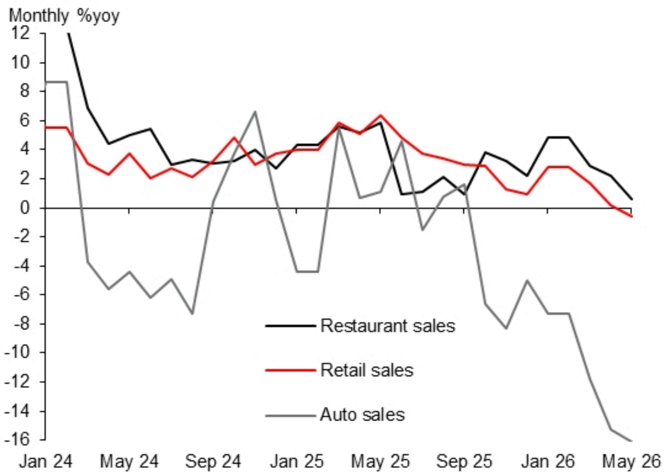
- Durable goods were the main drag. In Jan-May, auto sales fell by 12% y/y, while home appliance sales dropped by 7% y/y, reflecting curtailed consumption subsidies and demand brought forward earlier.
- Weak confidence and soft income growth are also weighing on consumer spending. For instance, the NBS consumer confidence index dropped to 89 in April, the lowest since last July.

If an AI bust and/or a global slowdown were to trigger a sharp fall in exports, consumption would become even more important for policymakers. In that sense, we believe that China's consumption is the ultimate anti-AI trade.

Figure 33 - New home sales in 30 cities rebounded

Source: WIND, Macquarie Macro Strategy

Figure 34 - Consumption has slowed in 2026



Source: NBS, WIND, Macquarie Macro Strategy

Dan Fabbro
s 22
s 22 @macquarie.com

Eurozone: Gradual recovery from oil shock

The Middle East conflict has been another headwind for Eurozone growth, with business and consumer surveys suggesting growth likely stalled in Q2.

- Consumer sentiment is down sharply and real incomes have likely fallen in Q2.
- Tech investment is not providing the same boost to growth as in the US.
- The construction sector may have contracted, with only modest support coming from German infrastructure spending.

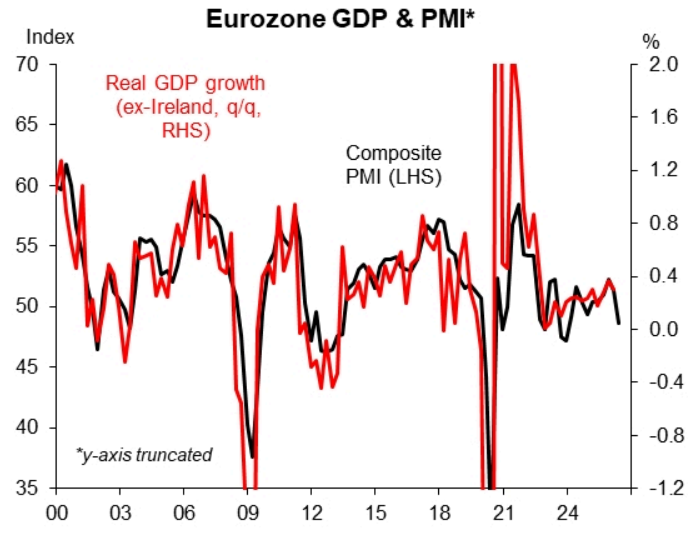
With oil prices starting to come down from recent highs, and our expectation of further falls to come, we should start to see some recovery in growth over the remainder of the year. However, the spike in inflation in Q2 and higher interest rates is likely to see below-trend growth in 2026. Growth in 2027 is likely to return to trend. Further disruption to oil supply remains an upside risk to inflation (and interest rates) and a downside risk to growth.

The ECB's recent 25bps hike to 2.25% reflected an effort to get ahead of rising inflation expectations and second-round effects from higher oil prices. While core inflation may be slow to return to the ECB's 2% target, with oil prices lower and growth to remain soft this year we think the ECB may hike only once more to 2.50% (with September the most likely timing). This would leave rates around the top end of the ECB's view of the neutral range.

Figure 35 - Excluding volatility in GDP due to Ireland, growth remained below trend in the year to 2026Q1

Source: Macrobond, Macquarie Macro Strategy

Figure 36 - Survey data indicate activity stalled in Q2



Source: Macrobond, Macquarie Macro Strategy

Table 4 - Eurozone economic forecasts (forecasts shaded)

		Quarterly									Annual*		
		Q4-2025	Q1-2026	Q2-2026	Q3-2026	Q4-2026	Q1-2027	Q2-2027	Q3-2027	Q4-2027	2025	2026	2027
GDP	q/q	0.2	(0.2)	0.2	0.2	0.3	0.4	0.4	0.4	0.4			
	y/y	1.2	0.3	0.4	0.3	0.5	1.1	1.3	1.5	1.6	1.5	0.4	1.4
CPI	y/y	2.1	2.0	3.1	2.9	3.0	2.6	1.8	1.9	1.9	2.1	2.8	2.1
Core CPI	y/y	2.4	2.3	2.5	2.5	2.5	2.5	2.2	2.1	2.1	2.4	2.4	2.2
Unemployment rate	%	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
EUR USD		1.17	1.15	1.15	1.15	1.14	1.12	1.14	1.15	1.15	1.17	1.14	1.15
Policy rate**	%	2.00	2.00	2.25	2.50	2.50	2.50	2.50	2.25	2.00	2.00	2.50	2.00
2-yr yield***	%	2.10	2.62	2.60	2.60	2.60	2.55	2.50	2.45	2.40	2.10	2.60	2.40
10-yr yield***	%	2.85	3.01	2.95	3.10	3.25	3.25	3.10	2.95	2.95	2.85	3.25	2.95

Source: Macrobond, Macquarie Macro Strategy

**Year-average for GDP and CPI; year-ended for FX, rates and unemployment **ECB deposit rate ***German government bond yields*

Eurozone consumers have tightened their belts

Prior to the war, we had expected resilient consumer spending growth, with a high household savings rate providing a buffer and labour market conditions remaining firm. But consumer spending looks to have taken a relatively sharp turn lower.

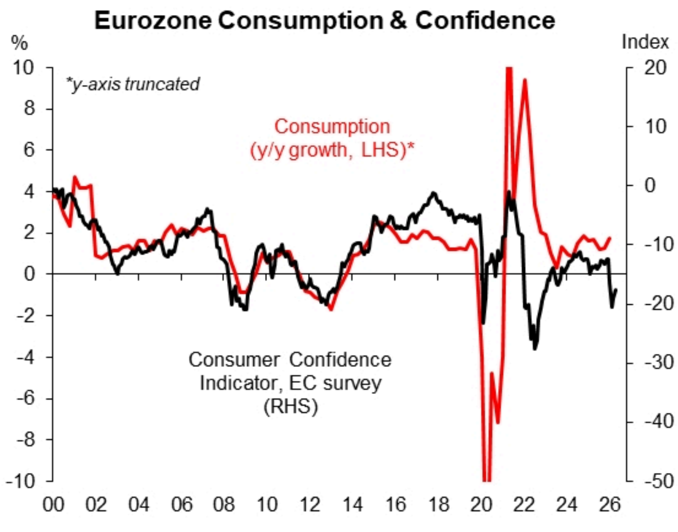
- The survey data point to a material slowing in spending growth in Q2, as consumer confidence has plummeted (on concerns about higher unemployment and high inflation) and EC survey demand indicators for retail and consumer services sectors are materially weaker.
- Retail sales volumes were broadly flat between January and April, following solid growth (2.1%) in the year to December 2025.
- Demand growth for consumer durables is likely to slow from its strong pace in 2025, with the ECB Bank Lending Survey showing a drop-off in consumer loan demand.
- The services sector has seen a slowdown, led by sharply lower activity in both hospitality and travel services.

While households' high saving rate may help in limiting the downside to spending growth, weakness in real incomes will weigh in the near term. Early signs that the labour market is deteriorating poses a risk.

- Real incomes are likely to contract in Q2.
  - ⇒ Employment growth was 0.1% in Q1 and business survey data (PMI and EC survey) suggest Q2 could be flat. The weakness in survey data for service sector employment is notable, given its large weight.
  - ⇒ The spike in headline HICP inflation suggests real hourly wages have fallen recently.
- Higher interest rates will have a negative impact on disposable income, particularly in economies with a larger share of variable mortgage rates such as Portugal, Spain, Italy and Austria.

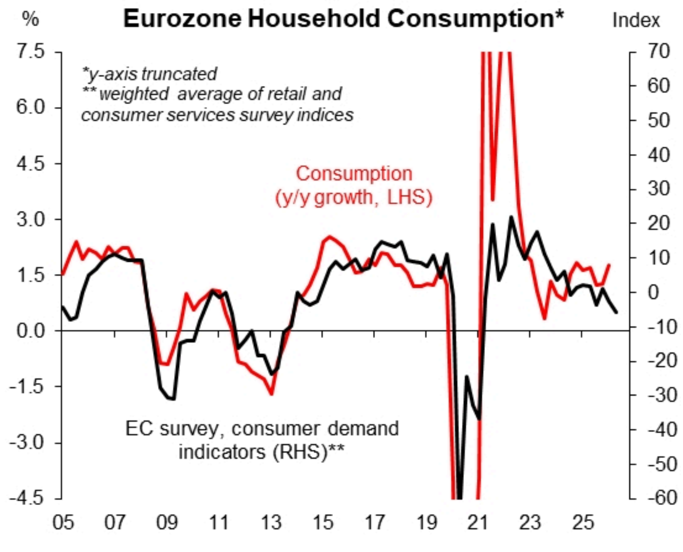
However, our expectation for lower oil prices over the remainder of this year (below US$70/bbl by year-end) should provide some support for real incomes and a consumer recovery into 2027.

Figure 37 - Consumers concerns about higher unemployment and inflation could weigh on spending growth



Source: Macrobond, Macquarie Macro Strategy

Figure 38 - The EC survey has indicated weaker consumer demand growth in Q2



Source: Macrobond, Macquarie Macro Strategy

Figure 39 - Hospitality and travel services have driven the slowdown

Source: Macrobond, Macquarie Macro Strategy

Figure 40 - Labour market conditions appear to be deteriorating

Source: Macrobond, Macquarie Macro Strategy

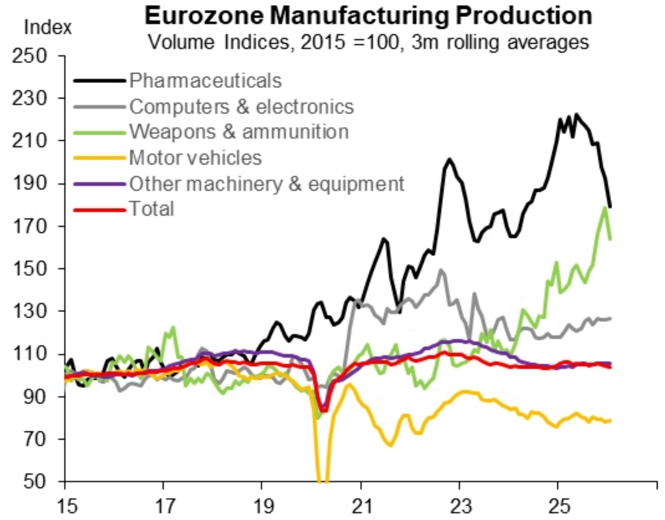
Manufacturing sector activity remains subdued

The European industrial sector has continued to stagnate, with production little changed since early 2025 and still down around 6% from its early 2023 peak. Business surveys (S&P Global and EC) also suggest activity has remained flat in Q2 to date.

While there are some growth areas within the manufacturing sector, these tend to account for a small share of production, while the larger components of production have remained weak.

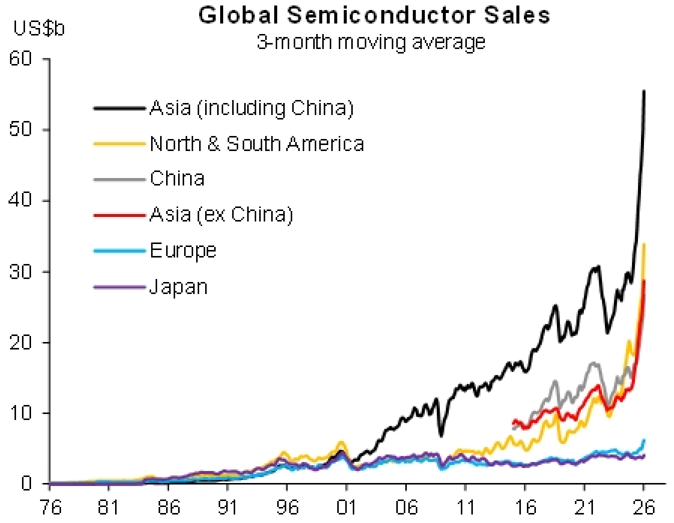
- Increased European defence spending since the Russia-Ukraine war began in 2022 has generated a significant increase (62%) in weapons and ammunition production. Growth has remained strong at 8% over the past year.
- Tech manufacturing, such as computers and semiconductors, has also been a source of growth, rising almost 8% over the past year.
  - ⇒ However, a comparison of semiconductor sales across countries highlights that Europe's global sales have fallen well behind those in Asia and the Americas.
- Pharmaceuticals production had seen strong growth through to March 2025, as producers looked to front-run the US' "Liberation Day" tariffs announced in April 2025. However, production has since fallen, particularly in recent months, reflecting payback from the earlier increase in production.
- The relatively larger sectors, including autos and other machinery and equipment which account for around one-fifth of manufacturing, have remained stagnant over the past year and production levels are still down 9% and 13.5% from early 2023 levels.
  - ⇒ Competitive pressures remain a constraint, with trade data through to March showing a further deterioration in Europe's trade balance with China in these products.
- Chemical production is down over the year, with competition from China also a factor behind this, particularly with energy input costs higher in Europe.

Figure 41 - Manufacturing production has continued to move sideways, with competition from China an ongoing constraint



Source: Macrobond, Macquarie Macro Strategy

Figure 42 - Tech production has provided little benefit to European manufacturing relative to Asia and the Americas



Source: SIA, Macrobond, Macquarie Macro Strategy

Construction activity faces downside risks

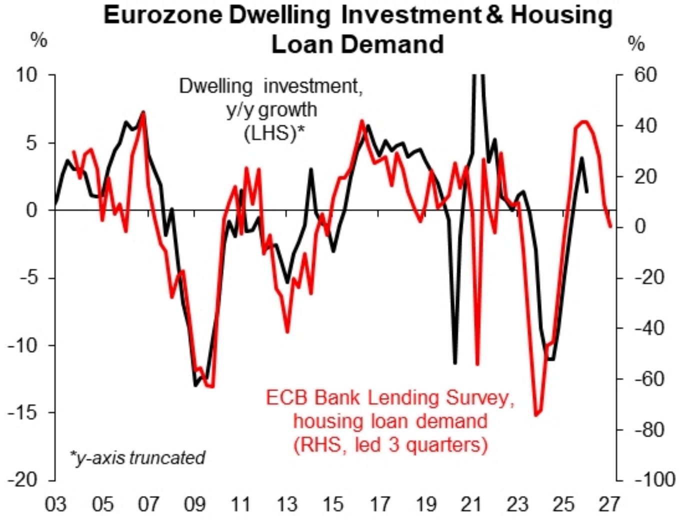
Construction activity was flat over the year to 2026Q1, with offsetting developments across housing and other construction.

- Housing construction grew 1.9% y/y, as work continued on the pipeline of projects that had built up earlier in response to interest rate cuts in the year to June 2025.
- PMI data indicates that non-residential commercial construction has been contracting. In part this is likely to reflect stagnant activity and low capacity utilisation in manufacturing.
- Civil engineering (infrastructure) construction fell, following strong growth in 2023 and 2024 that was supported by EU grants and loans to member countries under the Recovery and Resilience Facility.

We see downside risks to growth for the year ahead.

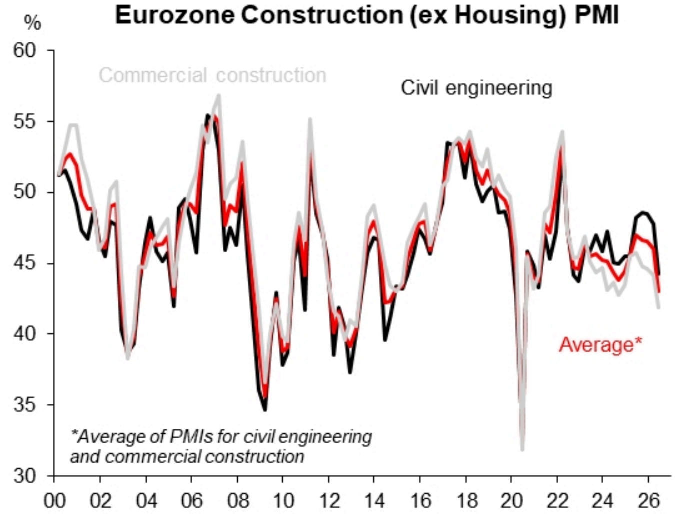
- While housing activity may see further growth in the near-term, supported by earlier building approvals, higher policy interest rates (as discussed below) and fixed term mortgage rates should slow housing demand growth.
  - ⇒ The ECB bank lending survey in Q2 has already recorded a sharp drop in mortgage demand, consistent with a modest fall in dwelling investment in the year ahead.
- PMI data in Q2 for commercial construction and engineering activity have fallen further into contraction territory.
  - ⇒ Its unclear how much support will come from German infrastructure spending. The expectation was that there would be a ramp up in spending this year from the German Special Fund for Infrastructure and Climate Neutrality (EUR500 billion to be deployed over 12 years through to 2036). However, spending has been deployed a little slower than anticipated and some of the growth in spending from this fund has been offset by reduced infrastructure spending in the core federal budget.
  - ⇒ Private sector civil engineering in German has been falling as public sector spending has lifted, suggesting a degree of crowding out.
- Funding from the EU Recovery and Resilience Facility (RRF) must be fully spent by this end of this year, which is likely to be a headwind for infrastructure spending in 2027.

Figure 43 - Weaker housing loan demand points to a fall in dwelling investment over the year ahead



Source: Macrobond, Macquarie Macro Strategy

Figure 44 - Construction activity (ex housing) looks set to contract in Q2



Source: Macrobond, Macquarie Macro Strategy

ECB is likely to tighten a little further

In March, we had expected the ECB to tighten policy by 50bps by June, taking the deposit facility rate from 2% to 2.5%, on concerns that higher commodity prices would be passed through to a broader range of prices in the economy, particularly while the labour market remained tight.

The ECB has tightened a little slower than expected, hiking rates to 2.25% this month, as the Governing Council took the view in April that the favourable starting point for inflation (being close to the 2% target prior to the war) afforded it some time to see how long the oil price shock would last.

At the time of the ECB's 11 June meeting, oil prices remained above the level assumed in its March forecasts. ECB commentary took on a more hawkish tone, with concerns focused on a potential de-anchoring in inflation expectations and second-round effects.

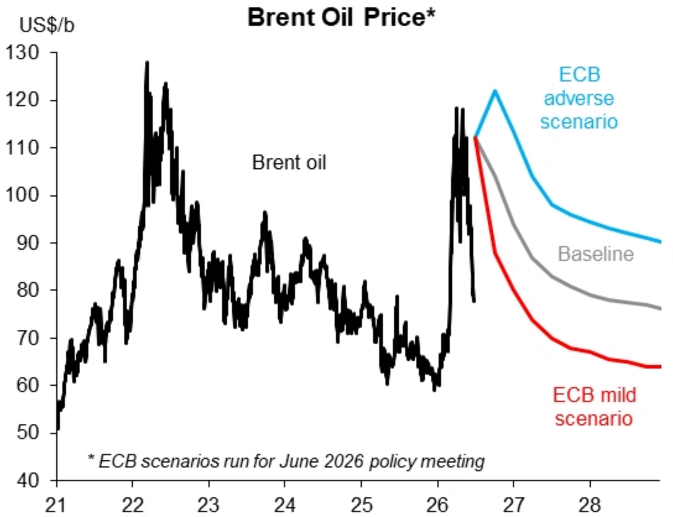
- In its latest forecasts, the ECB expected core inflation to pick up to 2.7% by 2027Q1, with a gradual easing back towards the 2% target by 2028. This forecast assumes a further 50bps in interest rate hikes to 2.75%.

Since the ECB's meeting, oil prices have fallen sharply, and we expect further falls to below US$70/bbl by year-end. Oil prices are already below the ECB's 'mild' scenario (the scenario run with the lowest path for oil). If our expectations are realised, we think further hikes are likely to be limited.

- There are clear signs of a slowing in economic activity and softer labour market conditions.
- Leading indicators of wages growth, including advertised wages and the ECB wage tracker, suggest wages growth is likely to remain contained through 2026.
- Core inflation is unlikely to pick-up as much as the ECB has forecast.

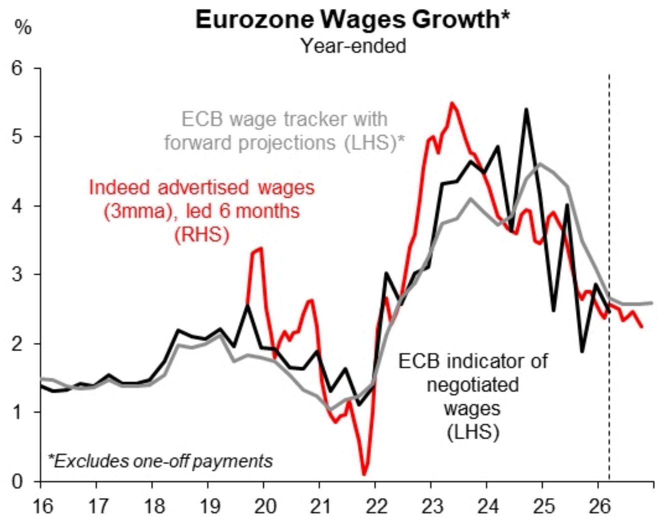
At this stage, we think the ECB will hike once more to 2.5% in September (with the risk that they remain on hold at 2.25%). This would leave rates still within the ECB's views on the neutral range, but provide some comfort to Governing Council members that second-round effects from earlier energy and commodity price increases should remain contained. Oil price developments could remain a key swing factor.

