Weekly Economic Brief

Collaboration with The Investing Group (TIG)

by Saied Toossi | June 14, 2026

The past week was defined by a hawkish repricing of Fed Funds futures driven by hot economic data and a continuation of the "will they, won't they" rollercoaster ride that has come to characterize the potential intensification or amelioration of the U.S.-Israel-Iran War.

Headline inflation as measured by the Consumer Price Index accelerated to 4.2% in May, its highest level since mid-2023, driven by higher energy prices precipitated by the attack on Iran. Rising prices for energy and other commodities affected by the war have also pushed upstream producer costs higher, threatening secondary pass-through inflation into downstream core goods and services. Higher inflation and three consecutive months of strong jobs growth have shifted the narrative from concerns about the labor market to concerns about rising prices.

Fed Funds futures have undergone a hawkish repricing in response, with markets now expecting a rate hike in the coming year. Of course, such a move would put the Federal Reserve at odds with President Trump, who has repeatedly pushed for rate cuts, and his chosen successor to Jerome Powell as Chair of the FOMC, Kevin Warsh, in an awkward position. For the time being, the Fed is likely to remove language implying an "easing bias" in official policy statements while emphasizing maximum optionality, thereby maintaining its current holding pattern while not ruling out future hikes. As such, bond yields are poised to remain elevated across the curve.

Of course, much depends on the trajectory of the war with Iran. News of an impending MOU that would re-open the Strait of Hormuz, lift the U.S. blockade on Iran, and initiate negotiations to end the war has triggered an unwinding of the geopolitical risk premium in energy prices. While there is reason to be optimistic, recent military engagements between the warring parties, Israeli escalations in Lebanon, and previously dashed hopes cast doubt on the prospects of a lasting deal.

Regardless, energy prices will remain elevated for the foreseeable future as production and transit of oil and other commodities take time to normalize. Further compounding price pressures are the depletion of petroleum reserves in the U.S. and globally, which have been drawn down to compensate for supply disruptions out of the Middle East, and will need to be refilled.

Week ahead for economic data: The highlight of the week will be the first FOMC meeting with Kevin Warsh as Chair. With no rate moves expected, the focus will be on his communication style and handling of the policy statement for signals about how he may lead the Fed during his tenure. Data releases for industrial and manufacturing production, retail sales, and initial and continuing jobless claims will provide more clarity about underlying economic momentum and the strength of the labor market.
