BEA MPF e - Newsletter

June 2026

Message from the Investment Manager

Inflation and Policy Stay in Focus

US headline CPI rose 4.2% year on year in May, marking the highest level since April 2023, primarily driven by high oil prices and renewed inflationary pressures in food price. May non-farm payrolls added 172,000 jobs, while the unemployment rate held steady at 4.3%. However, wage growth failed to keep pace with inflation for two consecutive months. Against a backdrop of elevated inflation and a still-tight labour market, the likelihood of near-term rate cuts remains limited. The Federal Reserve left policy rates unchanged at its June meeting, maintaining a “wait-and-see” stance.

Eurozone GDP contracted by 0.2% quarter-on-quarter in 1Q 2026, while the European Commission revised its full-year growth forecast downward to 0.9%, reflecting ongoing pressure from elevated energy prices. On the policy front, the European Central Bank raised the deposit facility rate to 2.25% at its June meeting and signalled the possibility of further tightening should inflation continue to rise.

Strong earnings and global AI-driven investment trends attracted substantial foreign inflows into the Japanese market. Domestic economic data also provided support, with real wages rising 1.9% year-on-year in April, marking the fourth consecutive month of growth. The Bank of Japan raised its policy rate to 1% at its June meeting and announced plans to conduct steady monthly purchases of JPY 2 trillion in government bonds starting from April 2027.

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In China, investor sentiment remained volatile amid the interplay of geopolitical developments and domestic policy dynamics. Macroeconomic data continued to present challenges: the manufacturing PMI edged down to 50 in May, while retail sales declined by 0.6% year-on-year, marking the first contraction since the post-pandemic reopening in 2022. Trade data, however, surprised to the upside, with exports and imports growing by 19.4% and 27.4% year-on-year, respectively. Meanwhile, the pace of decline in property prices accelerated again in May, weighing on domestic demand and consumer confidence.