Figure 45 - Oil prices are now well below even the ECB's 'mild scenario'



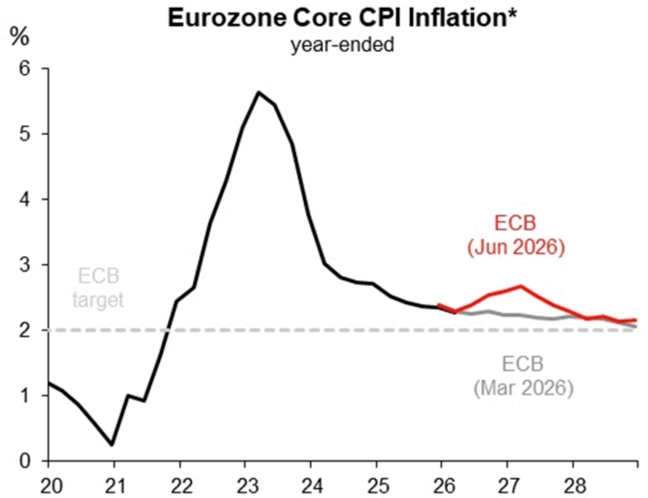
Source: Macrobond, Bloomberg, Macquarie Macro Strategy

Figure 46 - Indicators suggest wage growth should remain contained



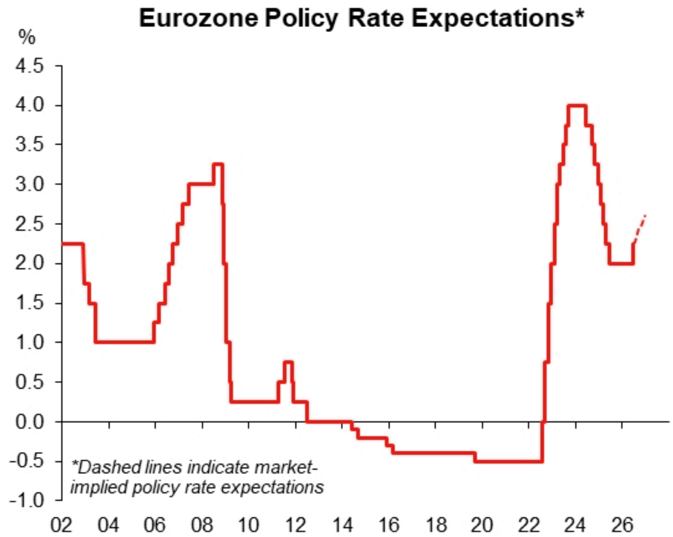
Source: ECB, Macrobond, Macquarie Macro Strategy

Figure 47 - The ECB's latest forecasts were for core inflation to rise until early 2027, although lower oil prices suggest downside risks to this forecast



Source: ECB, Macrobond, Macquarie Macro Strategy

Figure 48 - The market is pricing in at least one more 25bp hike by year end



Source: Macrobond, Bloomberg, Macquarie Macro Strategy

Dan Fabbro
s 22
s 22 @macquarie.com

Japan: Fuel subsidies providing a shield

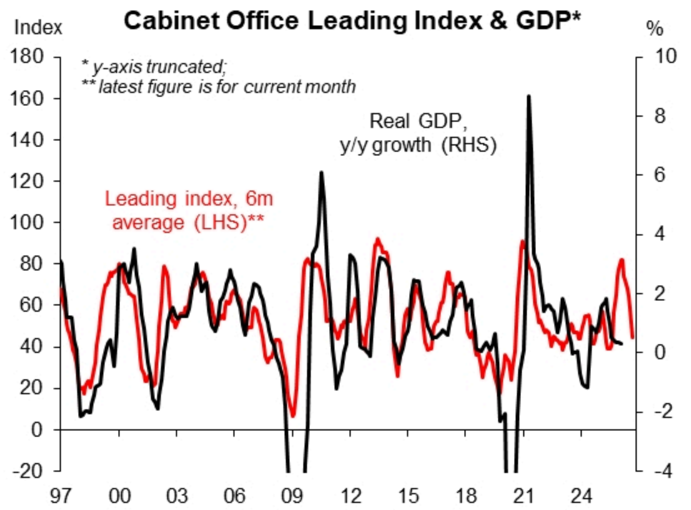
To date, the economy has seen little impact from the disruption to energy supply, with government subsidies largely shielding consumers and businesses from price increases. With nominal wages picking up, this has allowed real wages growth to return and could provide support to consumer spending. If oil prices continue to fall as we expect, this could also provide an additional boost.

Despite initial concerns about a slowdown in the global economy and the impact on trade, to date Japan's goods exports have held up well. However, inventory building has contributed to this, suggesting the boost could be short-lived.

The Bank of Japan recently lifted its policy rate to 1%, continuing its gradual normalisation process. We see further hikes to 1.5% by the mid 2027, with the BOJ still seeing its policy rate in accommodative territory and wages growth providing confidence that inflation can be sustained at 2%.

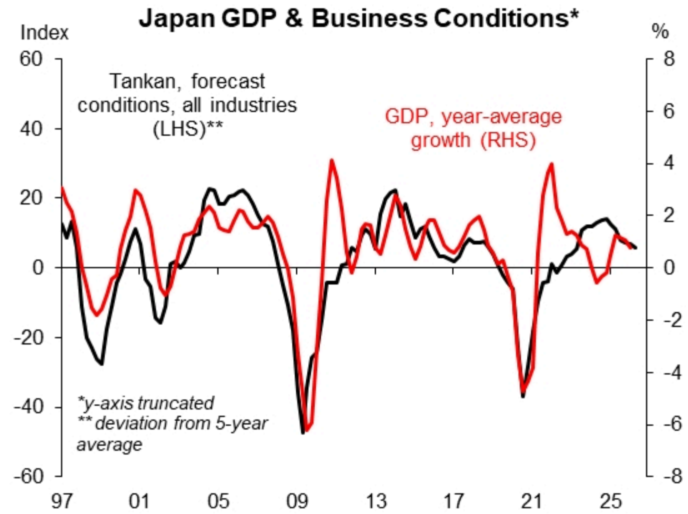
- In the event of further disruption to oil supply, BOJ hikes may be delayed, as policymakers have shown reluctance to hike during heightened uncertainty.

Figure 49 - Japan's economy has seen a boost in Q2 from manufacturing (export) activity



Source: Macrobond, Macquarie Macro Strategy

Figure 50 - Business expectations suggest slower but still solid growth



Source: Macrobond, Macquarie Macro Strategy

Table 5 - Japan economic forecasts (forecasts shaded)

		Quarterly									Annual*		
		Q4-2025	Q1-2026	Q2-2026	Q3-2026	Q4-2026	Q1-2027	Q2-2027	Q3-2027	Q4-2027	2025	2026	2027
GDP	q/q	0.2	0.5	0.2	0.0	0.2	0.2	0.3	0.1	0.2			
	y/y	0.4	0.3	0.2	0.8	0.8	0.6	0.7	0.8	0.8	1.1	0.6	0.7
CPI	q/q	0.7	(0.2)	0.6	0.5	0.6	0.4	0.5	0.5	0.5			
	y/y	2.7	1.4	1.4	1.6	1.5	2.1	1.9	1.9	1.8	3.2	1.5	1.9
Core CPI	q/q	0.5	(0.2)	0.6	0.6	0.5	0.4	0.5	0.5	0.5			
	y/y	1.6	1.4	2.3	2.2	2.1	2.1	2.0	1.9	1.9	3.0	2.1	1.9
Unemployment rate	%	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
USD JPY		156.9	159.0	159.0	158.0	155.0	152.0	149.0	145.0	142.0	156.9	155.0	142.0
Policy rate**	%	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.50	0.75	1.25	1.50
2-yr yield	%	1.16	1.37	1.40	1.45	1.55	1.60	1.65	1.60	1.60	1.16	1.55	1.60
10-yr yield	%	2.06	2.36	2.65	2.75	2.90	2.95	2.90	2.80	2.80	2.06	2.90	2.80

Source: National sources, Macrobond, Macquarie Macro Strategy

**Year-average for GDP and CPI; year-ended for FX, rates and unemployment **BoJ overnight call rate*

Will real income constraints be lifted off consumers?

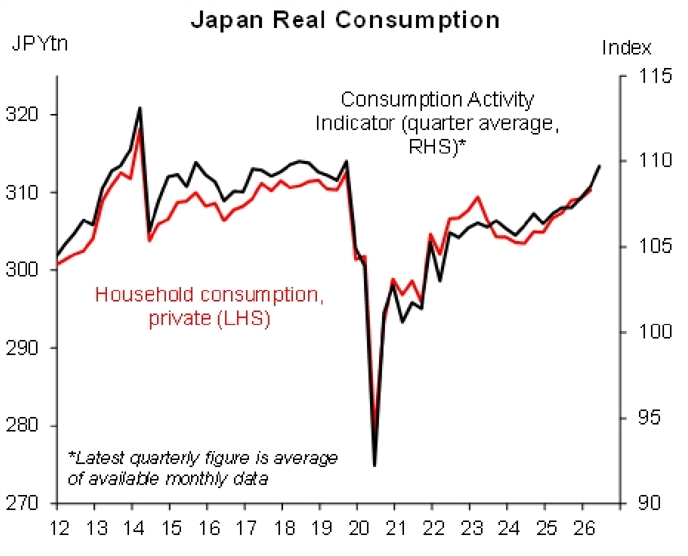
Japan consumer spending has been an important driver of growth since mid-2024 and is likely to continue through 2026Q2. However, the strength in consumption has come despite a relatively weak level of real disposable income, resulting in a negative household savings rate. There are likely to be two factors behind this.

- For some households experiencing strong growth in wealth (e.g. Japanese equities have rallied 47% since the start of 2025), these wealth effects have likely lifted consumer spending.
- However, for other households, an extended period of negative real wages growth is likely to have weighed on capacity to save.

With the household savings rate in negative territory, there are risks that this will ultimately constrain spending growth without real wages growth. There are early signs that real wages may be bouncing back, but risks remain.

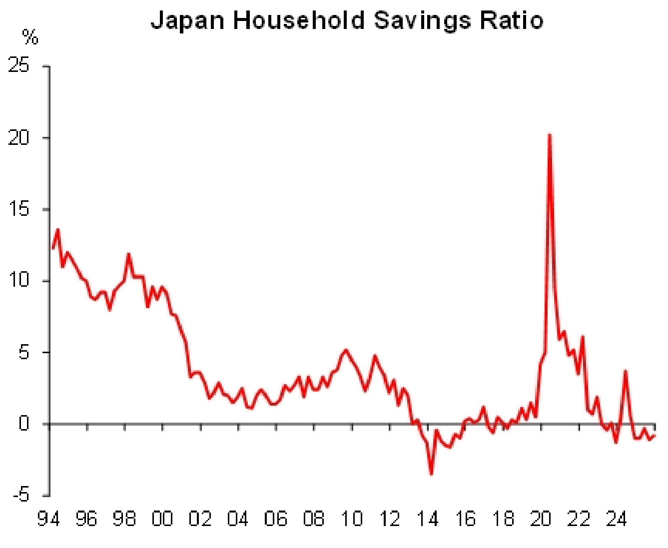
- The Spring wage negotiations in March again produced a strong outcome, with base wages growth of 3.5%, similar to the previous two years. The trend in broader measures of wages has also improved.
  - ⇒ With headline inflation having slowed significantly, real base wages growth has returned to positive territory for the first time since 2022.
- The Takaichi government fuel subsidies shielded consumers effectively from higher global oil prices over recent months. The recent supplementary budget is also seen as providing some extra time for the government to maintain the subsides, or to gradually scale them back (rather than simply cutting them off).
- Our expectation for oil prices to fall further to below US$70/bbl by year-end should help to contain inflation and could support ongoing growth in real wages in the coming months.

Figure 51 - The consumption activity indicator suggests a strong start to spending in Q2, although some may be temporary (given a strong lift in car sales)



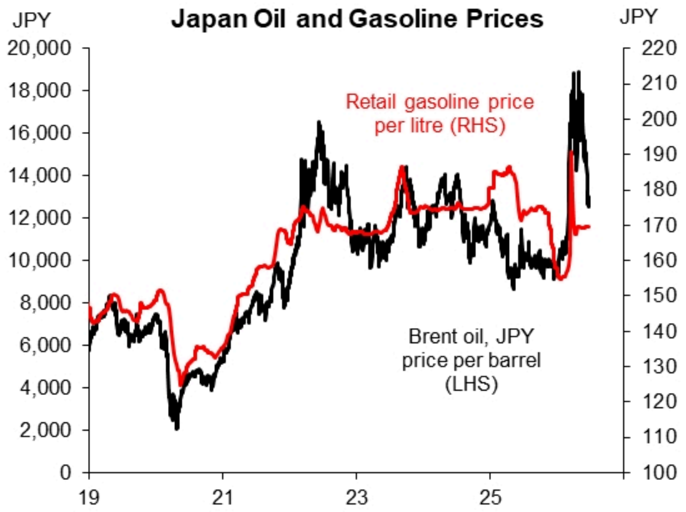
Source: Macrobond, Macquarie Macro Strategy

Figure 52 - A low household saving rate poses a risk to sustained consumer spending growth, unless real wages growth returns



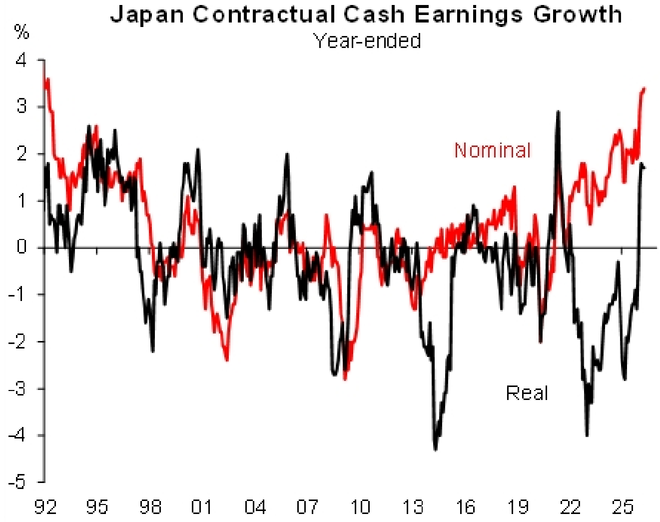
Source: Macrobond, Macquarie Macro Strategy

Figure 53 - Government fuel subsidies have temporarily shielded Japanese consumers from the global energy supply shock



Source: Macrobond, Bloomberg, Macquarie Macro Strategy

Figure 54 - Real wages have recently begun to recover



Source: Macrobond, Bloomberg, Macquarie Macro Strategy

Japan's external position has held up well so far

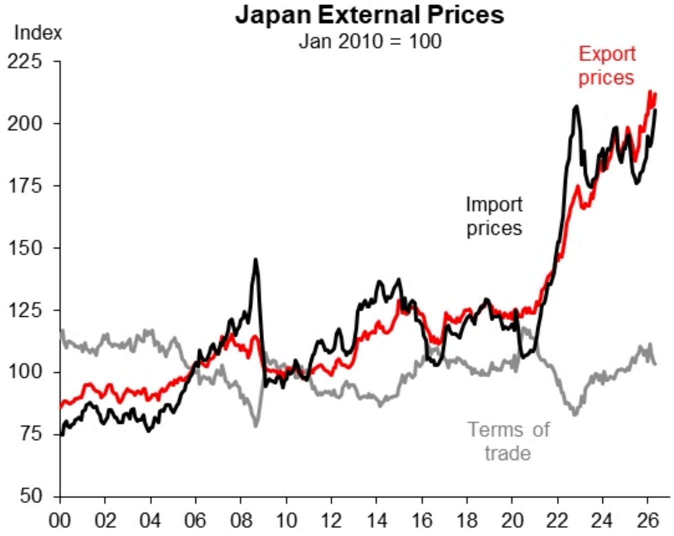
Following the commencement of the Middle East conflict, there were concerns that Japan's economy would be negatively impact by higher energy prices (given its status as a large net energy importer) and that demand for exports would slow as the global economy is affected by the global energy supply shock.

To date, there has been some deterioration in Japan's terms of trade, although the macro impact is likely to be limited.

- The terms of trade is down 7% from its peak in January, but has only fallen back to its level of around 1 year ago.
- Significant earlier gains in export prices, particularly in electronics exports (e.g. semiconductors) mean the terms of trade remains above levels seen in 2023 and 2024.

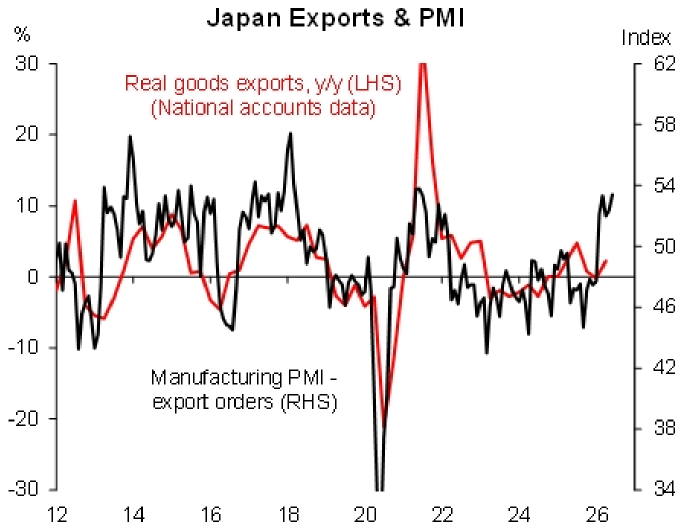
Despite concerns of a global slowdown, goods demand has so far seen a boost, as concerns of potential supply disruptions has driven inventory building. Japan's export orders, as shown in the PMI data, suggest goods export volumes are likely to lift in the near term. To an extent this should be temporary.

Figure 55 - Japan's terms of trade have fallen recently, but only back to levels seen a year ago



Source: Macrobond, Macquarie Macro Strategy

Figure 56 - Inventory building has provided a temporary boost to Japanese manufacturing exports



Source: Macrobond, Macquarie Macro Strategy

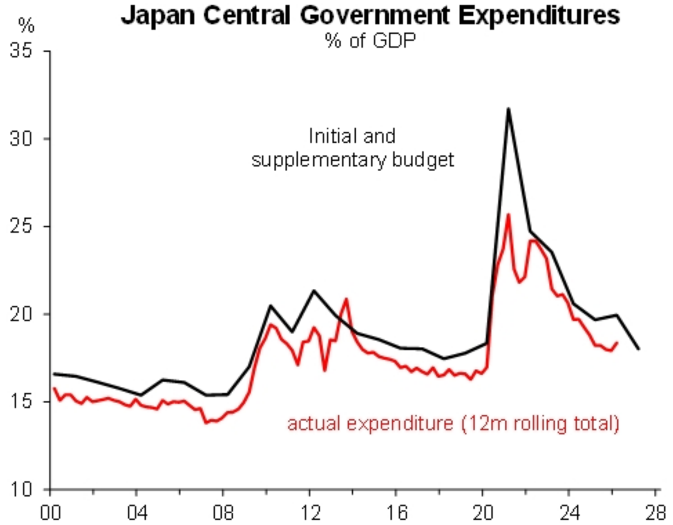
Fiscal policy looks to more conservative than some expected

When Takaichi won the LDP leadership in October and followed this with an historic victory in the February general election, some had expected the so-called Abe protégé to engage in expansionary fiscal policy. Those expectations do not seem to be playing out in the near term.

- The initial and supplementary budgets for FY26 show a further decline in spending plans from 19.9% of GDP in FY25 to 18% of GDP. While there could be some spillover from the FY25 supplementary budget into spending in FY26, central government spending as a share of GDP is still likely to fall.
- The overall budget position could see consolidation in FY26 as Takaichi's plans to cut the consumption tax (for a two-year period) are expected to come in FY27. The PM has also suggested that the consumption tax cut will not be funded with bonds (i.e. not leading to a larger budget deficit), indicating other revenue sources or spending plans will be used to accommodate it.

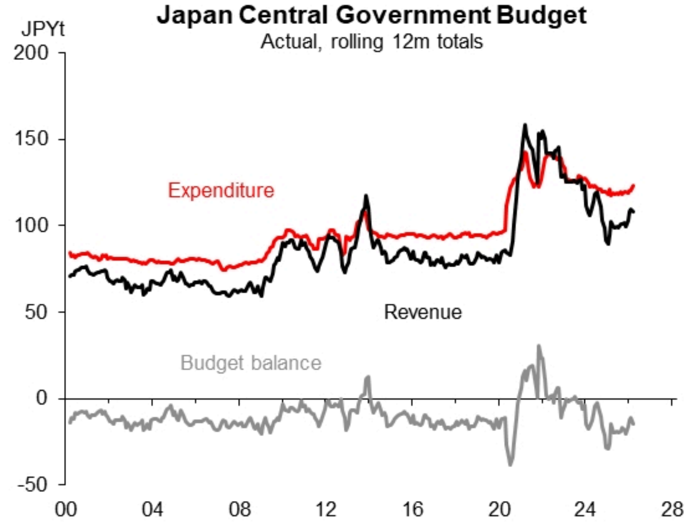
To some extent Takaichi's approach may have reflected market pressure, with 10-year bond yields up around 100bps since she took over the LDP leadership.

Figure 57 - Current budget plans suggest expenditures may fall in FY 2026 as a share of GDP



Source: Macrobond, Macquarie Macro Strategy

Figure 58 - The budget balance may improve (smaller deficit) in FY 2026



Source: Macrobond, Macquarie Macro Strategy

The gradual BOJ normalisation process should continue

The Bank of Japan recently lifted its policy rate to 1%, continuing with its gradual normalisation process. We see a further 50bp in hikes to 1.5% by the mid 2027, with the next 25bp hike likely by year-end.

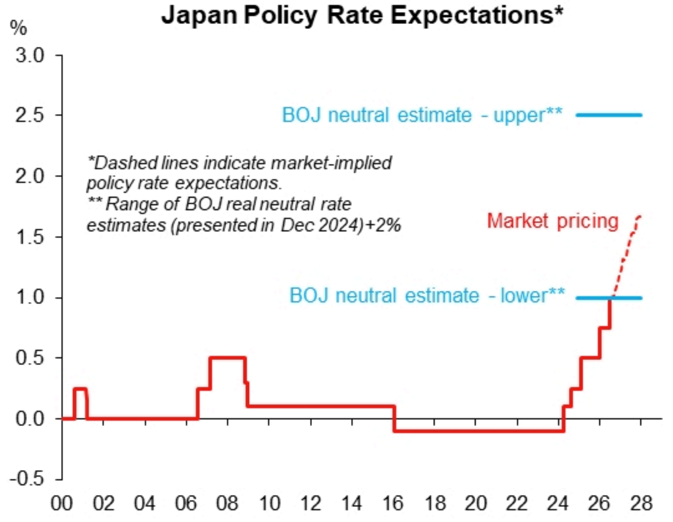
The BOJ has become increasingly confident that underlying inflation can be sustained at around 2%.

- A key factor underpinning this view is developments in wages growth. The 2026 Spring wage negotiation saw a strong result for third consecutive year, as a reflection of ongoing significant labour shortages.
- There are also signs of a pick-up in broader measures of wage growth. A broad measure of base wages (contractual scheduled earnings for full-time workers) is now hovering around 2.5-3%, close to the level Governor Ueda has seen as consistent with the 2% inflation target.
- However, in the BOJ's newly published core CPI inflation measures, there has been a clear disinflationary trend since mid 2025, with 4 of the 6 measures below the 2% target. As the BOJ policy rate approaches a more 'neutral' level, it will likely need to see these measures turn higher.

The BOJ also faces a challenging environment for setting policy.

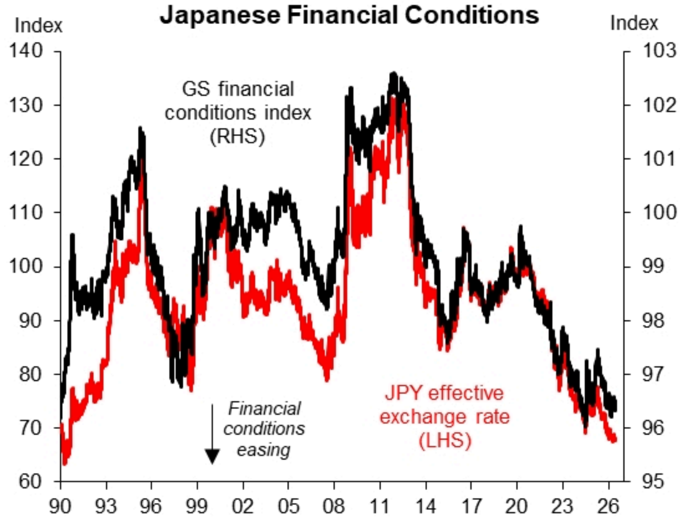
- Despite the increase in short- and long-term yields, with the yen exchange rate around its lowest since 1990 (on a trade-weighted basis) overall financial conditions remain in 'easy' territory. Given this, the BOJ may be inclined to continue its policy normalisation process at the earliest opportunity.
- We expect the BOJ would also have some concerns that 10-year break-even inflation rates have risen above 2% (currently 2.15%). Deputy Governor Uchida recently highlighted that the BOJ does not want to be seen as falling behind the curve (likely reflecting the potential for this to add to inflation expectations and higher long-term yields).
- But the BOJ is also cognisant of Japanese government concerns that rising long-term rates will add to interest expenses and the perception that the BOJ is driving that. It could be challenging to communicate that monetary policy is being 'normalised' in response to the return of inflation, with the risk that long-term yields rise if normalisation is too slow.

Figure 59 - The market is expecting further gradual policy normalisation



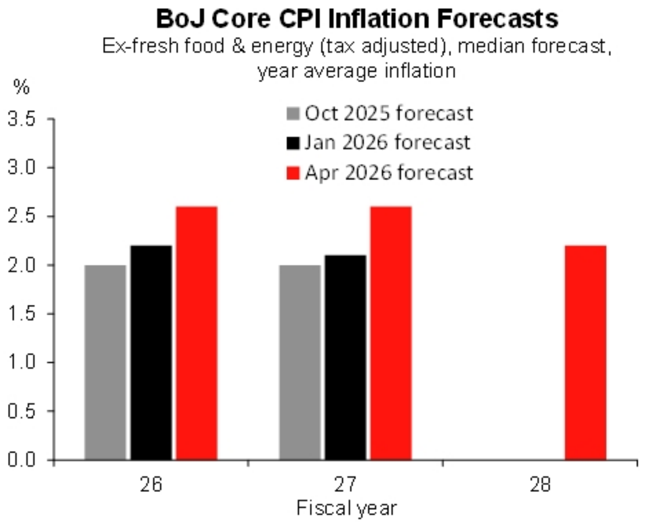
Source: Macrobond, Bloomberg, Macquarie Macro Strategy

Figure 60 - Yen depreciation to historically low levels has driven easier financial conditions



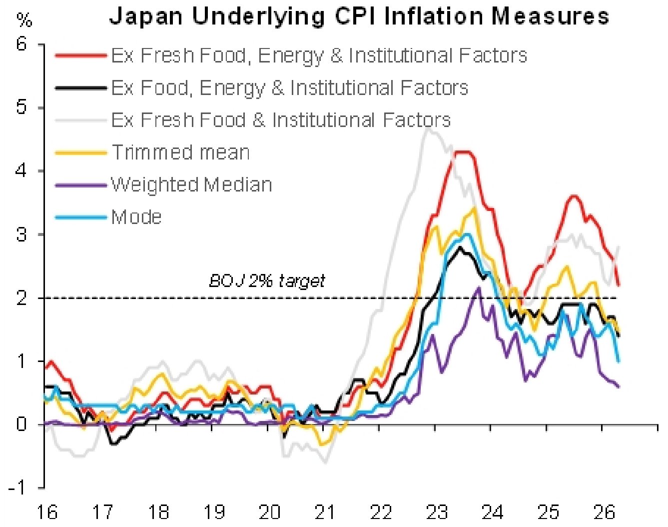
Source: Bloomberg, Macquarie Macro Strategy

Figure 61 - The BOJ is forecasting core inflation above 2% out to FY 2028



Source: BOJ, Macquarie Macro Strategy

Figure 62 - The BOJ's variety of core measures have shown a disinflationary trend, although we expect these will soon turn higher



Source: Macrobond, Macquarie Macro Strategy

David Doyle
s 22
s 22 @macquarie.com

Chinara Azizova
s 22
s 22 @macquarie.com

Canada: Improvement on the horizon

Canada's economy contracted slightly at 0.1% q/q saar in Q1, marking the second consecutive quarterly decline.

Despite the weak result, activity appears to have improved in Q2.

- Advance estimates suggest monthly GDP growth of 0.4% for April.
- Employment showed a sharp improvement in May after being weak for most of 2026.
- The S&P Global Manufacturing PMI has improved in recent months and is in expansionary territory.
- Home sales activity has improved sharply so far in Q2.
- The Q2 business outlook survey showed a pick-up in hiring and investment intentions.

Looking ahead, we expect growth to pick up, on the back of several factors.

- Falling trade policy uncertainty with the potential for progress towards a revised USMCA agreement.
- Stronger and broader economic growth in the US will also likely generate positive spillovers for Canada's business cycle.
- A potential improvement in fixed business investment driven, in part, by fiscal measures.
- The diminishing impact of mortgage rate resets as a headwind.
- An improvement in the labour market.

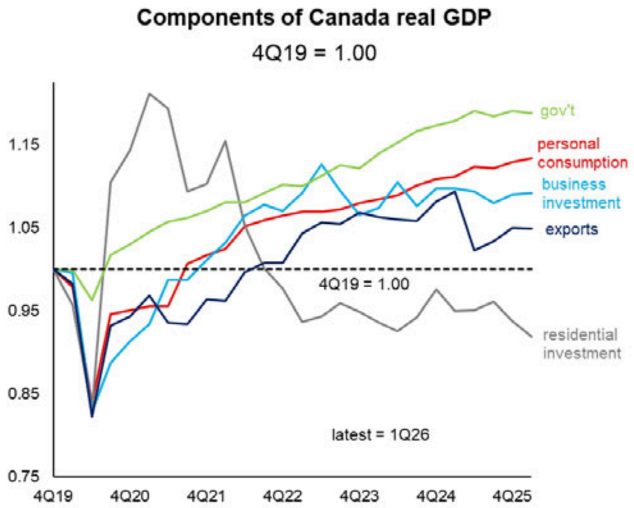
Table 6 - Canada economic forecasts (forecasts shaded)

		Quarterly									Annual*		
		Q4-2025	Q1-2026	Q2-2026	Q3-2026	Q4-2026	Q1-2027	Q2-2027	Q3-2027	Q4-2027	2025	2026	2027
GDP	q/q saar	(1.0)	(0.1)	2.0	2.3	2.6	2.6	2.4	2.2	2.1			
	y/y	0.7	(0.1)	0.7	0.8	1.7	2.4	2.5	2.4	2.3	1.9	0.8	2.4
CPI	q/q saar	3.0	2.5	4.0	(0.7)	2.9	1.5	2.6	2.0	1.8			
	y/y	2.2	2.1	2.9	2.2	2.2	1.9	1.6	2.2	2.0	2.1	2.4	1.9
Core CPI	q/q saar	2.3	1.3	1.5	3.4	2.6	2.4	2.4	2.3	2.3			
	y/y	2.5	2.0	1.7	2.1	2.2	2.5	2.7	2.5	2.4	2.5	2.0	2.5
Unemployment rate	%	6.8	6.6	6.7	6.4	6.1	5.9	5.8	5.8	5.7	6.8	6.1	5.7
USD CAD		1.37	1.40	1.41	1.35	1.33	1.32	1.31	1.30	1.29	1.37	1.33	1.29
Policy rate**	%	2.25	2.25	2.25	2.25	2.50	2.75	3.00	3.00	3.00	2.25	2.50	3.00
2-yr yield	%	2.62	2.85	2.85	2.90	3.00	3.25	3.25	3.25	3.25	2.62	3.00	3.25
10-year yield	%	3.42	3.48	3.50	3.75	4.00	4.00	3.75	3.50	3.50	3.42	4.00	3.50

Source: National sources, Macrobond, Macquarie Macro Strategy

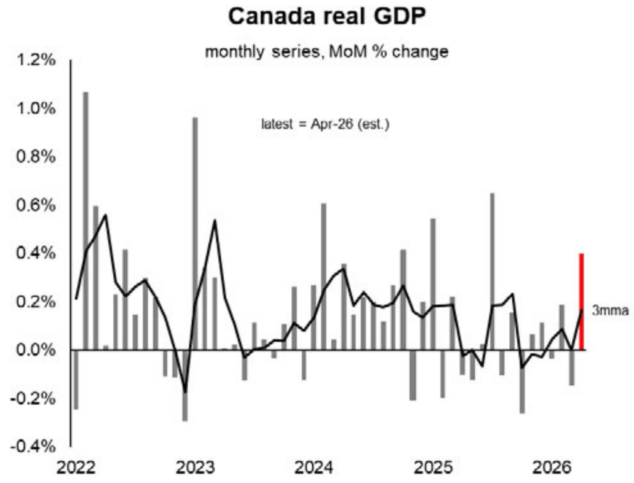
**Year-average for GDP and CPI; year-ended for FX, rates and unemployment **BoC overnight cash rate*

Figure 63 - Canada's real GDP declined for the second consecutive quarter in Q1, falling by -0.1% q/q saar



Source: Macrobond, Macqaurie Macro Strategy

Figure 64 - Advance estimates of GDP suggest a rebound of 0.4% m/m for April



Source: Statistics Canada, Macrobond, Macquarie Macro Strategy

Consumption and housing

Consumer spending and residential investment were weak in 2026Q1, but should pick up in the quarters ahead.

- Household consumption grew at a modest 0.7% pace in Q1, constrained by stagnant real disposable income, a soft labour market, and negative population growth.
- We anticipate some positive impulse ahead for consumption as real disposable income growth turns positive (amidst the recent reversal in gasoline prices) and an improvement in the labour market.
- Population growth, however, is expected to remain negative in the near term, further weighing on aggregate consumption and increasing reliance on real per capita spending gains.

Mortgage rate resets should continue to weigh on household activity in 2026H2 before lessening considerably in 2027H1.

- The 5-year Canada yield remains roughly 200bps above levels prevailing through much of 2021, prolonging the drag from mortgage rate resets on resale activity, renovations, and discretionary spending.
- BoC analysis suggests that borrowers with fixed-rate mortgages of five years or more (around 12% of outstanding mortgages) will see payments rise by about 15% over the next three quarters, broadly in line with increases over the past year.
- Beginning in 2026Q4 this rate reset challenge should lessen with this becoming more pronounced in 1H27 as the relevant periods of comparison from five years earlier (2021Q4 and 2022H1) saw a sharp rise in the Canada 5-year yield.

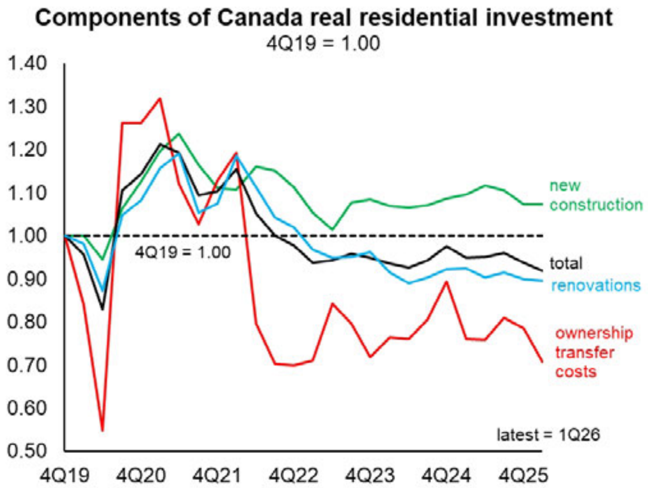
Residential investment contracted at a 7.9% annualised pace in Q1, driven largely by a decline in ownership transfer costs amid weak home sales. This should partially unwind in Q2 as there are signs of a strong growth contribution from ownership transfer costs. Existing home sales have made gains in April and May. This pickup in housing turnover should also provide support for renovation activity and discretionary consumer spending.

While residential investment remains somewhat elevated as a share of GDP, it has compressed significantly from a peak of nearly 10% in mid-2021 to just 7% in Q1.

- This could moderate further ahead with the potential for a downturn in new residential construction.

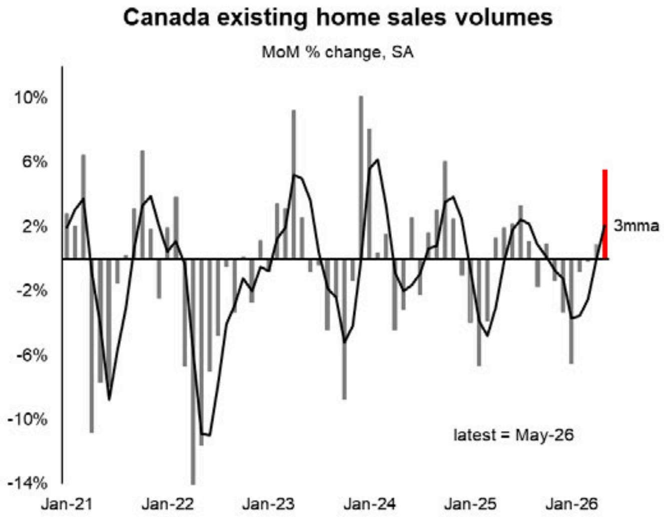
- Despite this, in aggregate residential investment is likely to be less of a headwind ahead than has been the case in recent years.

Figure 65 - Real residential investment declined for the second consecutive quarter in Q1, with this primarily driven by ownership transfer costs, reflecting weak home sales



Source: Macrobond, Macquarie Macro Strategy

Figure 66 - Existing home sales rose firmly in May after remaining subdued for most of 2026



Source: CREA, Macquarie Macro Strategy

The labour market appears poised for improvement

Canada's labour market rebounded in May following several months of weakness earlier in 2026. The unemployment rate stands at 6.6% as of April and has broadly stabilized within the 6.5%–7.0% range in recent months.

Looking ahead, labour market conditions are expected to improve further in the near term, supported by:

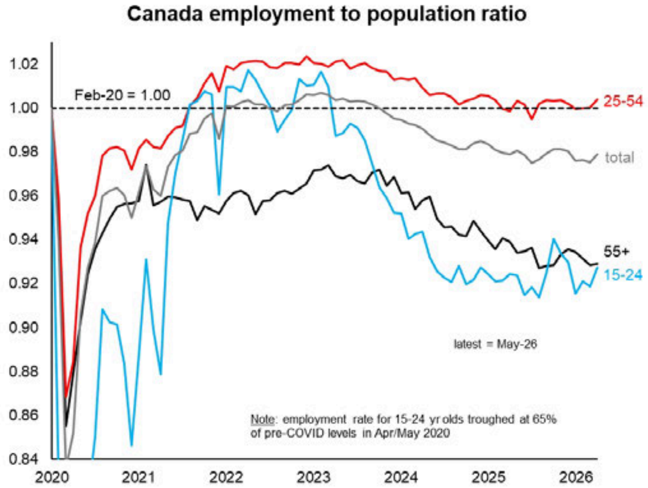
- Easing overall trade policy uncertainty, which should help bolster overall economic growth,
- The potential for progress towards a successful USMCA renegotiation later this year, providing an additional tailwind.
- Strengthening business investment and hiring intentions.
- A tightening in the US labour market should have positive spillover implications for Canada.
- Negative population growth, which will potentially lead to a decline in the unemployment rate.

We expect the unemployment rate to moderate in coming months and reach 6.1% by the year-end.

Figure 67 - The unemployment rate fell sharply to 6.6% in May, and has overall moved sideways in recent months

Source: Macrobond, Macquarie Macro Strategy

Figure 68 - The employment to population ratio for core aged workers is above pre-pandemic levels, with weakness concentrated in the younger and older worker cohort



Source: Macrobond, Macquarie Macro Strategy

Outlook for business investment and net exports

Business investment in Canada was flat in Q1, as strength in intellectual property products and machinery & equipment was offset by weakness from engineering structures. This measure has overall been weak for more than a decade.

Looking ahead, we anticipate improvement for business investment ahead supported by federal government incentives and lower trade policy uncertainty.

- Canada's PMIs have been improving over the past few months.
  - ⇒ The composite measure rose to its highest level since November 2024 in May.
- The fiscal measures announced by the Carney government last year should continue to support business investment through 2026.
  - ⇒ These include tax incentives for new capital investment, immediate expensing for manufacturing and processing buildings, and reinstatement of accelerated capital cost allowances for low-carbon LNG facilities.
  - ⇒ Together, these measures would bring Canada's marginal effective tax rate from 15.6% to 13.2%.

Net exports were a drag of 3.8ppts to overall GDP in Q1, with this weakness driven by the decline in exports of motor vehicles & parts due to US tariffs. Partially offsetting this was the strength from the energy sector.

Inflation outlook

Canada's headline inflation has accelerated in recent months, driven primarily by higher oil prices, and stands at 3.2% year-over-year as of May.

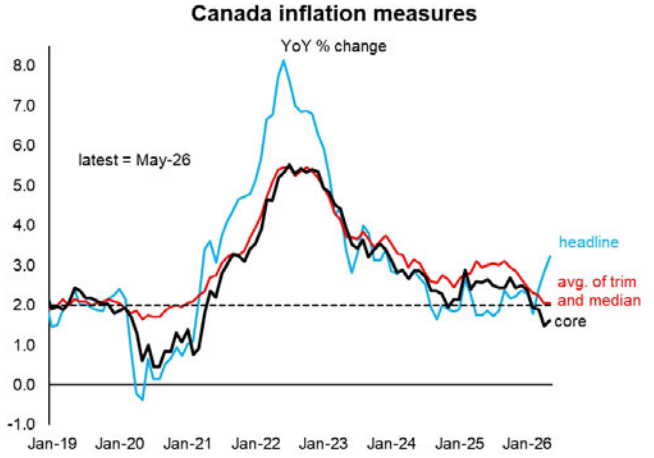
Despite this pickup, core inflation measures remain subdued, reflecting ongoing economic slack and persistent softness in housing activity.

- The average of trim and median has fallen to 2.1% year-over-year, its lowest level since January 2021.
  - ⇒ The 3-month moving average of this has recently begun to trend higher.
- Traditional core inflation (excluding food and energy) stands at 1.6% YoY.

Looking ahead, we expect underlying inflation to gradually firm due to a narrowing output gap as economic conditions improve alongside negative population growth.

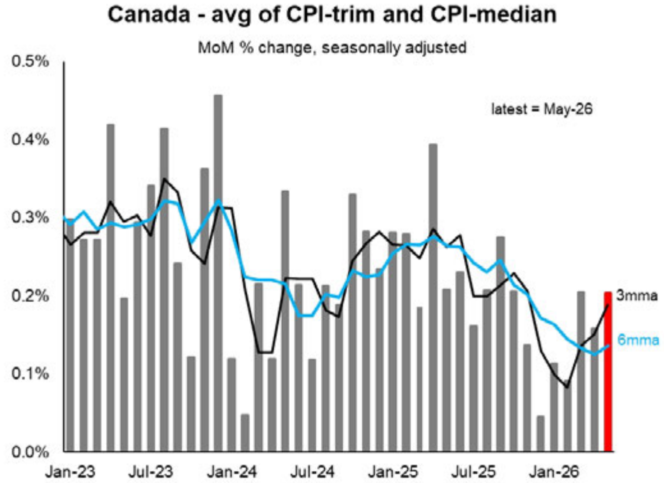
- One offset should come from shelter inflation. This is likely to remain subdued, supported by weak market rents and soft house prices.

Figure 69 - Headline inflation has accelerated of late due to the oil price shock, while core inflation measures remain subdued



Source: Macrobond, Macquarie Macro Strategy

Figure 70 - The average of CPI-trim and CPI-median rose by 0.2% in May, and has started rising on a trend basis following a period of moderation



Source: Macrobond, Macquarie Macro Strategy

BoC outlook

The BoC has held its policy rate steady at 2.25% since October.

We expect 3 rate hikes of 25 bps each ahead (75 bps in total). The first of these we project to occur in 4Q26. Together, these hikes would bring the Overnight rate to 3.0%.

A necessary condition for the hikes we anticipate ahead will be labour market improvement. We anticipate even modest jobs growth ahead to result in a meaningful reduction in the unemployment rate, a development that is likely to alter the BoC's assessment of the output gap.

Fiscal policy

The federal government released its Spring Economic Update in April, projecting a fiscal deficit of CAD $66.9 billion for FY26 ($11.5 billion lower than the estimate presented last fall).

- However, a subsequent Parliamentary Budget Officer (PBO) report estimates the FY26 deficit to be around CAD $72 billion.

Fiscal policy is set to remain supportive of growth.

- PBO projects the deficit to be stable in FY27, as projected revenue gains of approximately CAD $20.2 billion are largely offset by a comparable increase in expenditures of around CAD $20 billion.

Dan Fabbro
s 22
s 22 @macquarie.com

Anita Chao
s 22
s 22 @macquarie.com

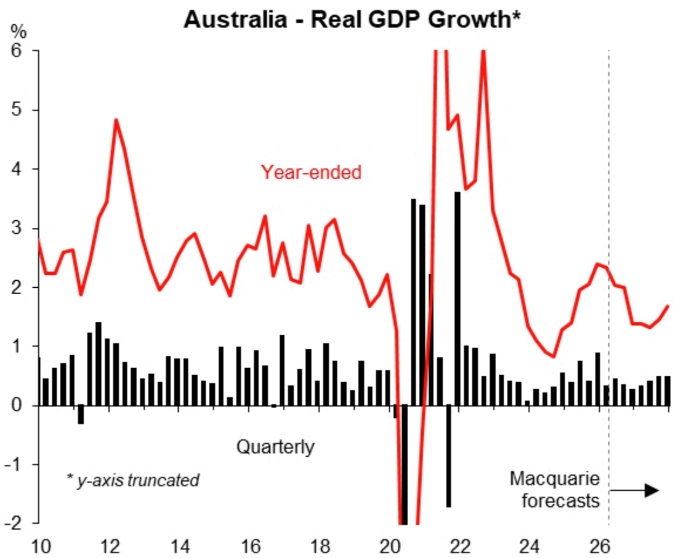
Australia: The housing cycle has turned

The Australian economy performed well over the year to Q1 2026, with GDP growth of 2.5%, faster than in most other advanced economies. However, the outlook has softened.

- In part this is due to the re-emergence of inflation. Some of this came ahead of the Middle East conflict, as the economy bumped up against capacity. The disruption to oil supply then exacerbated this inflationary impulse and the RBA responded swiftly, with 75bp of hikes between February and May to 4.35% (in line with the recent peak in 2023-24).
- We see housing activity being a key driver of the softer trajectory for the economy, in response to rate hikes and reduced tax benefits for new investments in established properties. Housing prices and turnover have already started to fall.
- Strong AI-related investment (data centres and software) is likely to remain a bright spot. However, the high import content of this investment limits the direct benefit to the economy.

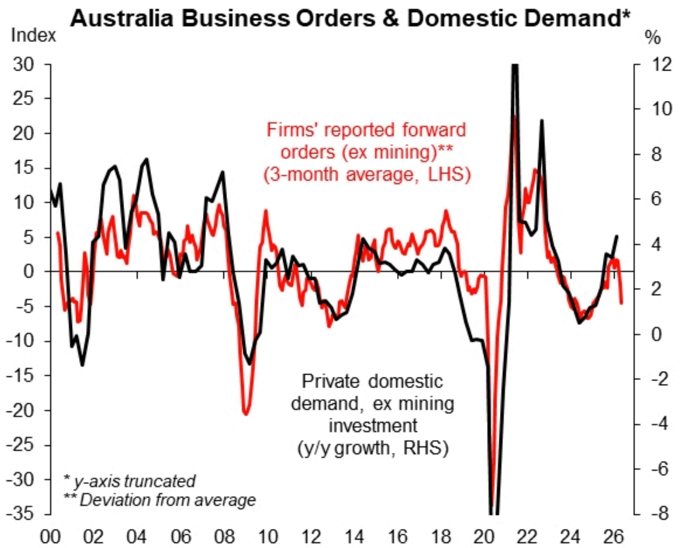
Our base case is that the RBA tightening cycle is finished, with slower growth and lower oil prices to see inflation start to ease over the course of the year. However, the risk is that the RBA may hike further on inflation concerns if growth remains resilient or oil prices rise again.

Figure 71 - Growth is expected to slow over 2026, with some recovery in 2027



Source: ABS, Macrobond, Macquarie Macro Strategy

Figure 72 - NAB business survey data suggests a slowdown has already begun



Source: NAB, ABS, Macrobond, Macquarie Macro Strategy

Table 7 - Australia economic forecasts (forecasts shaded)

		Quarterly									Annual*		
		Q4-2025	Q1-2026	Q2-2026	Q3-2026	Q4-2026	Q1-2027	Q2-2027	Q3-2027	Q4-2027	2025	2026	2027
GDP	q/q	0.9	0.3	0.4	0.3	0.3	0.3	0.4	0.5	0.5			
	y/y	2.5	2.5	2.0	2.0	1.3	1.4	1.3	1.5	1.7	2.0	1.9	1.5
CPI (nsa)	y/y	3.7	4.0	4.6	3.9	4.1	3.3	2.7	2.6	2.4	2.8	4.2	2.8
Core CPI**	q/q	0.9	0.8	0.9	0.8	0.8	0.7	0.7	0.6	0.6			
	y/y	3.4	3.5	3.7	3.5	3.3	3.2	3.0	2.8	2.6	3.0	3.5	2.9
Unemployment rate	%	4.3	4.2	4.3	4.4	4.5	4.6	4.6	4.6	4.6	4.3	4.5	4.6
AUD USD		0.67	0.69	0.71	0.72	0.73	0.74	0.75	0.75	0.75	0.67	0.73	0.75
Policy rate***	%	3.60	4.10	4.35	4.35	4.35	4.35	4.35	4.35	4.35	3.60	4.35	4.35
3-yr yield	%	4.14	4.65	4.40	4.45	4.50	4.50	4.50	4.50	4.50	4.14	4.50	4.50
10-yr yield	%	4.76	4.97	4.80	4.90	5.00	5.00	4.90	4.80	4.80	4.76	5.00	4.80

Source: ABS, Macrobond, Macquarie Macro Strategy

**Year-average for GDP and CPI; year-ended for FX, rates and unemployment **Trimmed mean CPI ***RBA cash rate*

Housing activity faces significant headwinds

As we discussed in a recent note (will housing punch above its weight?), housing activity plays an important role in driving the economic cycle, reflecting its sensitivity to changes in monetary policy, its importance in household wealth, and broader impact on consumer spending.

In addition to the RBA's recent rate hikes, the Government announced significant tax changes in the recent Commonwealth Budget (with intentions to pass the legislation in early July), which are likely to see lower housing activity and house prices.

- The Government's plan is that, for established properties purchased after the Budget (12 May 2026), property investors will not be able to offset losses on property investments against other (non-property) income such as wages from 1 July 2027. The 50% capital gains tax (CGT) discount will also be replaced with an indexation approach, with a minimum 30% tax on real capital gains.

We think the housing market is particularly vulnerable to a shift in investor sentiment:

- Tax benefits from negative gearing have recently been quite large under the pre-Budget tax arrangements, as there is a wide gap between interest rates and rental yields. The removal of this tax benefit is likely to have a sizeable negative impact on investor demand for established housing.
- Investor borrowing capacity will also be reduced as banks will account for the lower after-tax returns on the investment when assessing their ability to repay.
- Investor credit had been growing very strongly (10.1% in the year to April), with some demand likely to have been pulled forward in response to rate cuts in 2025 and higher prices.

Conditions point to a likely fall in house prices ahead, as we discussed in a recent note (a brief history of Aus house prices):

- Affordability is already historically very low. In the past, periods of low affordability have been followed by extended periods of weak price growth.
- Housing price growth has already stalled on average on a national basis in May (and look to be falling so far in June), with prices falling in recent months in Sydney and Melbourne.

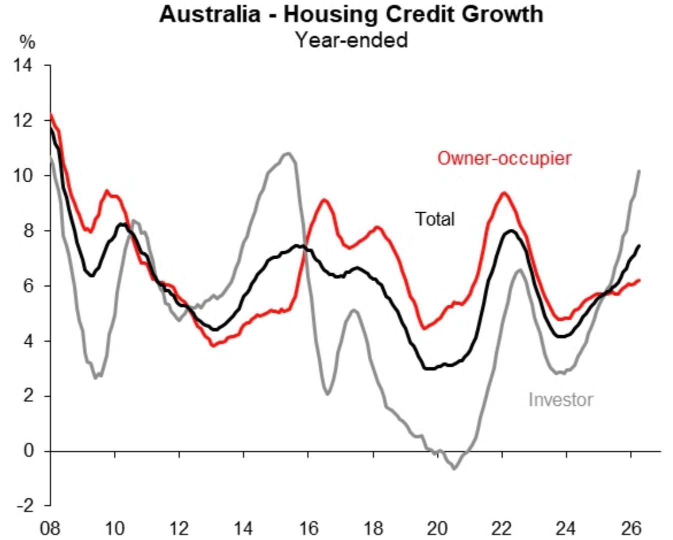
Construction activity should also turn lower, with a lag.

- Building approvals are very responsive to interest rates and suggest we are likely to see a fall over the remainder of the year. Although there is a pipeline of building work (particularly higher density housing) that is likely to see growth in construction for a period, overall construction should turn lower from later in the year or in early 2027.
- Under the proposed new tax rules, losses on ***new*** residential investment properties can still be offset against other (non-property) income such as wages. Investors in new properties will also be able to choose between the 50% CGT discount or indexation. However, it seems unlikely this will provide much support for housing investor demand for new construction, at least in the near term, given interest rate increases and greater uncertainty about house prices. Housing investor purchases are also typically concentrated in existing houses (usually around 80% or more of investor house purchases).

Figure 73 - Housing turnover has already begun to fall and price growth has stalled

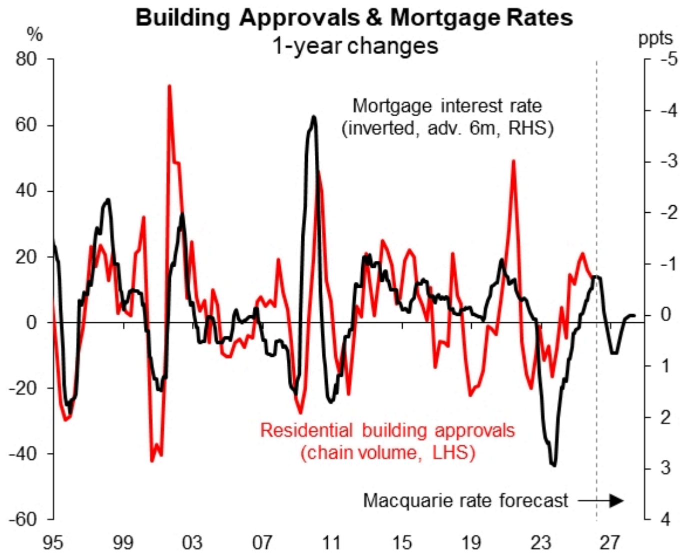
Source: ABS, Cotality, Macrobond, Macquarie Macro Strategy

Figure 74 - Investor credit has grown strongly, but is now likely to turn lower



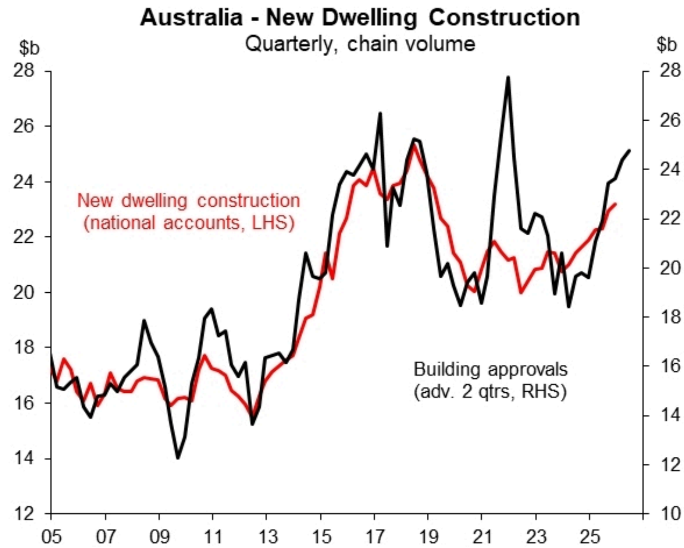
Source: RBA, Macrobond, Macquarie Macro Strategy

Figure 75 - We expect building approvals to fall over the remainder of year in response to higher interest rates



Source: ABS, RBA, Macrobond, Macquarie Macro Strategy

Figure 76 - Past building approvals suggest near term growth in construction, but should start to contract in late 2026 or early 2027



Source: ABS, Macrobond, Macquarie Macro Strategy

There are early signs of softer consumer spending growth

The outlook for household consumption has weakened over recent months, largely due to the Middle East conflict and the shift in interest rates. We see consumption growth slowing from 2.5% y/y in Q1 2026 to around 1½% y/y by Q4.

High-frequency indicators of consumer spending have already slowed, including consumer confidence and business survey orders for consumer-facing sectors.

Real disposable income growth has begun to slow in Q1 (1.9% y/y) and we expect a further slowing over the remainder of 2026.

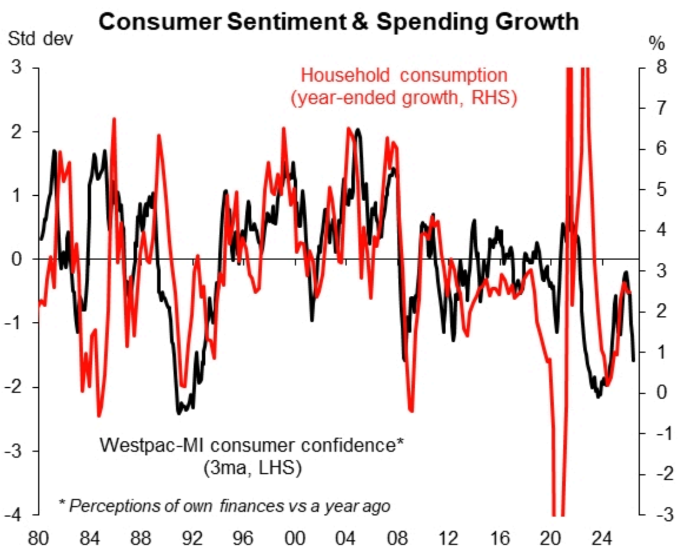
- The NAB survey shows firms are reporting weaker profitability, which typically leads to slower growth in employment with a lag. Job ads have also started to signal softer labour market conditions.
- Inflation is likely to remain elevated in Q2 and Q3, reflecting direct and indirect impacts of oil and other commodity prices.

- While wages growth should pick up in Q3 from the strong minimum and award wage outcome determined by the Fair Work Commission for 2026/27, there may be some offset from a broader slowing in wages growth from softer labour market conditions as well as slower growth in bonus payments from a strong period in 2025.
- The full impact of RBA rate hikes has yet to flow through to households' interest expenses.
- However, if we see lower oil prices over the coming months, this could provide some support to the purchasing power of household incomes.

The slowdown in housing activity should contribute to slower growth in consumer spending, particularly on discretionary goods:

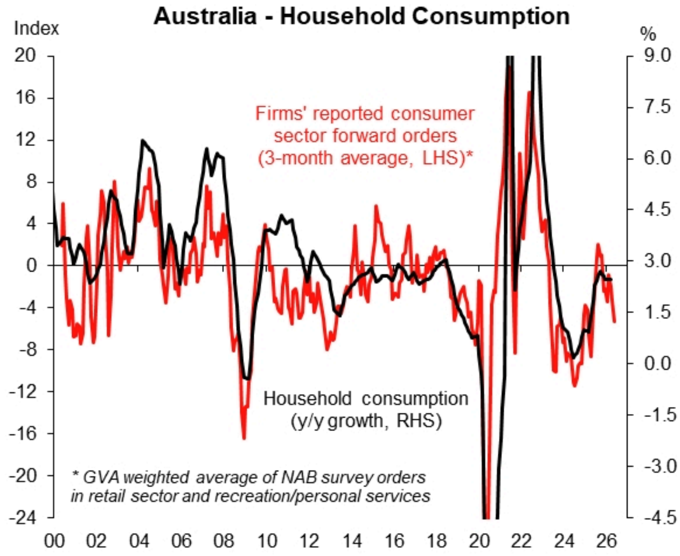
- Lower housing turnover tends to see weaker spending growth for household items (e.g. furniture).
- If there is a fall in house prices, we would expect negative wealth effects on consumption.

Figure 77 - Lower consumer confidence in recent months suggests consumption growth has already slowed



Source: ABS, Westpac-MI, Macrobond, Macquarie Macro Strategy

Figure 78 - Businesses in consumer-facing sectors are also reporting weaker demand

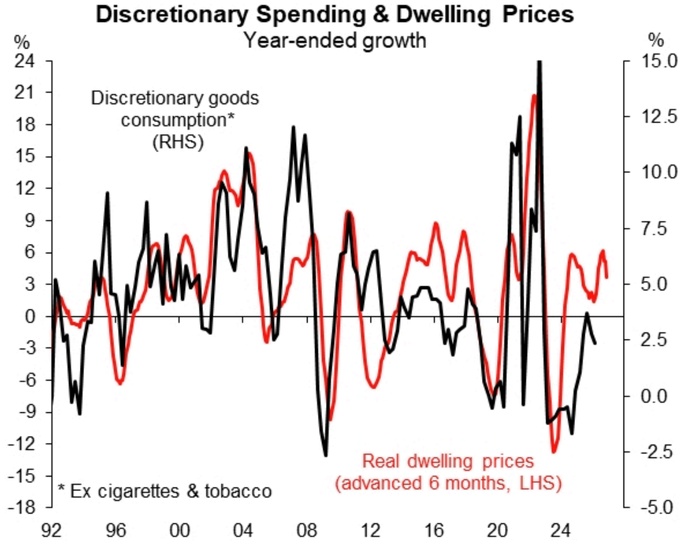


Source: ABS, NAB, Macrobond, Macquarie Macro Strategy

Figure 79 - Employment growth may slow given the deterioration in profitability

Source: ABS, NAB, Macrobond, Macquarie Macro Strategy

Figure 80 - Weaker housing activity typically contributes to slower consumption growth



Source: ABS, Cotality, Macrobond, Macquarie Macro Strategy

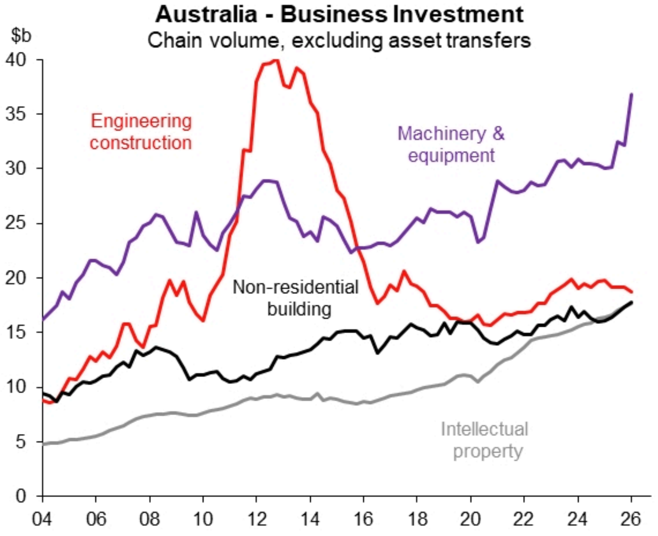
AI-related tech investment is boosting business investment

Australia has seen strong growth in business investment, up 10.4% in the year to Q1. While this has been a significant driver of domestic demand, its direct impact on the broader economy has been more limited.

- The component of investment seeing the strongest growth is machinery and equipment, up 22.7% over the year to Q1. Much of this growth has been in ADP equipment, driven by demand for data centres. However, with the vast majority of this equipment being imported, there is very little domestic production associated with it (i.e. limited impact on GDP).
- Data centre investment does have a construction component, although this is a small share of the total investment in data centres (typically around 15%).
- Investment in intellectual property has also been growing solidly, up 7.8% over the year to Q1. Again there is a large tech component in this investment, with software development and purchases rising 8.3% y/y, although much of this investment is also imported.

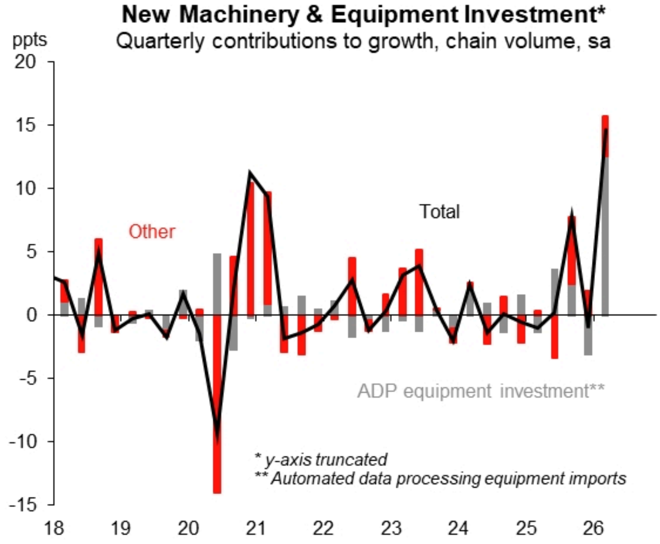
Although data centre investment can be lumpy, there is a large pipeline of projects currently underway and plans announced by a number of tech firms suggest data centre investment should continue to grow over the coming years. Alongside the ramp-up in other tech investment, this is generating an increase in the share of business investment in GDP, which could have medium term productivity benefits.

Figure 81 - Tech is the key driver of business investment



Source: ABS, Macrobond, Macquarie Macro Strategy

Figure 82 - The large import component in machinery and equipment investment limits its direct benefit to the economy



Source: ABS, Macrobond, Macquarie Macro Strategy

Slower growth and lower oil prices could mean tightening is done

The RBA has lifted its policy rate by 75bp since February, to 4.35%. We agree with the RBA's assessment that monetary policy settings are likely to be a "bit restrictive". Combined with the changes to housing investor tax policy, we see overall macro policy settings as likely to result in below-trend growth, facilitating a disinflationary trend back towards the RBA 2.5% target band mid-point by late 2027.

Near term inflation outcomes may remain strong, but later in the year disinflation should take hold as oil prices continue to fall and the economy slows:

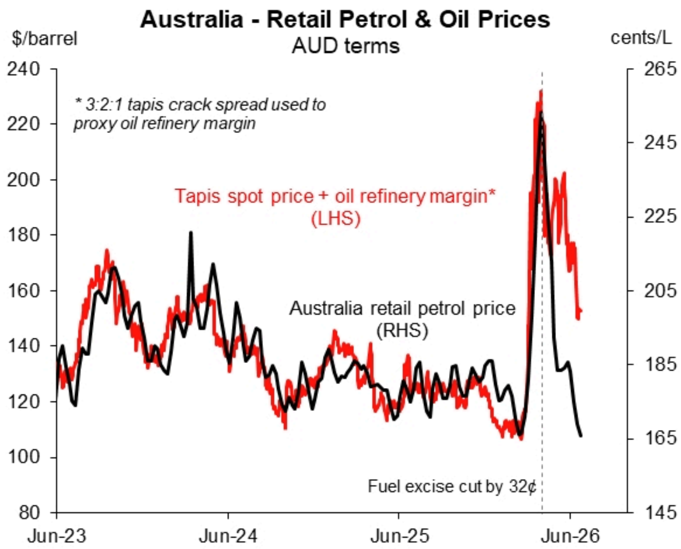
- Underlying inflation outcomes in Q2 and Q3 are likely to be strong, with trimmed mean inflation around 3.4% (annualised). This partly reflects the direct effects of higher energy prices (in Q2) and second-round effects as oil and other commodity prices flow through to other prices.
- However, our base case is for lower oil prices (to below US$70/b) by year-end. For Q3, we expect this lower oil price to broadly offset the impact of the excise tax being lifted back up (by 32c/L) to its pre-war level by 2 August (the Government has announced that the fuel excise will be lifted by 16c/L in July and a further 16c/L in August). The result would be that petrol prices will remain around pre-war levels.
- It is possible that the stronger-than-expected Fair Work Commission (FWC) decision for 2026/27 on minimum wages (6%) and award wages (4.75%) could see some inflation from higher labour costs in Q3.
  - ⇒ RBA Governor Bullock recently downplayed the likely impact of this decision, suggesting she "wouldn't call it material". The RBA is of the view that it will have some impact on overall wages, but could be offset over time by the impact of a broader easing in labour market conditions.
- Recent business survey data are already showing some easing in capacity pressures and selling prices.

The RBA is on pause for now, as it assesses the impact of past monetary tightening, the housing at changes and oil market developments.

Our base case is that the RBA has finished its tightening cycle and could maintain its policy rate at 4.35% through to end 2027. However, the risks are still skewed towards another hike, as indicated by the tightening bias expressed in the June RBA Board statement.

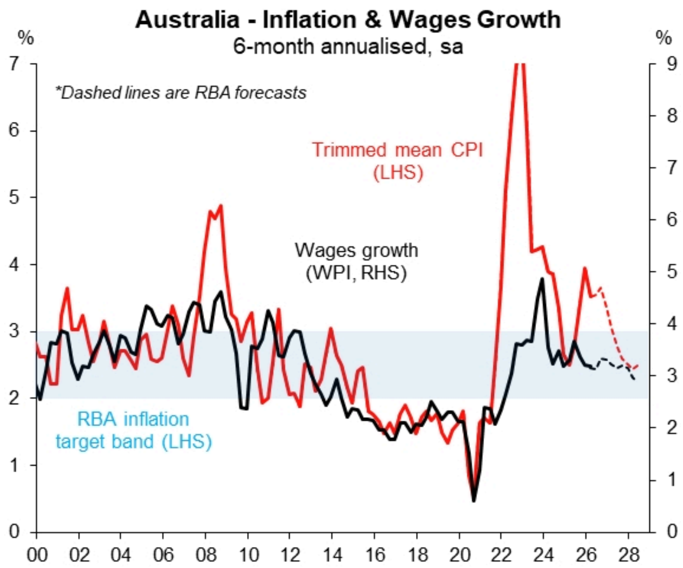
- Further hikes are possible if the oil supply disruption continues for longer than we expect, or if the economy and labour market remain more resilient than we are currently expecting.

Figure 83 - If oil prices fall further as we expect, petrol prices may remain around pre-war levels (even after the fuel excise is lifted back up)



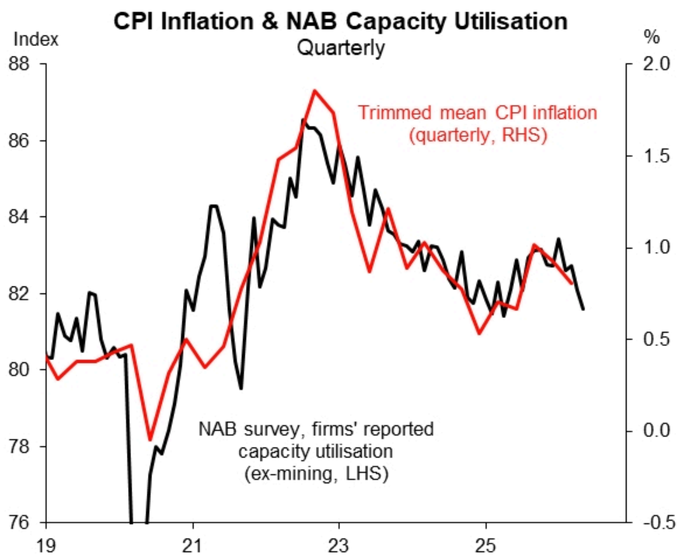
Source: AIP, Bloomberg, Macrobond, Macquarie Macro Strategy

Figure 84 - A gradual easing of labour market conditions should help to bring inflation back to target by late 2027



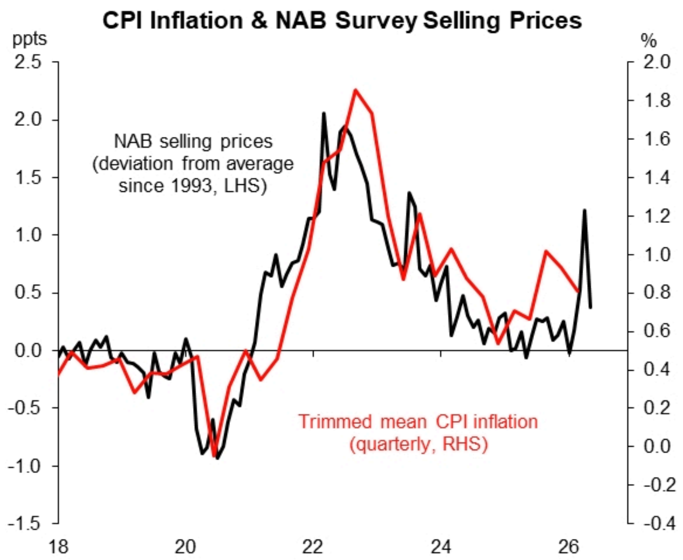
Source: ABS, RBA, Macrobond, Macquarie Macro Strategy

Figure 85 - There are early signs of capacity pressures easing



Source: ABS, NAB, Macrobond, Macquarie Macro Strategy

Figure 86 - Firms have also reported an easing in inflation in selling prices



Source: ABS, NAB, Macrobond, Macquarie Macro Strategy

Gareth Berry
s 22
s 22 @macquarie.com

Thierry Wizman
s 22
s 22 @macquarie.com

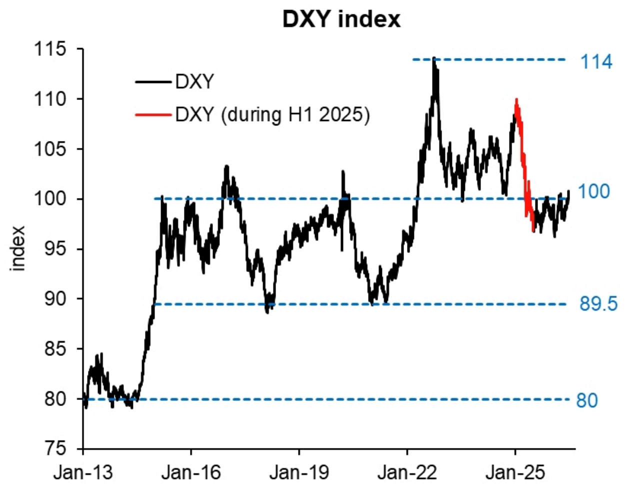
FX outlook: Mild US dollar weakness ahead

The demise of the US dollar has been foretold many times before, most recently throughout US President Trump's second term of office. The dollar's decline throughout H1 of 2025 initially seemed to vindicate the doomsayers, but the selloff abruptly halted on 30 June that year, and the US dollar has essentially flat-lined ever since, although there has been wide dispersion in performance among the bilateral pairs.

Fear of capital flight out of the US has simply not materialised, except perhaps in the immediate aftermath of the "Liberation Day" tariff announcements in April 2025. But even then, selling of USTs was mild, and reversed course the following month. Similarly, the urge by foreigners to increase FX hedges on their US dollar denominated investments faded just as quickly.

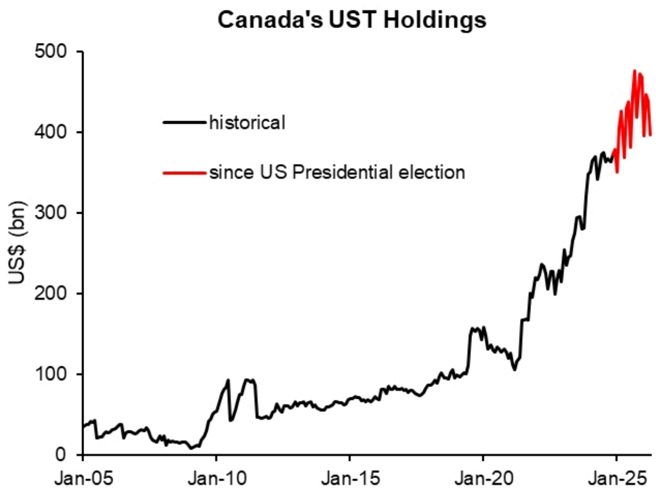
Scanning the ownership of USTs by country, even Canada-based investors have increased their UST exposure despite the fraught bilateral political relationship. It seems foreign investors continue to allocate capital dispassionately in search of the best risk-adjusted returns, and this has saved the US dollar from a deeper selloff.

Figure 87 - The US dollar selloff was confined to 2025H1



Source: Bloomberg, Macquarie Macro Strategy

Figure 88 - Canada-based investors now own more USTs

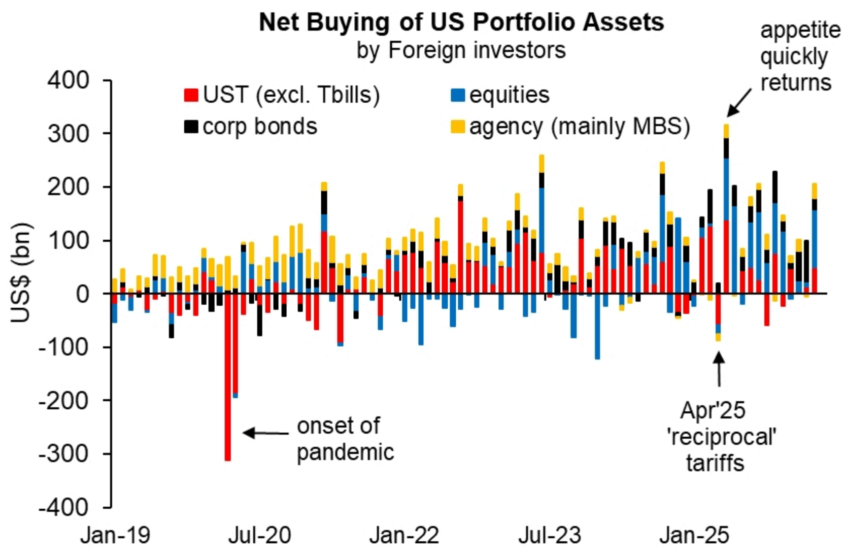


Source: US Treasury, Macquarie Macro Strategy

Nevertheless, the US dollar remains about 13% overvalued on a Real Effective Exchange Rate basis, and we are still concerned about this somewhat precarious starting point — especially in light of the recent diplomatic breakthrough in the Middle East, which has enabled a resumption of maritime traffic through the Strait of Hormuz.

If acting in isolation, this should trigger some mild US dollar weakness over the months ahead as it (1) strips the USD of some of the safe-haven bid it has enjoyed and (2) reduces the positive terms of trade shock the US had derived from being an oil exporter during oil price surge. This dollar-weakening effect should only intensify as oil continues to fall towards our new year-end target for Brent of US$69/bbl.

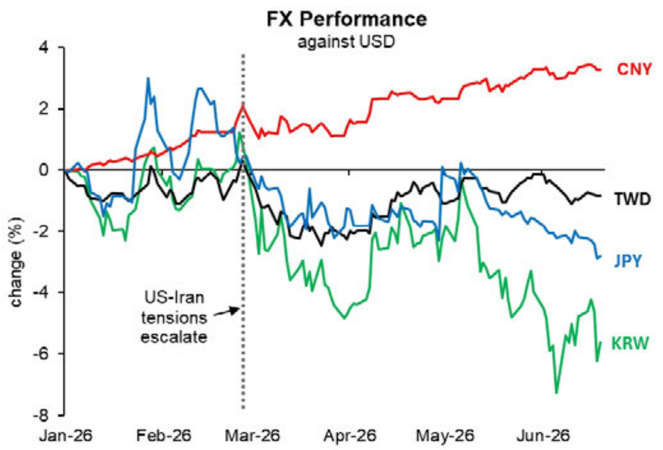
Figure 89 - Foreigner demand for US assets still strong



Source: Bloomberg, Macquarie Macro Strategy (latest data = Apr'26)

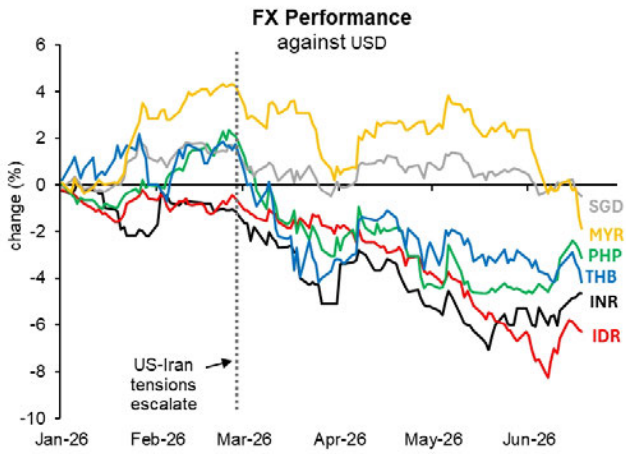
The impact on the US dollar should be felt most keenly against currencies in Asia Pacific, which had been adversely affected since the war broke out due to their dependence not just on imported oil, but on oil from the Middle East in particular. On that basis some USD weakness against JPY, KRW, INR, IDR and THB would seem justified, ***ceterus paribus***.

Figure 90 - Asian currencies have been worst hit by the Iran war, with the exception of CNY



Source: Bloomberg, Macquarie Macro Strategy

Figure 91 - Asian currencies have been worst hit by the Iran war, with the exception of CNY



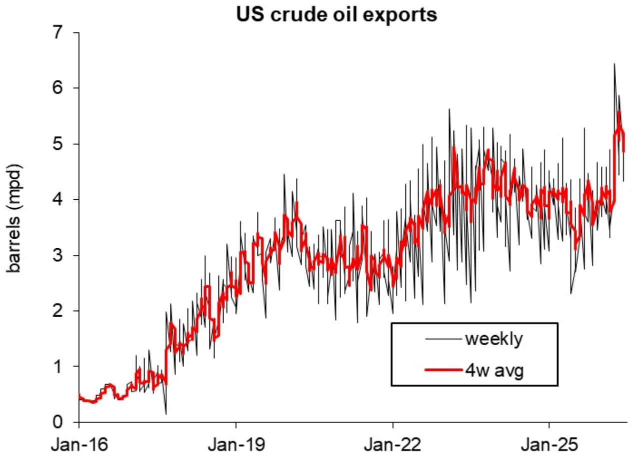
Source: Bloomberg, Macquarie Macro Strategy

Could any ensuing USD selloff be amplified by perceptions that the US has suffered a strategic defeat, given the unpalatable compromises that had to be struck just to restore the flow of shipping through Hormuz? Possibly, but we do not see this as a strong argument, because the Iran war has also accelerated the transformation of the US into an energy exporting superpower, which should more than offset any perceptions of declining US primacy in other arenas.

During the conflict, the US emerged as a backstop to the oil market — a supplier of last resort — and US oil exports surged. Now, even with a formal end to hostilities, economies that had previously been dependent on Middle Eastern supply might wish to consider permanently diversifying towards alternative sources of crude, with the US a prime alternative candidate.

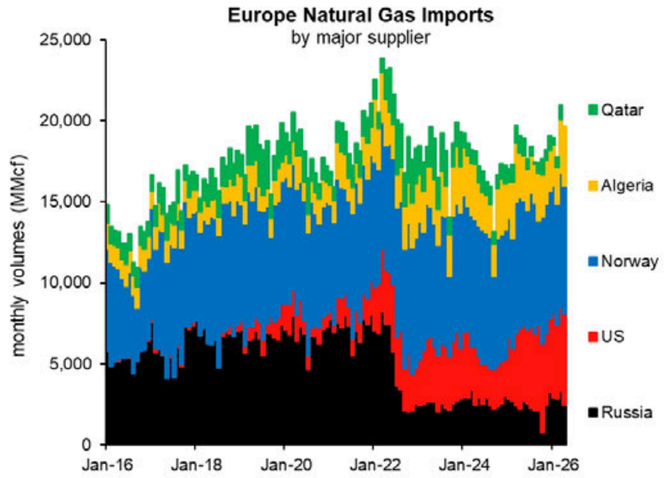
As a case in point, in 2025, Japan sourced 93% of its crude oil from the Middle East, with only 5% coming from the US. But in April 2026, imports from the US into Japan had risen by 22% m/m off this low base. In some respects, what the war in Ukraine has done to establish the US as a major supplier of LNG to Europe, could now be replicated globally in the oil space due to events in Iran — to an extent at least.

Figure 92 - US oil exports have surged since Iran war began



Source: EIA, Macquarie Macro Strategy (latest data = June 12th)

Figure 93 - Europe increasingly imports LNG from the US



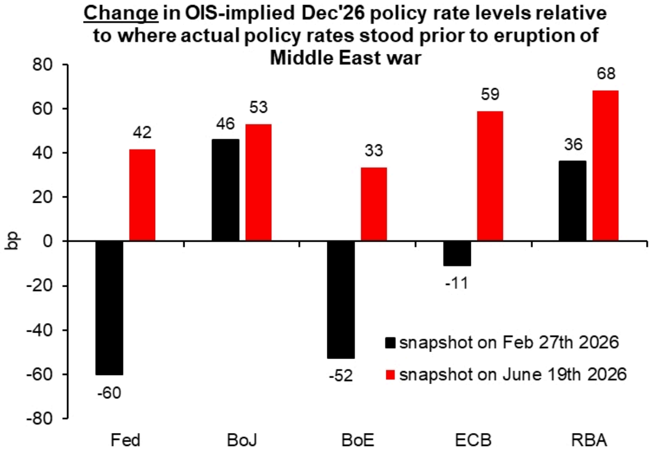
Source: Eurostat, Macquarie Macro Strategy

Looking beyond Hormuz

But the impact of end of the Iran war is just one factor driving the US dollar's outlook. Complicating matters, the Fed's hawkish shift last week should more than offset any USD selling triggered by the Iran peace deal — provided the Fed follows through with the rate hikes we expect in 2026Q4 and 2027Q1. Not only would a pair of rate hikes justify some cyclical USD strength, it would also go some way to alleviate structural concerns around a perceived loss of Fed independence under newly-installed Fed Chair Warsh.

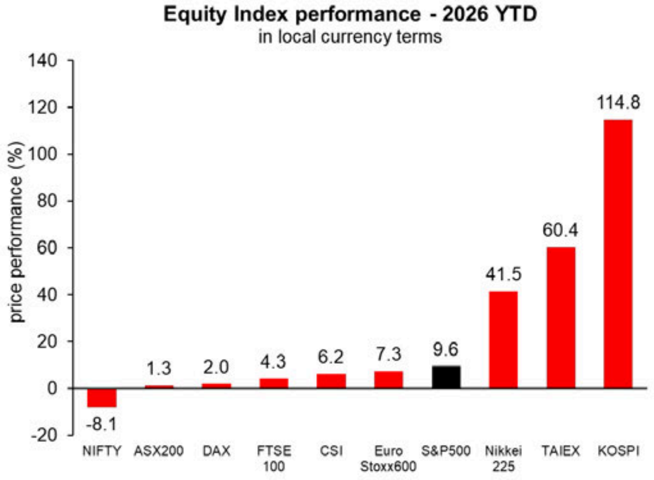
Separately, the US remains at the epicentre of the AI-investment boom too, stoking US growth and drawing capital from abroad into US equity markets. It is noteworthy that after lagging European peers in 2025, the S&P500 is outperforming in 2026 so far — although still quite some distance away from the remarkable strength in some equity markets across Asia.

Figure 94 - Rate expectations have changed most for the Fed



Source: Bloomberg, Macquarie Macro Strategy

Figure 95 - US equities outperforming European peers again



Source: Bloomberg, Macquarie Macro Strategy

To get a fuller picture of the US dollar outlook though, we must consider not just US economic fundamentals, but also idiosyncratic developments among peer economies and the follow-on impact on their local currencies. It is to this question we now turn.

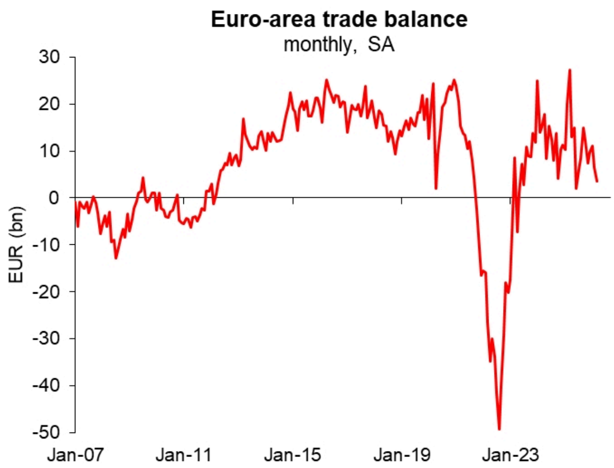
The euro and sterling

It is hard to construct an optimistic case for the euro over the next 12 months. Although ECB rate hikes have begun, the resumption of energy flows through the Strait of Hormuz means the current tightening cycle should be limited in scale.

Compared to the early stages of the Ukraine war, Europe's adverse terms of trade shock caused by the Iran war has been much milder this time, and the trade surplus has been largely unharmed. Given the euro fell relatively little at the onset of the Iran war, the grounds for a relief rally now on its resolution seem tenuous.

Structural concerns continue to plague the euro too. A persistently feeble growth outlook risks being made worse given Europe has been left behind (again) by the latest tech revolution (AI). Meanwhile, its established industries struggle with competitiveness issues and perceptions of obsolescence. Politics threatens to inflict another blow before the year is out, as France gears up for a Presidential election that must happen by April 2027. Sterling could face similar downside pressure as a potential leadership contest within the governing Labour Party could lead to a change in prime minister and unsettle Gilt investors.

Figure 96 - Europe's trade surplus less affected this time



Source: Bloomberg, Macquarie Macro Strategy

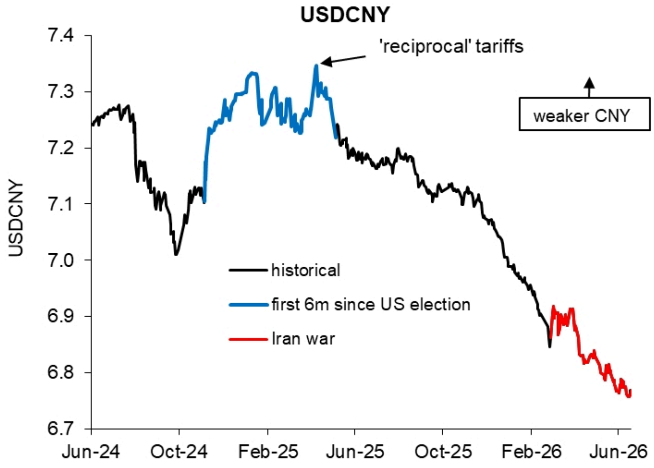
Figure 97 - Europe's traditional industries are structurally compromised

Source: Bloomberg, Macquarie Macro Strategy

The renminbi

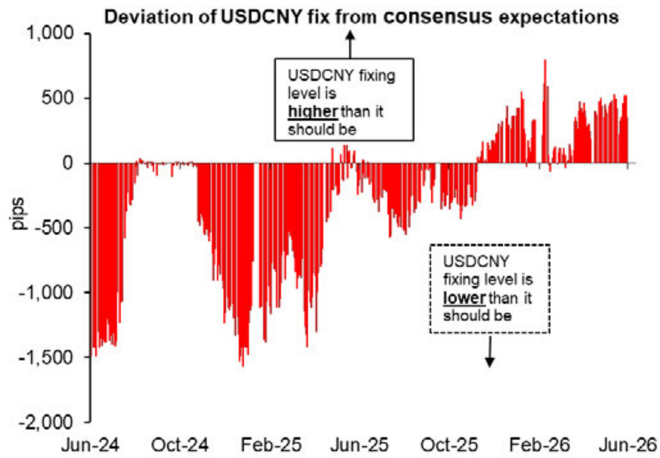
In China, CNY's trend appreciation looks likely to continue, supported by a formidable trade surplus as the ongoing export boom boosts USD export receipts (at least a portion of which end up being converted back into CNY). Reflecting this, market pressure towards further appreciation remains intact, with the PBoC using the daily fix to moderate, but not prevent, the CNY's appreciation — a tactic that has been used since late 2025.

Figure 98 - CNY is on a strengthing trend



Source: Bloomberg, Macquarie Macro Strategy

Figure 99 - The fix is being used to slow CNY's advance

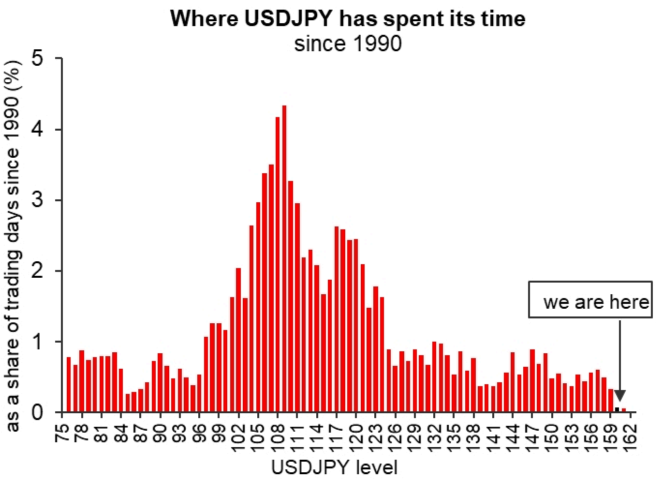


Source: Bloomberg, Macquarie Macro Strategy

The yen

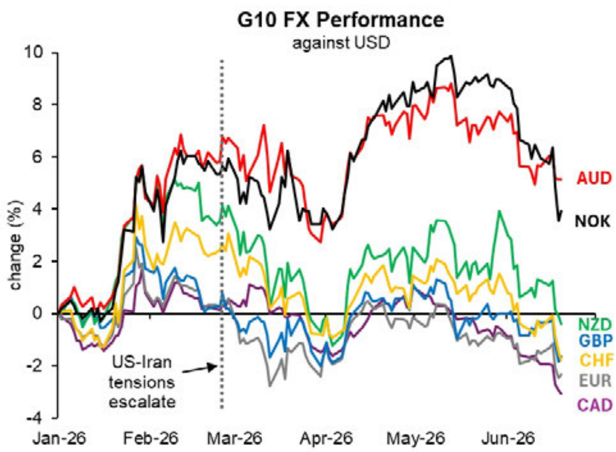
If the USD is to weaken during the remainder of 2026 and into 2027, a yen rally that spills over into other currency pairs is one possible driver. But the would-be rally and its trigger remain elusive, despite the yen's extreme undervaluation and the Bank of Japan taking the policy rate to a 1995 high of 1.0%. Even JGB yields approaching levels comparable to the 10-year UST has not been enough (yet) to spark repatriation back to Japan. Falling oil prices over the months ahead could start the ball rolling.

Figure 100 - The yen is extremely cheap, historically-speaking



Source: Bloomberg, Macquarie Macro Strategy

Figure 101 - A$ has been remarkably strong, despite the onset of the Iran war

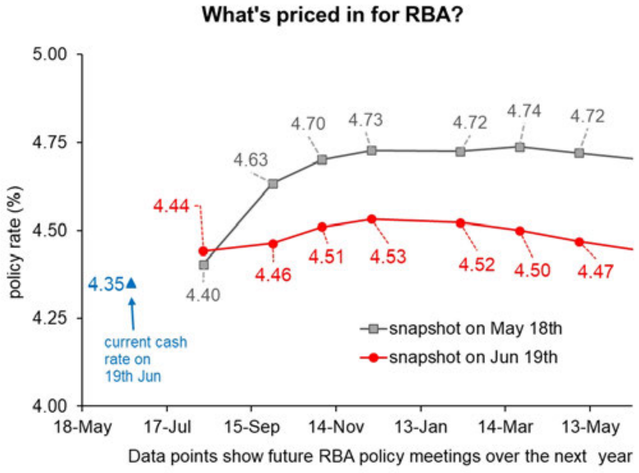


Source: Bloomberg, Macquarie Macro Strategy

The Australian dollar

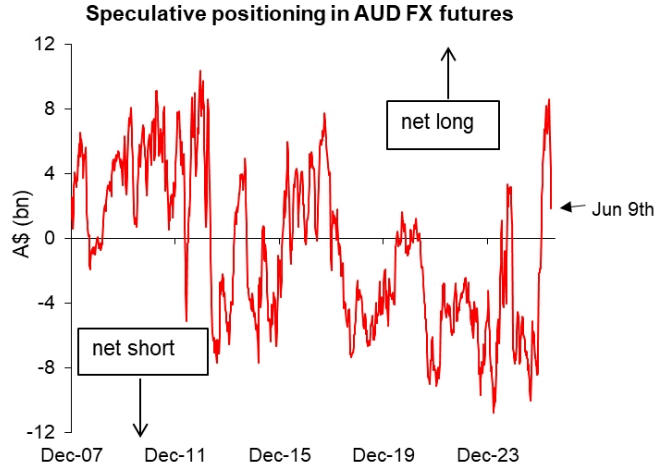
A$ is in a good position to benefit from a resumption of energy flows through Hormuz as (1) global risk appetite improves, (2) the currencies of regional trading partners rebound, and (3) the spectre of possible fuel rationing in Australia is removed once and for all. It helps too that some of the froth that had driven A$ to multi-year highs in May (just shy of 73c) has blown away, as over-cooked rate RBA hike expectations have cooled and speculative net long A$ positions have fallen back from 13-year highs. Even if the RBA's tightening campaign is already over, a re-opening of Hormuz means other central banks need not hike rates much more either, putting A$ at less of a disadvantage.

Figure 102 - RBA rate hike expectations have cooled over the past 2 months



Source: Bloomberg, Macquarie Macro Strategy

Figure 103 - Speculative A$ positioning is now more balanced



Source: CFTC, IMM, Macquarie Macro Strategy

Bringing it all together

The Fed turned hawkish within 24 hours of the diplomatic breakthrough that re-opened Hormuz, causing two distinct directional drivers (the former USD-bullish, the latter USD-bearish) to mostly cancel each other out. For now, the Fed dimension has a slight upper hand in dictating the US dollar price action. But with two Fed rate hikes fully priced in by Jan'27, further oil price declines from here should eventually win out and push the dollar lower overall.

The currencies of Asia-Pacific have most to gain from an eventual return to pre-war global energy flows, as economic dependence on Middle Eastern oil had left them exposed. Ongoing structural CNY appreciation should contribute to this weaker dollar process too, with a possible repatriation-driven yen rebound playing a wildcard supporting role.

But the approaching Presidential election in France and the UK's own political drama mean both the euro and sterling are compromised — and without the euro's participation in it, any broad US dollar weakness ahead should be mild. The US being at the epi-centre of the AI-driven tech boom means foreign inflows into US equity markets should also limit the scope for US dollar weakness ahead.

Table 8 - FX forecasts (forecasts shaded)

	Quarterly*									Annual*		
FX Rates	**Q4-2025**	**Q1-2026**	**Q2-2026**	**Q3-2026**	**Q4-2026**	**Q1-2027**	**Q2-2027**	**Q3-2027**	**Q4-2027**	**2025**	**2026**	**2027**
EUR USD	1.17	1.15	1.15	1.15	1.14	1.12	1.14	1.15	1.15	1.17	1.14	1.15
USD JPY	156.9	159.0	159.0	158.0	155.0	152.0	149.0	145.0	142.0	156.9	155.0	142.0
USD CNY	7.00	6.89	6.77	6.75	6.72	6.69	6.66	6.64	6.62	7.00	6.72	6.62
GBP USD	1.34	1.32	1.32	1.31	1.30	1.29	1.30	1.32	1.32	1.34	1.30	1.32
USD CAD	1.37	1.40	1.41	1.35	1.33	1.32	1.31	1.30	1.29	1.37	1.33	1.29
AUD USD	0.67	0.69	0.71	0.72	0.73	0.74	0.75	0.75	0.75	0.67	0.73	0.75
NZD USD	0.58	0.57	0.58	0.60	0.62	0.63	0.64	0.65	0.66	0.58	0.62	0.66

Source: Bloomberg, Macrobond, Macquarie Macro Strategy

**End of period*

Peter Taylor
s 22
s 22 @macquarie.com

Alice Fox
s 22
s 22 @macquarie.com

Jim Lennon
s 22
s 22 @macquarie.com

Joyce Li
s 22
s 22 @macquarie.com

Florence Sun
s 22
s 22 @macquarie.com

Serafino Capoferri
s 22
s 22 @macquarie.com

Sukriti Kalra
s 22
s 22 @macquarie.com

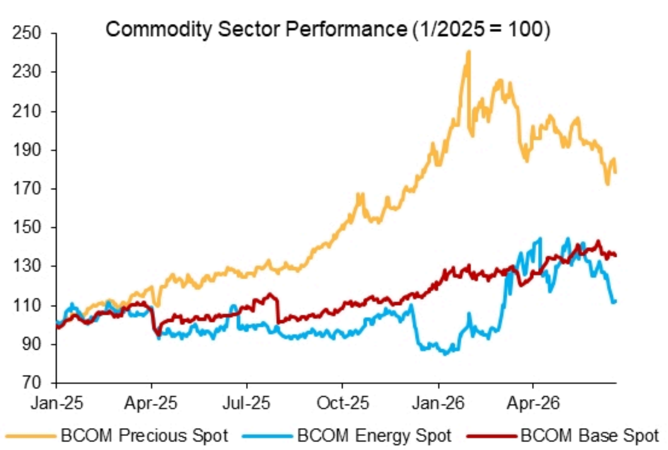
Metals and bulks commodities outlook: Losing my religion

Judged by the Bloomberg Commodity (BCOM) Spot index the recent performance of the energy sector has merely been an attempt to catch up to where base metals have risen to in the past one and a half years. Whilst declining in 2026Q2, precious is still way ahead given its strength in 2025Q4 and 2026Q1. In terms of real GDP and PMIs there is nothing spectacular to see. Chinese data for January to May continued to show falling domestic consumption but strong exports, with fixed asset investment particularly weak last month. Real GDP growth in China is expected to slow from 5.0% in Q1 to 4.4% in Q2, suggesting some stimulus may come in Q3 to ensure the annual growth target is achieved.

Overall, commodities have been strengthening and whilst the headlines and intra-day volatility might lead us to think that there is a problem, if you step back and observe the price action you can see that there is little that feels too out of place. In summary, commodities feel comfortable, and the world appears at ease with their pricing. That's not to say that there aren't dislocations between prices and physical. The biggest mismatches appear to be in energy and metals. In energy, you would think that the draw-down in stocks and optionality would give rise to a significant risk premium, but it has not. In copper, to use one example, you would think that the significant stock levels would allow us to absorb some concerns about tariffs and future tech demand, but it has not. There remain mismatches between the implied physical price and the actual price of commodities, but their magnitudes are not extreme given the disruptions.

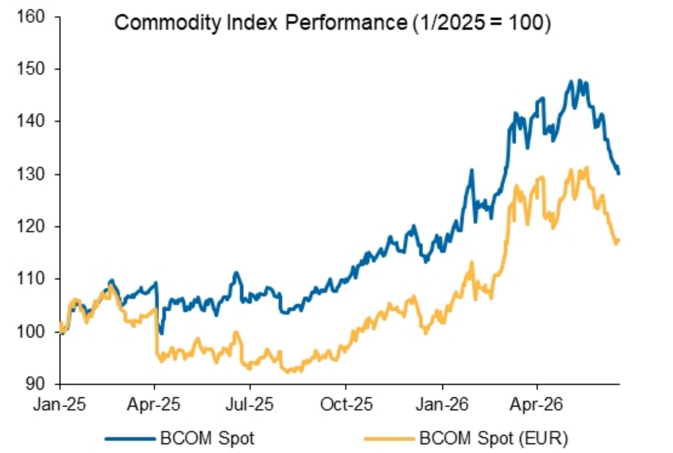
The commodity most visibly affected by the Strait of Hormuz disruption is also the one that has shown the most resilience and adaptability. Oil went into the disruption with a long inventory and production overhang positioning. Combined with this preparation, the remarkable flexibility and inherent optionality in the oil supply system has allowed it to weather the disruption far better than we had thought it would.

Figure 104 - Precious is still the dominant commodity sector, with energy have retraced below base



Source: Bloomberg, Macquarie Strategy, June'26

Figure 105 - USD weakness has had significant influence on commodities resilience

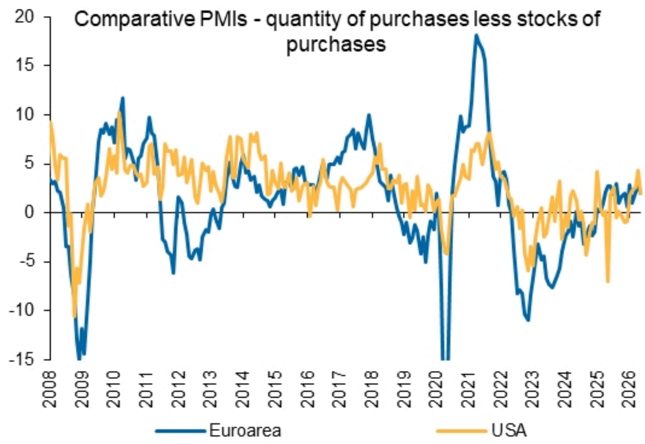


Source: Bloomberg, Macquarie Strategy, June'26

Figure 106 - Global growth softening in Q2 and Q3 but should recover in Q4

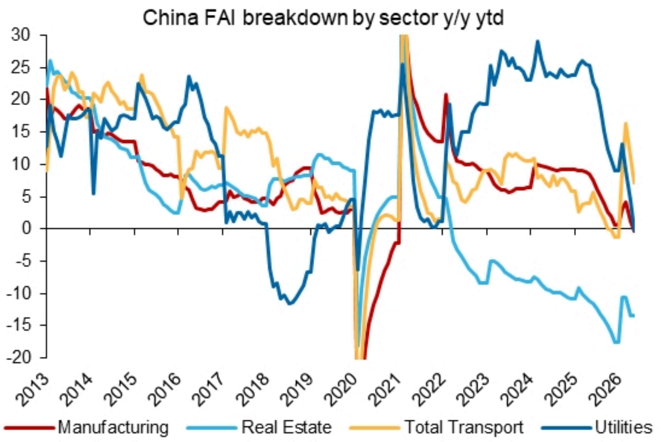
Source: IMF, National Statistics, Macrobond, Bloomberg, Macquarie Strategy, June'26

Figure 107 - Developed market manufacturing has been restocking despite macro uncertainty and tariffs



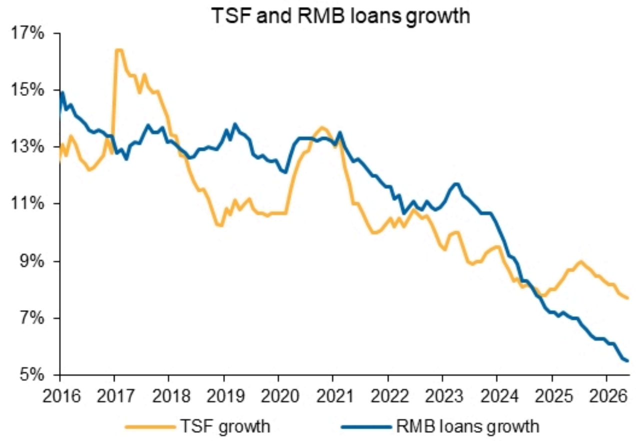
Source: S&P Global, Macrobond, Macquarie Strategy, June'26

Figure 108 - China's FAI down 11% in May



Source: China NBS, Bloomberg, Macquarie Strategy, June'26

Figure 109 - Chinese credit growth continues to decline but may see some stimulus in July



Source: China NBS, PBoC, Bloomberg, Macquarie Strategy, June'26

Base metals

Copper is navigating a complex set of cross currents. Prices remain disconnected from fundamentals, rising from below $12,000/t in late March to nearly $14,100/t in mid-May. This is despite over 870kt of visible stock building since the start of 2025, with LME stocks at an eight-year-high and Comex at unprecedented levels. The key near term uncertainty remains the US Section 232 review, with a decision delay of six months considered the most likely outcome. The introduction of a 15% tariff would incentivise further metal flows to the US, whilst a decision against tariffs would likely collapse the CME price and send US stocks looking for a new home.

On the supply side, mine output continues to underperform with 2026 guidance from the largest 17 miners cut by 199kt and additional risk from sulphur shortages threatening SxEw production in the DRC and Chile. Mine supply growth is forecast at 1.3% in 2026, recovering to 4.4% in 2027 as mines recover, and new projects ramp up.

Demand has been revised modestly lower, with global copper demand growth cut from 2.0% to 1.8% for 2026. Bullish sentiment around the energy transition continues, although data centre demand is considered to be overhyped in the near term. US project delays are mounting and copper intensity per MW is declining as optical connectivity and aluminium start to displace copper. Chinese domestic consumption remains weak despite strong export driven industrial production. The overall balance points to a 262kt surplus in 2026, increasing to average over 700kt in 2027 and 2028 before returning to balance in 2030. Against this backdrop, the average price forecast for 2026 has been raised to $13,165/t reflecting recent price strength, but a price floor of $11,000/t is expected to be reached by 2027Q3.

Aluminium demand is forecast to grow modestly in 2026, with Chinese demand growth revised down (on a semis basis) from 1.4% y/y to 0.5%, reflecting a 0.4% contraction in domestic demand, offset by a 10% recovery in semis exports. Ex-China demand is forecast to rise 2.2% this year, although Europe has been downgraded to 1.0% growth, reflecting the energy shock and ECB tightening, while we hold the US at 2.5%. The global market is forecast to run a 0.93Mt deficit in 2026, with China in a 1.07Mt deficit and the ex-China surplus narrowing sharply to just 135kt amid Middle Eastern supply curtailments.

The balance is expected to shift materially from 2027 as new capacity led by a rapid ramp-up in Indonesia and a partial recovery in Middle Eastern production swings the market into a 473kt surplus, widening to 640kt in 2028. Hence, we have downgraded our medium term forecasts with prices expected to have peaked in Q2-26 before trending lower through end of 2028 as the market loosens. Beyond 2028, the market turns more constructive: supply growth is expected to fall short of the energy transition driven demand from 2029, pushing the market back into structural deficit and supporting the long term price view.

Zinc faces a deteriorating fundamental picture, with demand growth cut to -0.3% in China and 1.0% in Europe amid construction weakness. Visible stocks have built 167kt YTD and the market is forecast to be in a 190kt surplus this year, though with spot TCs in negative territory, smelter cuts could easily tip the balance into deficit. The most significant structural shift is China moving from a net importer of around 500ktpa to self-sufficiency, which risks an accumulation of surpluses ex-China pushing prices back down to $2,500/t to motivate mine cuts. Tin tells the opposite story; prices above $57,000/t are driven by a 71% surge in semiconductor billings with the market running a 21kt deficit. A proposed Indonesian royalty hike to 15-20% remains a key upside risk.

Nickel has undergone one of the more dramatic fundamental reversals in the cycle, with Indonesian RKAB restrictions flipping the supply outlook from significant growth to a likely y/y decline, shifting the market towards a potential H2-26 deficit. Prices have moved to $17,000-$19,000/t, with marginal costs now estimated between $17,000 and $20,000/t. The large inventory overhang does cap the upside, but Indonesia's supply discipline remains the key uncertainty.

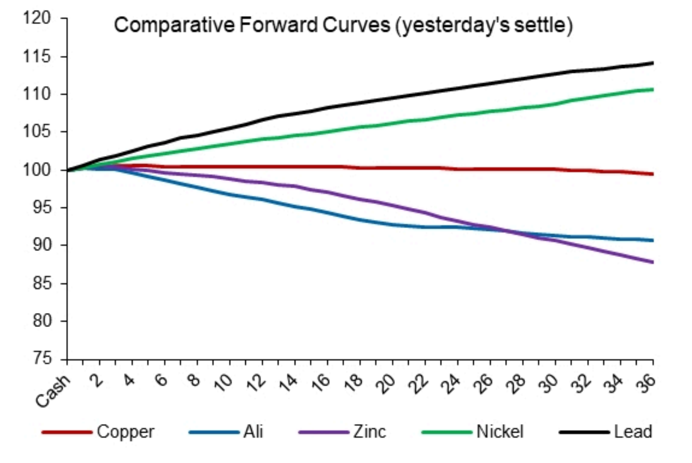
Bulks and Steel

Stainless steel is enjoying strong global demand growth of 4.6% in 2026, led by China and Indonesia, with European producers remaining under pressure from Asian suppliers. The EU has responded by cutting import quotas nearly 50% and raising out of quota tariffs to 50%.

US steel prices are approaching two and half year highs as the 50% tariff drives a ~22% decline in imports and extends mill lead times. China's direct exports are down 3.9% though semis have surged 46% via tariff-exempt channels. Iron ore is expected to average $103/t this year, with elevated freight costs and a rising cost curve at $85/t providing support despite structural surplus conditions and Simandou ramping up faster than expected. Coking coal has seen the sharpest near term disruption with the Liushenyu mine accident in late May pushing Chinese domestic production down 9% y/y at the time of writing. The consequential but unusually broad safety inspections covering workforce practices and overproduction keep the impact more sustained than prior incidents and supporting seaborne markets.

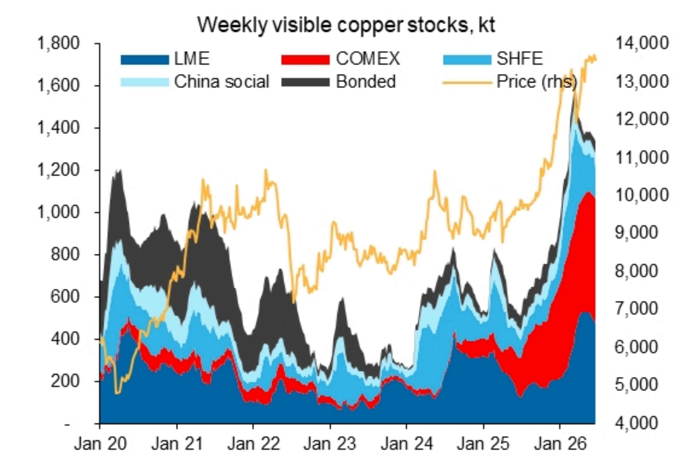
The mining incident has also impacted the thermal coal market, keeping Chinese domestic production down 5% y/y, which together with Indonesian RKABs and Cerrejon's Force Majeure in Colombia is providing price support. Australian supply has been robust but with demand driven primarily by summer temperatures and coal-based chemical producers keeping operating rates high (in part driven by concerns over oil), the seaborne deficit has widened to 53Mt from a prior estimate of 46Mt. The price forecast is held at $133/t following the signing of the MoU, albeit with summer temperatures and Chinese inspections providing meaningful upside risks.

Figure 110 - Forward curve divergence illustrates different SD outlooks



Source: LME, CME, ICE, Bloomberg, Macquarie Strategy, June'26

Figure 111 - Visible copper stocks up over 870kt since January 2025



Source: LME, CME, SHFE, SMM, SHMET, Macquarie Strategy, June'26

Precious and PGMs

The two stars of January, gold and silver, have had a more sober balance of the year with gold having pulled back sharply from its highs and now well below the key support level of $4,500/oz. This has been driven by the signing of the MoU, reduced safe haven demand, a more hawkish Fed under the new Chairman Warsh and investors rotating back towards equities. The Fed Chair has brought forward rate hike expectations to Q4-26 with the median core PCE expectation for 2026 revised up to 3.3% and GDP growth lowered to 2.2%, reinforcing the view that inflation rather than the labour market is the primary concern. CME's open interest has unwound from 54.1Moz in January to multi-year lows of 34.5Moz and central bank buying slowed to 850t in 2025 from over 1000tpa in prior years.

Retail demand is still there, with bar and coin demand up 42% y/y in Q1-26, but jewellery demand down 22.9% y/y due to high prices; ETF holdings have pulled back from their February peak. The $4,000/oz level continues to hold as a floor, supported by elevated USD exchange rates, the potential for policy errors and the Fed navigating political pressures. In India, import duties have been raised to 15%, reflecting Government efforts to curb demand and alleviate pressure on foreign exchange reserves. Whereas China stepped up purchases of the yellow metal in April and May as prices retreated, with imports up 78% (301t) YTD. Whilst this sobering up after the craziness of January occurs we expect prices to remain range bound for the rest of 2026 before trending lower in 2027 as rates rise and investor demand slows. Worth noting that both gold and silver are still both significantly higher than they were in 2025.

Silver was indeed even more wild than gold and some of that wildness was still there in Q2-26, surging towards $90/oz before a sharp $15/oz correction triggered by Comex profit taking that spread to SHFE and ETFs, but ultimately finding support from US payroll data. The physical market remains in structural deficit and tighter than gold's, but ETF holdings are down 79Moz YTD, open interest is at multiyear lows and the long term outlook is complicated by declining solar PV intensity offsetting some of the growth in auto and electronics demand. Prices are expected to follow gold lower into 2027 with silver more vulnerable to retracement given the gold-silver ratio has already returned to 2013 levels after its earlier outperformance.

PGMs have benefitted from some of the spillover in investor excitement in precious, with platinum and palladium futures trading on GFEX since November providing additional support. Prices peaked in Q1-26 before trending lower in line with prior forecasts and macro factors dominating price action. Platinum remains in deficit for the fourth consecutive year, supported by gold substitution demand in jewellery and modest industrial demand growth. The 2026-27 window offers scope for platinum to outperform but into the back end of the decade deficits are expected to diminish as supply from South Africa recovers and EV penetration gradually erodes autocatalyst demand. Palladium faces a more structurally bearish outlook given its 89% dependency on autocatalyst demand, with prices expected to retreat towards levels that would incentivise production curtailment by the end of the decade.

Lithium and Cobalt

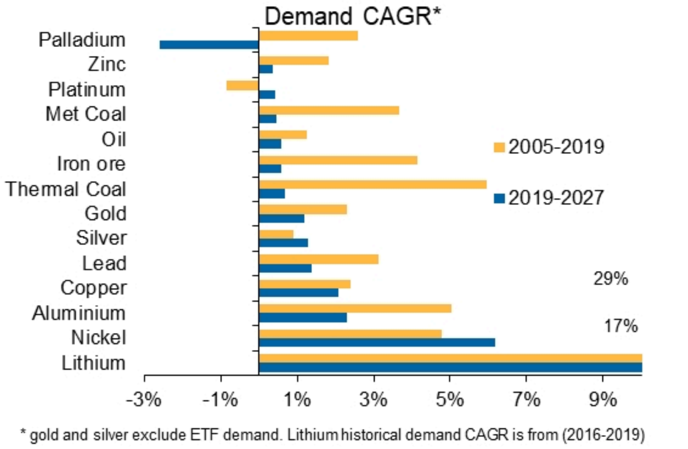
Lithium prices have been whipsawing: retreating on Chinese restrictions on speculative longs; spiking on Zimbabwe's spodumene export ban; rallying again on ESS/data centre sentiment then pulling back as new supply restarts and inventories build. The market was relatively tight in H1 but is expected to loosen in H2 as Zimbabwean concentrate arrives and mines restart. With a 55kt surplus forecast for the year prices are expected to trend marginally lower. Longer term, mine supply is forecast to grow at 13.5% CAGR through 2030 against primary demand growth of 15.5%, keeping the market in surplus until 2030.

Cobalt's anticipated price recovery above $30/lb has failed to materialise despite DRC export quotas cutting available supply dramatically. Chinese imports of cobalt intermediaries are down 96% y/y as the large above ground stocks overhang and persistent demand weakness outside pCAM production delay a fundamental tightening. The structural shift towards LFP and high voltage NCM613 batteries with lower cobalt content remains a headwind even as ternary precursor production recovers strongly in H1.

Carbon markets

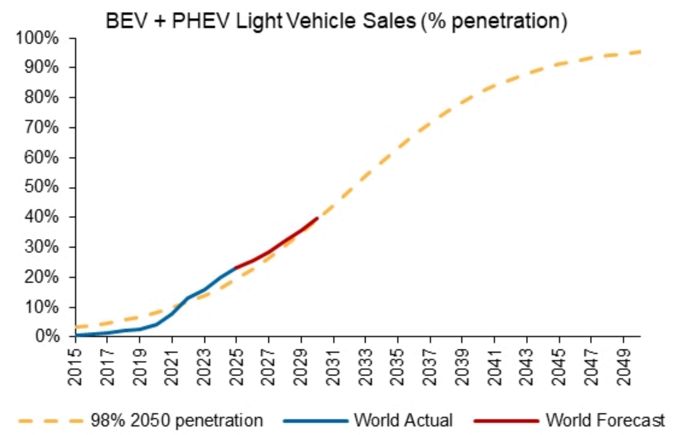
EUAs are holding near €80/t even with a bearish policy narrative because fundamental balances remain tight. The 2026 annual net short sits at around 139Mt, with the largest draws concentrated in a seasonally strong Q4-26 and a forecast average price of €85/t (full year average €76/t). The near term picture is complicated by compliance entities being significantly underhedged as industrials lobby for looser ETS settings ahead of the summer review, whilst financial participants broadly hold a "policy cap" belief around the mid €80/t level. The key reform proposal due by the 15th of July will set the post-2027 supply trajectory; the 400Mt investment booster is effectively assumed across all scenarios from late 2027, while the MSR reform is the consequential and yet least visible component. Without a reduction of the activation thresholds, the TNAC risks drifting into the 400-833Mt "dead zone" from 2028, weakening the MSR's softer CBAM phase in, and unchanged MSR parameters combine to push the TNAC towards 970Mt by the end of the decade. Something that would be consistent with prices settling in the €75-85/t range. A bullish outcome with tigher MSR thresholds and earlier aviation inclusion remains possible, whereas a bearish scenario with a lower LRF and softer CBAM phase in would see no cumulative inventory draws over 2026-30.

Figure 112 - Energy transition still driving significant demand growth dispersion



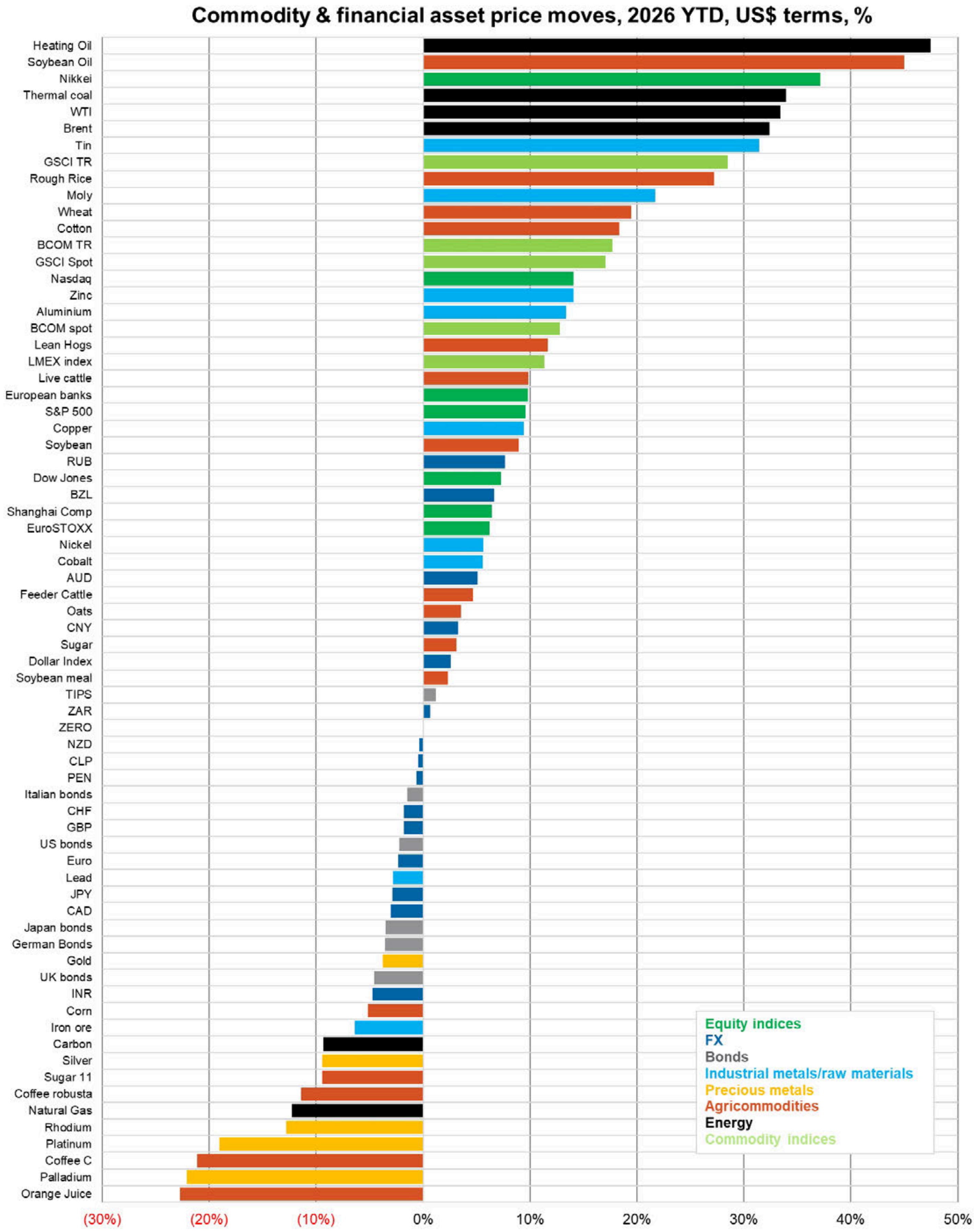
Source: Company reports, IEA, WoodMac, CRU, Metal Study Groups, WSA, IHS Customs data, TDM, SMM, Benchmark Minerals, LMCA, Bloomberg, Macrobond, Macquarie Strategy, June'26

Figure 113 - EVs expected to approach 40% global penetration by 2030



Source: Rho Motion, LMCA, Macrobond, Macquarie Strategy, June'26

Figure 114 - Cross asset price performance



Source: Price reporting agencies, financial exchanges, Bloomberg, Macquarie Strategy, June'26

Table 9 - Metals and bulks commodities price forecasts (forecasts shaded)

		Quarterly								
		Q4-2025	Q1-2026	Q2-2026	Q3-2026	Q4-2026	Q1-2027	Q2-2027	Q3-2027	Q4-2027
Energy										
Thermal coal - Aus Spot	$/t FOB	106.5	117.9	137.0	138.0	140.0	130.0	130.0	125.0	125.0
EU carbon	EUR/tonne	82.0	77.8	75.7	77.5	85.0	85.0	85.0	80.0	80.0
Base metals										
Copper	$/tonne	11,092	12,845	13,320	13,500	13,000	11,500	11,100	11,000	11,300
Aluminium	$/tonne	2,827	3,200	3,600	3,300	3,200	3,150	3,050	3,000	2,900
Zinc	$/tonne	3,165	3,241	3,460	3,400	3,100	2,900	2,700	2,500	2,500
Nickel	$/tonne	14,892	17,342	18,251	19,500	19,000	18,500	18,500	18,000	18,000
Lead	$/tonne	1,970	1,931	1,960	1,930	1,940	1,950	1,950	1,950	1,950
Lithium	$/tonne	10,535	19,418	22,400	22,000	21,000	19,000	17,000	15,000	14,000
Tin	$/tonne	38,090	48,680	52,000	53,000	45,000	40,000	40,000	38,000	38,000
Steel and raw materials										
Iron ore - 61%* Fe	$/t CFR	106	104	105	100	102	100	96	95	96
Hard coking coal	$/t FOB	200	235	240	235	230	230	220	215	215
Steel - World Export HRC	$/tonne	644	697	754	775	761	755	755	755	755
Precious metals										
Gold	$/oz	4,153	4,865	4,540	4,450	4,300	4,200	4,200	4,200	4,200
Silver	$/oz	55.4	83.7	74.0	72.5	70.0	65.0	65.0	65.0	65.0
Platinum	$/oz	1,709	2,218	1,940	1,930	1,910	1,820	1,700	1,610	1,540
Palladium	$/oz	1,490	1,723	1,430	1,400	1,380	1,350	1,340	1,320	1,300

Source: Bloomberg, Macquarie Macro Strategy

61% from 2026, 62% before 2026

s 22

s 22

s 22 @macquarie.com

s 22

s 22

s 22 @macquarie.com

s 22

s 22

s 22 @macquarie.com

s 22

s 22

s 22 @macquarie.com

Oil & natural gas outlook: Downward momentum, big obstacles but bigger incentives

Bal 2026 outlook: Complexity bias drives narratives; Profit motive drives execution

Oil markets fell ~20% over the past 30 days due to deal optimism that reduced risk premiums alongside manageable crude and product draws in May and June. Now, post the signing of the MoU, the long awaited re-opening of the Strait of Hormuz has shifted the focus to normalisation scenarios.

In our view, complexity bias has set the narrative that normalisation of the oil market could take a great deal of time; modal expectation of 1 year and as much as two years. The bias drives the idea that problems with numerous potential rate limiting steps increases the odds of delays and negative surprises. **We disagree.**

Forecast revisions

We have lowered our FY'26 oil price outlook, with Brent averaging ~$77/BBL, down from ~$89/BBL as the recently signed Memorandum of Understanding has shifted our assumptions for Middle East crude availability. Additionally, we decreased our FY'27 oil price outlook, with Brent now averaging ~$64/BBL, dropping from ~$75/BBL.

Going forward, we continue to believe that the best trading and risk management posture is to be nimble. Logistical challenges will rise and be resolved. Restocking demand will cause rallies which will be capped by the cessation of restocking due to higher prices. Refining runs will over and undershoot optimal levels due to fast moving margins and the uneven return of damaged kits.

One fundamental factor we think that will be steadier and more predictable is the return of production and supply. We believe both will be larger and faster than consensus expectations.

In addition, we have slightly increased our FY26 US natural gas outlook, up from $3.13/MMBTU to $3.28/MMBTU. The forward curve has largely converged on our previous estimate as the market contemplates continued growth in associated gas production.

Figure 115 - Macquarie oil and gas price forecast

NEW ESTIMATES											
$/BBL	1Q26	2Q26	3Q26	4Q26	FY26	1Q27	2Q27	3Q27	4Q27	FY27	LT
Brent	$78.38	$94.00	$67.00	$69.00	$77.09	$64.00	$66.00	$64.00	$62.00	$64.00	$61.00
WTI-Brent	($5.70)	($7.00)	($5.00)	($5.00)	($5.68)	($4.00)	($4.00)	($4.00)	($4.00)	($4.00)	($4.00)
WTI	$72.67	$87.00	$62.00	$64.00	$71.42	$60.00	$62.00	$60.00	$58.00	$60.00	$57.00
NG [$/MMBTU]	$3.47	$2.82	$3.25	$3.60	$3.28	$3.90	$3.01	$3.34	$3.80	$3.51	$3.75

Source: Bloomberg, Macquarie Macro Strategy, June'26

Oil supply-demand balance

A key factor helping bridge the difference between realised inventory draws, and the supply disruption was a large surplus (~2 to 3+ M BPD) heading into the conflict. Market consensus was for a large 2026 oversupply driven by production growth from the Americas and the return of OPEC barrels to the market, and below trend demand growth - especially for transportation fuels.

Stock path was unimpressive given the magnitude of the situation

Amidst the largest supply disruption in the history of the oil market Brent stayed below $120/bbl. The resilience and plasticity of the market's logistical and storage systems was underestimated by most of the market, including us. Historical modelling produced $150 to $200 price forecasts from the loss of ~12 M BPD of liquids from the Middle East.

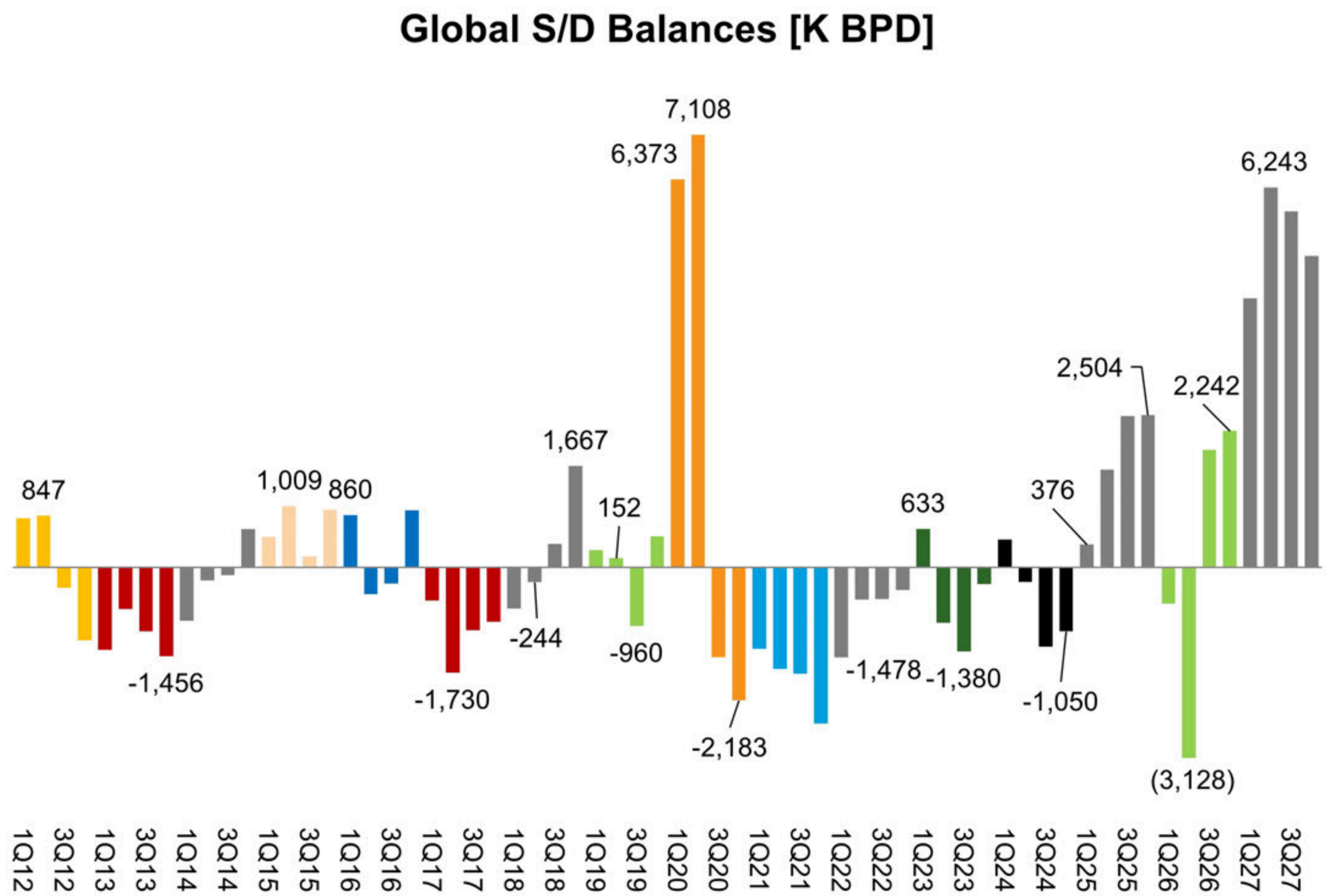
Visible commercial storage draws of crude, refined products, and floating storage averaged ~4 M BPD over the course of the conflict. SPR releases added another ~2 M BPD resulting in a decrease of ~6 M BPD. The gap between the supply deficit and realised draws can be bridged by the oversupply heading into the conflict, demand destruction and potential lower visibility inventory draws.

2027: Large surpluses partially offset by storage demand

Our modelling also suggests 2027 will experience large surpluses using the traditional IEA framework. Without adjustments for inventory restocking demand, oil price would struggle to stay in the low $60s. Oil demand for the specific purpose of rebuilding inventory could reach 3 M BPD in 2027, and should help increase the floor by $5 to $10 per barrel.

It is also important to note that China was serving as a double barrel price shock absorber because it not only reduced imports but was actively reselling crude back into the market during much of 2026Q2.

Figure 116 - Heavy oversupply anticipated in 2027 but reserve replenishment could tighten the balance



Source: IEA, EIA, Macquarie Macro Strategy, June'26

LNG: Uncertainty reduced, but not eliminated; Tightness expected through Winter '26/27

Modest reductions to JKM price outlook through Q3 '27 as geopolitical risk ebbs

Despite large supply losses from the Middle East (primarily Qatar), the LNG market has muddled through a challenging Q2 '26. From here, the timing of post-MoU capacity restarts is key. Even assuming Qatar achieves a fairly speedy ramp towards (now reduced) capacity, we model a tight market through winter 2026/27. With low levels of European storage persisting and geopolitical uncertainty still unresolved, we anticipate elevated prices through this period.

In time, we ultimately anticipate a shift to structural oversupply from late 2027. Among px. forecast changes, we modestly reduce our JKM price outlook through Q3 '27, while keeping subsequent periods unchanged.

US supply remains opportunistic, heavy oversupply expected from Q4 '27

Notably, despite our expectation for (eventual) structural oversupply, since the start of the war, three US LNG projects have reached Final Investment Decision. This follows a flood of new project sanctions in the US in 2025. In the Middle East, apparent heavy geopolitical risks linger with unresolved issues around Iran. That said, while the path could prove torturous, ultimately, we believe the interlinked nature of Qatari and Iranian gas supply will force an equilibrium back to something resembling the pre-war status. While we think geopolitical risk should be accounted for in the LNG market assessment, we note that the magnitude of our anticipated 2028 oversupply is nearly half of total estimated 2025 Middle East supply (see detailed table below), providing cover for any potential disruptions and colouring our more bearish structural view.

Figure 117 - Macquarie JKM Price Forecast

$/MMBTU	FY '25	Q1 '26	Q2 '26	Q3 '26	Q4 '26	FY '26	Q1 '27	Q2 '27	Q3 '27	Q4 '27	FY '27	FY '28	LT
JKM Spot Historical/MQ Forecast	$ 12.19	$ 14.22	$ 17.45	$ 17.50	$ 16.75	$ 16.48	$ 16.00	$ 12.50	$ 12.75	$ 10.00	$ 12.81	$ 8.40	$ 9.25

Source: Bloomberg, S&P Global, Macquarie Macro Strategy, June'26

Figure 118 - Detailed LNG Supply-Demand Balance (BCM)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
SUPPLY (est.)															
North America	0	0	5	19	30	49	65	98	107	119	119	156	195	214	256
Europe	5	6	6	6	6	6	4	0	4	6	6	4	6	6	6
Eurasia	15	15	15	16	27	40	42	41	45	44	45	43	47	45	48
Africa	51	48	48	57	56	63	57	60	55	55	52	54	59	61	64
Middle East	134	129	128	125	129	128	129	132	134	132	132	137	80	119	143
Asia Pacific	107	118	142	163	174	185	182	185	188	185	186	186	192	196	199
Latin America	25	22	20	21	21	23	20	12	16	16	16	16	16	17	19
Total (Base Case)	338	339	364	406	444	495	499	529	549	558	557	596	596	658	735
DEMAND (est.)															
North America	12	10	8	9	10	9	5	2	2	1	2	2	2	1	1
Europe	46	52	53	65	70	121	117	108	172	169	136	176	183	195	201
Eurasia	-	-	-	-	-	-	-	-	0	-	0	1	0	-	-
Africa	-	4	10	8	3	0	-	0	0	0	3	13	14	10	8
Middle East	6	10	15	14	10	10	10	11	10	10	13	13	10	14	15
Asia Pacific	253	243	263	295	336	342	354	384	350	362	386	376	375	404	425
Latin America	21	20	14	14	15	14	14	24	14	15	18	16	18	18	19
Total	338	339	364	406	444	495	499	529	549	558	557	596	602	643	668
S-D (Base Case)	-	-	-	-	-	-	-	-	-	-	-	-	**(6)**	**15**	**67**
ADJUSTED	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
SUPPLY (est.)															
Total (Base Case)	338	339	364	406	444	495	499	529	549	558	557	596	596	658	735
Utilization Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7)
Adjusted Supply	338	339	364	406	444	495	499	529	549	558	557	596	596	658	728
DEMAND (est.)															
North America	12	10	8	9	10	9	5	2	2	1	2	2	2	1	1
Europe	46	52	53	65	70	121	117	108	172	169	136	176	183	195	209
Eurasia	-	-	-	-	-	-	-	-	0	-	0	1	0	-	-
Africa	-	4	10	8	3	0	-	0	0	0	3	13	14	10	8
Middle East	6	10	15	14	10	10	10	11	10	10	13	13	10	14	15
Asia Pacific	253	243	263	295	336	342	354	384	350	362	386	376	375	404	477
Latin America	21	20	14	14	15	14	14	24	14	15	18	16	18	18	19
Total	338	339	364	406	444	495	499	529	549	558	557	596	602	643	728
S-D (Adjusted)	-	-	-	-	-	-	-	-	-	-	-	-	**(6)**	**15**	-

Source: S&P Global, Macquarie Macro Strategy, June'26

Adj. S-D applies potential power demand elasticity and potential utilization underperformance to eliminate '28 surplus. Historical est. regional demand reflects share of periodic demand applied to total supply.

Figure 119 - Global oil supply-demand balance MBD (forecast shaded)

MACQUARIE GLOBAL S/D MODEL

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
DemandTotal	100.44	99.36	101.20	101.53	101.36	102.50	103.55	103.40	101.80	103.35	104.49	104.67	102.99	103.69	105.44	105.48	104.20	98.79	103.77	106.64	104.84	104.00	105.56	106.24
OPEC	28.99	29.04	29.59	29.53	29.72	29.05	28.57	28.71	28.88	28.85	28.79	28.85	29.05	29.68	30.41	30.56	28.16	22.04	28.77	31.25	31.88	32.01	32.13	32.23
NOPECUS	39.23	38.04	38.62	39.47	39.81	39.16	39.26	39.98	39.76	39.18	39.07	39.40	39.87	39.93	40.76	40.87	40.26	39.36	40.54	40.77	40.78	40.74	41.35	41.41
US	11.69	11.92	12.27	12.46	12.79	12.83	13.12	13.36	13.05	13.40	13.36	13.57	13.40	13.63	13.90	13.88	13.56	13.95	13.91	14.28	14.23	14.47	14.41	14.65
NGL, etc..	19.05	19.84	20.20	19.70	19.67	20.55	21.22	21.08	20.57	21.69	21.97	21.80	21.05	22.05	22.86	22.67	21.62	20.31	22.48	22.58	22.37	23.01	23.51	23.08
SupplyTotal	98.96	98.84	100.68	101.15	101.99	101.59	102.17	103.13	102.26	103.12	103.19	103.62	103.36	105.29	107.93	107.99	103.60	95.66	105.70	108.88	109.26	110.24	111.41	111.37
Balance	**-1.48**	**-0.53**	**-0.52**	**-0.37**	**0.63**	**-0.91**	**-1.38**	**-0.27**	**0.46**	**-0.23**	**-1.30**	**-1.05**	**0.38**	**1.60**	**2.49**	**2.50**	**-0.60**	**-3.13**	**1.93**	**2.24**	**4.42**	**6.24**	**5.85**	**5.12**
NOPECUS	**1Q22**	**2Q22**	**3Q22**	**4Q22**	**1Q23**	**2Q23**	**3Q23**	**4Q23**	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**3Q26**	**4Q26**	**1Q27**	**2Q27**	**3Q27**	**4Q27**
Russia	11.03	10.35	10.72	10.86	10.85	10.56	10.46	10.57	10.46	10.41	10.25	10.30	10.17	10.27	10.25	10.30	10.00	9.95	10.07	10.17	10.20	10.20	10.30	10.30
China	4.23	4.23	4.12	4.12	4.33	4.33	4.19	4.23	4.38	4.38	4.28	4.29	4.47	4.45	4.38	4.33	4.53	4.44	4.44	4.44	4.58	4.49	4.49	4.49
Canada	4.67	4.55	4.78	4.85	4.80	4.50	4.82	5.03	4.91	4.82	4.97	5.23	5.14	4.93	5.29	5.36	5.21	5.07	5.34	5.41	5.25	5.11	5.38	5.45
NorthSea	2.70	2.43	2.47	2.61	2.64	2.58	2.50	2.60	2.58	2.49	2.46	2.51	2.55	2.52	2.64	2.68	2.69	2.55	2.60	2.64	2.66	2.53	2.60	2.64
Brazil	2.98	2.91	3.07	3.14	3.22	3.24	3.55	3.61	3.45	3.31	3.35	3.34	3.51	3.69	3.93	3.94	4.09	4.29	4.07	4.00	4.00	4.00	4.00	4.05
Mexico	1.83	1.84	1.85	1.87	1.94	1.97	1.94	1.91	1.88	1.84	1.84	1.74	1.69	1.70	1.69	1.69	1.67	1.68	1.70	1.70	1.70	1.70	1.70	1.70
Kazakhstan	1.94	1.72	1.58	1.86	1.95	1.90	1.80	1.90	1.93	1.83	1.85	1.72	2.07	2.11	2.15	1.89	1.80	2.08	2.13	1.88	1.80	2.08	2.13	1.88
Qatar	1.41	1.44	1.43	1.44	1.44	1.44	1.45	1.44	1.41	1.41	1.43	1.43	1.45	1.44	1.45	1.44	1.04	0.19	1.00	1.22	1.23	1.26	1.30	1.33
Colombia	0.74	0.75	0.75	0.77	0.77	0.79	0.79	0.79	0.78	0.79	0.78	0.77	0.77	0.74	0.76	0.75	0.75	0.74	0.74	0.73	0.72	0.72	0.71	0.71
Oman	1.04	1.06	1.09	1.07	1.06	1.05	1.04	1.04	1.00	0.99	0.99	0.99	0.99	0.99	1.00	1.03	1.05	1.06	1.06	1.07	1.07	1.07	1.07	1.08
Other	6.67	6.77	6.75	6.88	6.81	6.80	6.73	6.87	6.99	6.90	6.88	7.08	7.06	7.08	7.22	7.46	7.41	7.31	7.40	7.52	7.57	7.58	7.67	7.79
NOPECUS	39.23	38.04	38.62	39.47	39.81	39.16	39.26	39.98	39.76	39.18	39.07	39.40	39.87	39.93	40.76	40.87	40.26	39.36	40.54	40.77	40.78	40.74	41.35	41.41
OPEC	**1Q22**	**2Q22**	**3Q22**	**4Q22**	**1Q23**	**2Q23**	**3Q23**	**4Q23**	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**3Q26**	**4Q26**	**1Q27**	**2Q27**	**3Q27**	**4Q27**
ALGERIA	0.99	1.01	1.02	1.02	1.01	0.97	0.95	0.96	0.91	0.91	0.91	0.90	0.89	0.92	0.92	0.94	0.97	1.00	1.00	1.00	0.97	0.96	0.96	0.96
ANGOLA	1.17	1.18	1.16	1.09	1.05	1.10	1.14	1.12	1.13	1.13	1.15	1.10	1.05	1.01	1.04	1.06	1.03	1.04	1.04	1.04	1.02	1.03	1.02	1.02
CONGO	0.27	0.26	0.26	0.26	0.28	0.28	0.27	0.26	0.23	0.24	0.23	0.24	0.27	0.26	0.28	0.27	0.29	0.28	0.27	0.28	0.29	0.28	0.28	0.29
ECUADOR	0.48	0.47	0.49	0.49	0.46	0.47	0.48	0.49	0.49	0.47	0.47	0.47	0.47	0.47	0.36	0.47	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.47
EQUATORIAL	0.09	0.09	0.09	0.06	0.05	0.06	0.06	0.05	0.05	0.06	0.06	0.06	0.05	0.05	0.04	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
GABON	0.19	0.18	0.20	0.18	0.20	0.20	0.23	0.23	0.24	0.23	0.22	0.23	0.25	0.25	0.24	0.23	0.21	0.23	0.23	0.23	0.23	0.23	0.23	0.23
IRAN	2.55	2.46	2.55	2.63	2.71	3.00	3.12	3.14	3.26	3.34	3.39	3.39	3.22	3.35	3.28	3.45	3.59	2.90	3.00	3.28	3.39	3.40	3.40	3.40
IRAQ	4.29	4.45	4.54	4.50	4.35	4.12	4.29	4.33	4.32	4.34	4.33	4.26	4.34	4.34	4.56	4.46	3.48	1.45	3.56	4.40	4.63	4.65	4.65	4.65
KUWAIT	2.62	2.67	2.80	2.73	2.75	2.66	2.61	2.62	2.51	2.62	2.53	2.52	2.67	2.75	2.73	2.59	1.92	0.82	2.10	2.34	2.40	2.40	2.40	2.40
LIBYA	1.08	0.77	0.96	1.17	1.15	1.16	1.15	1.17	1.12	1.19	0.88	1.09	1.23	1.26	1.29	1.24	1.28	1.29	1.26	1.23	1.19	1.15	1.10	1.06
NEUTRALZON	0.30	0.28	0.32	0.31	0.38	0.37	0.30	0.41	0.43	0.43	0.45	0.42	0.42	0.42	0.48	0.46	0.36	0.03	0.28	0.37	0.41	0.46	0.52	0.54
NIGERIA	1.30	1.15	1.00	1.13	1.27	1.15	1.21	1.32	1.33	1.27	1.32	1.43	1.45	1.48	1.44	1.42	1.38	1.45	1.43	1.40	1.39	1.39	1.42	1.44
SAUDIARABI	10.18	10.38	10.47	10.31	10.33	9.86	9.08	9.03	9.28	8.94	9.10	9.02	9.00	9.29	9.62	9.78	9.21	7.13	9.26	10.10	10.28	10.30	10.30	10.30
UAE	3.11	3.31	3.43	3.35	3.40	3.23	3.19	3.19	3.17	3.25	3.29	3.23	3.24	3.36	3.63	3.61	3.10	2.88	3.77	3.97	4.01	4.04	4.07	4.10
VENEZUELA	0.67	0.67	0.62	0.61	0.69	0.79	0.80	0.80	0.84	0.87	0.91	0.89	0.94	0.89	0.98	1.00	0.84	1.04	1.07	1.10	1.15	1.21	1.27	1.33
OPEC Total	28.99	29.04	29.59	29.53	29.72	29.05	28.57	28.71	28.88	28.85	28.79	28.85	29.05	29.68	30.41	30.56	28.16	22.04	28.77	31.25	31.88	32.01	32.13	32.23

Source: IEA, EIA, Macquarie Macro Strategy, June'26

Forecast tables

Economic and market forecasts (forecasts shaded)

	Quarterly												Annual*		
GDP, QoQ	**Q1-2025**	**Q2-2025**	**Q3-2025**	**Q4-2025**	**Q1-2026**	**Q2-2026**	**Q3-2026**	**Q4-2026**	**Q1-2027**	**Q2-2027**	**Q3-2027**	**Q4-2027**			
US	(0.2)	0.9	1.1	0.1	0.4	0.6	0.7	0.7	0.7	0.7	0.6	0.6			
China	1.1	1.1	1.1	1.2	1.3	0.7	1.3	1.3	1.2	1.0	1.0	1.1			
Eurozone	0.7	0.1	0.3	0.2	(0.2)	0.2	0.2	0.3	0.4	0.4	0.4	0.4			
Japan	0.5	0.3	(0.6)	0.2	0.5	0.2	0.0	0.2	0.2	0.3	0.1	0.2			
UK	0.6	0.1	0.2	0.2	0.6	0.1	0.1	0.2	0.3	0.3	0.3	0.3			
Canada	0.7	(0.2)	0.5	(0.2)	(0.0)	0.5	0.6	0.6	0.6	0.6	0.5	0.5			
Australia	0.3	1.0	0.4	0.9	0.3	0.4	0.3	0.3	0.3	0.4	0.5	0.5			
New Zealand	0.9	(0.7)	0.9	0.5	0.8	0.2	0.4	0.6	0.7	0.7	0.8	0.8			
Global (MER)	0.6	0.8	0.8	0.6	0.6	0.5	0.7	0.8	0.8	0.7	0.7	0.7			
Global (PPP)	0.7	0.9	0.9	0.8	0.8	0.6	0.8	0.9	0.9	0.8	0.8	0.9			
GDP, YoY	**Q1-2025**	**Q2-2025**	**Q3-2025**	**Q4-2025**	**Q1-2026**	**Q2-2026**	**Q3-2026**	**Q4-2026**	**Q1-2027**	**Q2-2027**	**Q3-2027**	**Q4-2027**	**2025**	**2026**	**2027**
US	2.0	2.1	2.3	2.0	2.6	2.2	1.8	2.5	2.8	2.8	2.8	2.6	2.1	2.3	2.8
China	5.4	5.2	4.8	4.5	5.0	4.4	4.7	4.8	4.7	4.8	4.4	4.2	4.9	4.7	4.5
Eurozone	1.7	1.6	1.4	1.2	0.3	0.4	0.3	0.5	1.1	1.3	1.5	1.6	1.5	0.4	1.4
Japan	1.5	1.8	0.5	0.4	0.3	0.2	0.8	0.8	0.6	0.7	0.8	0.8	1.1	0.6	0.7
UK	1.8	1.4	1.3	1.0	1.1	1.1	1.1	1.1	0.8	0.9	1.1	1.2	1.4	1.1	1.0
Canada	3.1	2.0	1.7	0.7	(0.1)	0.7	0.8	1.7	2.4	2.5	2.4	2.3	1.9	0.8	2.4
Australia	1.3	2.0	2.1	2.5	2.5	2.0	2.0	1.3	1.4	1.3	1.5	1.7	2.0	1.9	1.5
New Zealand	(0.8)	(0.9)	1.1	1.5	1.5	2.4	1.9	2.0	1.9	2.4	2.8	3.0	0.2	1.9	2.6
Global (MER)	2.9	2.9	2.9	2.7	2.8	2.5	2.4	2.6	2.8	3.0	3.1	3.0	2.9	2.6	3.0
Global (PPP)	3.4	3.5	3.5	3.4	3.4	3.1	2.9	3.1	3.2	3.5	3.5	3.5	3.5	3.1	3.4
CPI, QoQ	**Q1-2025**	**Q2-2025**	**Q3-2025**	**Q4-2025**	**Q1-2026**	**Q2-2026**	**Q3-2026**	**Q4-2026**	**Q1-2027**	**Q2-2027**	**Q3-2027**	**Q4-2027**			
US (PCE)	0.8	0.5	0.7	0.7	1.1	1.2	(0.0)	0.6	0.5	0.7	0.6	0.5			
Japan	1.1	0.6	0.4	0.7	(0.2)	0.6	0.5	0.6	0.4	0.5	0.5	0.5			
Canada	0.7	0.2	0.6	0.7	0.6	1.0	(0.2)	0.7	0.4	0.6	0.5	0.5			
CPI, YoY	**Q1-2025**	**Q2-2025**	**Q3-2025**	**Q4-2025**	**Q1-2026**	**Q2-2026**	**Q3-2026**	**Q4-2026**	**Q1-2027**	**Q2-2027**	**Q3-2027**	**Q4-2027**	**2025**	**2026**	**2027**
US (PCE)	2.6	2.4	2.7	2.8	3.1	3.7	3.0	2.8	2.2	1.7	2.3	2.3	2.6	2.8	2.3
China	0.1	(0.1)	(0.5)	0.4	0.7	1.2	1.1	0.9	0.9	0.7	0.8	0.8	(0.0)	1.0	0.8
Eurozone	2.3	2.0	2.1	2.1	2.0	3.1	2.9	3.0	2.6	1.8	1.9	1.9	2.1	2.8	2.1
Japan	3.8	3.5	2.9	2.7	1.4	1.4	1.6	1.5	2.1	1.9	1.9	1.8	3.2	1.5	1.9
UK	2.8	3.5	3.8	3.4	3.1	2.9	3.0	3.1	3.1	2.8	2.7	2.3	3.4	3.0	2.7
Canada	2.3	1.8	2.0	2.2	2.1	2.9	2.2	2.2	1.9	1.6	2.2	2.0	2.1	2.4	1.9
Australia	2.4	2.1	3.2	3.7	4.0	4.6	3.9	4.1	3.3	2.7	2.6	2.4	2.8	4.2	2.8
New Zealand	2.5	2.7	3.0	3.1	3.1	4.1	3.8	3.6	3.3	2.2	2.3	2.4	2.8	3.6	2.5
Core CPI, QoQ	**Q1-2025**	**Q2-2025**	**Q3-2025**	**Q4-2025**	**Q1-2026**	**Q2-2026**	**Q3-2026**	**Q4-2026**	**Q1-2027**	**Q2-2027**	**Q3-2027**	**Q4-2027**			
US (PCE)	0.8	0.6	0.7	0.7	1.1	0.9	0.6	0.5	0.6	0.6	0.6	0.6			
Japan	0.0	0.7	0.4	0.5	(0.2)	0.6	0.6	0.5	0.4	0.5	0.5	0.5			
Canada	0.7	0.7	0.5	0.6	0.3	0.4	0.8	0.7	0.6	0.6	0.6	0.6			
Australia	0.7	0.7	1.0	0.9	0.8	0.9	0.8	0.8	0.7	0.7	0.6	0.6			

Core CPI, YoY	Q1-2025	Q2-2025	Q3-2025	Q4-2025	Q1-2026	Q2-2026	Q3-2026	Q4-2026	Q1-2027	Q2-2027	Q3-2027	Q4-2027	2025	2026	2027
US (PCE)	2.8	2.7	2.9	2.9	3.1	3.4	3.2	3.1	2.6	2.3	2.4	2.5	2.8	3.1	2.5
China	0.1	0.5	0.9	1.2	1.4	1.1	1.0	0.9	0.8	0.8	0.9	0.9	0.7	1.1	0.9
Eurozone	2.6	2.4	2.3	2.4	2.3	2.5	2.5	2.5	2.5	2.2	2.1	2.1	2.4	2.4	2.2
Japan	1.5	1.6	1.5	1.6	1.4	2.3	2.2	2.1	2.1	2.0	1.9	1.9	3.0	2.1	1.9
UK	3.6	3.7	3.6	3.3	3.1	2.6	2.7	2.8	3.1	2.7	2.5	2.3	3.5	2.8	2.6
Canada	2.5	2.6	2.5	2.5	2.0	1.7	2.1	2.2	2.5	2.7	2.5	2.4	2.5	2.0	2.5
Australia	2.9	2.7	3.0	3.4	3.5	3.7	3.5	3.3	3.2	3.0	2.8	2.6	3.0	3.5	2.9
New Zealand	2.8	2.7	2.7	2.8	2.7	3.4	3.2	3.1	2.8	2.6	2.7	2.8	2.8	3.1	2.7

FX Rates	Q1-2025	Q2-2025	Q3-2025	Q4-2025	Q1-2026	Q2-2026	Q3-2026	Q4-2026	Q1-2027	Q2-2027	Q3-2027	Q4-2027	2025	2026	2027
EUR USD	1.08	1.17	1.17	1.17	1.15	1.15	1.15	1.14	1.12	1.14	1.15	1.15	1.17	1.14	1.15
USD JPY	149.6	144.4	147.7	156.9	159.0	159.0	158.0	155.0	152.0	149.0	145.0	142.0	156.9	155.0	142.0
USD CNY	7.26	7.17	7.12	7.00	6.89	6.77	6.75	6.72	6.69	6.66	6.64	6.62	7.00	6.72	6.62
GBP USD	1.29	1.37	1.35	1.34	1.32	1.32	1.31	1.30	1.29	1.30	1.32	1.32	1.34	1.30	1.32
USD CAD	1.44	1.36	1.39	1.37	1.40	1.41	1.35	1.33	1.32	1.31	1.30	1.29	1.37	1.33	1.29
AUD USD	0.62	0.66	0.66	0.67	0.69	0.71	0.72	0.73	0.74	0.75	0.75	0.75	0.67	0.73	0.75
NZD USD	0.57	0.61	0.58	0.58	0.57	0.58	0.60	0.62	0.63	0.64	0.65	0.66	0.58	0.62	0.66

Policy Rate	Q1-2025	Q2-2025	Q3-2025	Q4-2025	Q1-2026	Q2-2026	Q3-2026	Q4-2026	Q1-2027	Q2-2027	Q3-2027	Q4-2027	2025	2026	2027
US (Fed funds rate)	4.38	4.38	4.13	3.63	3.63	3.63	3.63	3.88	4.13	4.13	4.13	4.13	3.63	3.88	4.13
China (1-yr MLF rate)	1.50	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Eurozone (deposit rate)	2.50	2.00	2.00	2.00	2.00	2.25	2.50	2.50	2.50	2.50	2.25	2.00	2.00	2.50	2.00
Japan (policy rate)	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.50	0.75	1.25	1.50
UK (base rate)	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.50	3.75	3.75	3.50
Canada (overnight cash rate)	2.75	2.75	2.50	2.25	2.25	2.25	2.25	2.50	2.75	3.00	3.00	3.00	2.25	2.50	3.00
Australia (cash rate)	4.10	3.85	3.60	3.60	4.10	4.35	4.35	4.35	4.35	4.35	4.35	4.35	3.60	4.35	4.35
New Zealand (overnight cash rate)	3.75	3.25	3.00	2.25	2.25	2.25	2.50	2.75	2.75	2.75	3.00	3.00	2.25	2.75	3.00

Short-term yield	Q1-2025	Q2-2025	Q3-2025	Q4-2025	Q1-2026	Q2-2026	Q3-2026	Q4-2026	Q1-2027	Q2-2027	Q3-2027	Q4-2027	2025	2026	2027
US 2-yr	3.89	3.72	3.60	3.47	3.79	4.15	4.25	4.30	4.35	4.35	4.35	4.35	3.47	4.30	4.35
China 2-yr	1.57	1.36	1.49	1.36	1.27	1.25	1.27	1.40	1.40	1.30	1.20	1.20	1.36	1.40	1.20
Germany 2-yr	2.04	1.85	2.02	2.10	2.62	2.60	2.60	2.60	2.55	2.50	2.45	2.40	2.10	2.60	2.40
Japan 2-yr	0.88	0.74	0.94	1.16	1.37	1.40	1.45	1.55	1.60	1.65	1.60	1.60	1.16	1.55	1.60
UK 2-yr	4.19	3.81	3.99	3.71	4.41	4.20	4.15	4.10	4.10	4.10	4.00	3.80	3.71	4.10	3.80
Canada 2-yr	2.45	2.60	2.47	2.62	2.85	2.85	2.90	3.00	3.25	3.25	3.25	3.25	2.62	3.00	3.25
Australia 3-yr	3.69	3.26	3.55	4.14	4.65	4.40	4.45	4.50	4.50	4.50	4.50	4.50	4.14	4.50	4.50

10-year yield	Q1-2025	Q2-2025	Q3-2025	Q4-2025	Q1-2026	Q2-2026	Q3-2026	Q4-2026	Q1-2027	Q2-2027	Q3-2027	Q4-2027	2025	2026	2027
US	4.23	4.24	4.16	4.18	4.30	4.50	4.75	5.00	5.00	4.75	4.50	4.50	4.18	5.00	4.50
China	1.81	1.65	1.86	1.85	1.82	1.75	1.82	1.90	1.90	1.80	1.70	1.70	1.85	1.90	1.70
Germany	2.73	2.64	2.71	2.85	3.01	2.95	3.10	3.25	3.25	3.10	2.95	2.95	2.85	3.25	2.95
Japan	1.55	1.45	1.65	2.06	2.36	2.65	2.75	2.90	2.95	2.90	2.80	2.80	2.06	2.90	2.80
UK	4.67	4.49	4.77	4.54	4.94	4.85	4.85	4.80	4.80	4.80	4.75	4.65	4.54	4.80	4.65
Canada	3.00	3.28	3.22	3.42	3.48	3.50	3.75	4.00	4.00	3.75	3.50	3.50	3.42	4.00	3.50
Australia	4.40	4.16	4.30	4.76	4.97	4.80	4.90	5.00	5.00	4.90	4.80	4.80	4.76	5.00	4.80
New Zealand	4.59	4.54	4.19	4.50	4.73	4.40	4.55	4.70	4.70	4.60	4.45	4.50	4.50	4.70	4.50

		Quarterly											
		Q1-2025	**Q2-2025**	**Q3-2025**	**Q4-2025**	**Q1-2026**	**Q2-2026**	**Q3-2026**	**Q4-2026**	**Q1-2027**	**Q2-2027**	**Q3-2027**	**Q4-2027**
Energy													
Crude Oil - Brent	$/barrel	75.0	66.7	68.2	62.8	78.4	94.0	67.0	69.0	64.0	66.0	64.0	62.0
Crude Oil - WTI	$/barrel	71.4	63.7	65.0	59.0	72.7	87.0	62.0	64.0	60.0	62.0	60.0	58.0
Henry Hub Gas	$/MMBTU	3.87	3.51	3.07	4.04	3.47	2.82	3.23	3.59	3.90	3.01	3.34	3.80
Thermal coal - Aus Spot	$/t FOB	106.7	98.5	108.1	106.5	117.9	137.0	138.0	140.0	130.0	130.0	125.0	125.0
EU carbon	EUR/tonne	75.1	69.9	73.0	82.0	77.8	75.7	77.5	85.0	85.0	85.0	80.0	80.0
Base metals													
Copper	$/tonne	9,340	9,524	9,797	11,092	12,845	13,320	13,500	13,000	11,500	11,100	11,000	11,300
Aluminium	$/tonne	2,627	2,448	2,618	2,827	3,200	3,600	3,300	3,200	3,150	3,050	3,000	2,900
Zinc	$/tonne	2,838	2,641	2,825	3,165	3,241	3,460	3,400	3,100	2,900	2,700	2,500	2,500
Nickel	$/tonne	15,571	15,171	15,015	14,892	17,342	18,251	19,500	19,000	18,500	18,500	18,000	18,000
Lead	$/tonne	1,970	1,947	1,966	1,970	1,931	1,960	1,930	1,940	1,950	1,950	1,950	1,950
Lithium	$/tonne	9,811	8,564	9,041	10,535	19,418	22,400	22,000	21,000	19,000	17,000	15,000	14,000
Tin	$/tonne	31,804	32,437	34,034	38,090	48,680	52,000	53,000	45,000	40,000	40,000	38,000	38,000
Steel and raw materials													
Iron ore - 61%* Fe	$/t CFR	104	98	102	106	104	105	100	102	100	96	95	96
Hard coking coal	$/t FOB	185	184	184	200	235	240	235	230	230	220	215	215
Steel - World Export HRC	$/tonne	619	654	628	644	697	754	775	761	755	755	755	755
Precious metals													
Gold	$/oz	2,856	3,282	3,455	4,153	4,865	4,540	4,450	4,300	4,200	4,200	4,200	4,200
Silver	$/oz	31.9	33.7	39.5	55.4	83.7	74.0	72.5	70.0	65.0	65.0	65.0	65.0
Platinum	$/oz	968	1,077	1,394	1,709	2,218	1,940	1,930	1,910	1,820	1,700	1,610	1,540
Palladium	$/oz	961	1,000	1,181	1,490	1,723	1,430	1,400	1,380	1,350	1,340	1,320	1,300

*61% from 2026, 62% before 2026

Contacts and disclaimer

s 22

s 22

s 22 @macquarie.com

Macquarie Group Services Australia Pty Limited

Disclaimer

This publication represents the views of the Sales and Trading Global Macro Strategy Department and/or Sales and Trading Desk strategists and/or Group Economics Department (collectively referred to as "Global Macro") of Macquarie. It is not a product of Macquarie Research and the view of Global Macro may differ from the views of Macquarie Research and other divisions at Macquarie. Macquarie has policies in place to promote the independence of Macquarie Research and to manage conflicts of interest, including policies relating to dealing ahead of the dissemination of Macquarie Research. These policies do not apply to the views of Global Macro contained in this report.

Global Macro Disclosure

The name "Macquarie" refers to Macquarie Group Limited and its worldwide affiliates and subsidiaries (the Macquarie Group). This information is provided on a confidential basis and may not be reproduced, distributed or transmitted in whole or in part without the pric s 2 written consent of Macquarie.

It has been prepared by personnel from Macquarie Sales and Trading and/or the Group Economics Department and is not a product of the Macquarie Research Department. Any views or opinions expressed are the views of the author and the Macquarie Sales and/or Trading desk and/or the Group Economics Department from which it originates ('the Authors') and may differ from those of the Macquarie Research Department.

Macquarie Trading desks are not subject to any prohibitions on trading prior to the dissemination of this information. The views are not independent or objective of the interests of the Authors and other Macquarie Sales and/or Trading desks that trade as principal in the financial instruments mentioned within and who may be compensated in part based on trading activity. The views do not include and are not intended as trading ideas, investment advice or recommendations specifically tailored for the needs of any particular investor.

This communication is provided for information purposes only, is subject to change without notice and is not binding. Any prices or quotations in the information provided are indicative only, are subject to change without notice and may not be used or relied on for any purpose, including valuation purposes. This communication is not a solicitation to buy or sell any product, or to engage in, or refrain from engaging in, any transaction, except to the extent covered by the CFTC Rules (see Important Derivatives Disclosure). Nor does it constitute investment research, a research report or a personal or other recommendation. Nothing in the information provided should be construed as legal, financial, accounting, tax or other advice.

Important Derivatives Disclosure: This material constitutes a solicitation for entering into a derivatives transaction only for the purposes of, and to the extent it would otherwise be subject to, U.S Commodity Futures Trading Commission Regulations §§ 1.71 and 23.605 promulgated under the U.S. Commodity Exchange Act (the "CFTC Rules"). Futures options and derivatives products are not suitable for all investors and trading in these instruments involves substantial risk of loss.

Macquarie is a global provider of banking, financial advisory, investment and funds management services. As such, Macquarie may act in various roles including as provider of corporate finance, underwriter or dealer, holder of principal positions, broker, lender or adviser and may receive fees, brokerage or commissions for acting in those capacities. In addition, Macquarie and associated personnel may at any time buy, sell or hold interests in financial instruments referred to in this information either on behalf of clients or as principal. Therefore, this information should not be relied upon as either independent or objective from the interests of Macquarie and associated personnel which may conflict with your interests.

To the extent permitted by law, Macquarie accepts no responsibility or liability (in negligence or otherwise) for loss or damage resulting from the use of or relating to any error in the information provided. This information has been prepared in good faith and is based on information obtained from sources believed to be reliable, however, Macquarie is not responsible for information stated to be obtained from third party sources. Any modelling, scenario analysis, past or simulated past performance (including back-testing) contained in this information is no indication as to future performance.

The financial products and/or services referred to in this information may not be eligible for sale in all jurisdictions. This information is directed at institutional clients who have professional experience as defined by applicable law and/or regulation in the relevant jurisdiction. It is not for retail clients and it is not for distribution into any jurisdiction where this information is not permitted. For important country-specific disclosures regarding information from Macquarie Sales and Trading, please click on the region relevant to you at: www.macquarie.com/salesandtradingdisclaimer.

Other than Macquarie Bank Limited ABN 46 008 583 542 ("MBL") any entity referred to on this page is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Cth). That entity's obligations do not represent deposits or other liabilities of MBL. Any investments are subject to investment risk including possible delays and loss of income and principal invested. MBL does not guarantee or otherwise provide assurance in respect of the obligations of such other entity.