Macro Outlook Summary

June 2026

Coming into the end of May the SPX felt as if it was losing upside momentum and strength even as the Iran crisis seemed finally to be nearing a short or medium term resolution. SpaceX and all things Elon fever seemed to fade through June and in the absence of any other overtly positive market news prices began trading downwards.

Perhaps the reality of second order inflation pressures and all central banks now on hold or turning hawkish is finally registering with equity investors and tempering their enthusiasm. For bond guys tightening liquidity has been the narrative for months. Now their focus is on the new Fed Chair, Kevin Warsh, and they are looking for credibility in how he takes on this important role.

His first Fed conference in June was positive. He repeatedly stated the Fed's commitment to 'Deliver on price stability' pointing out how this had not been achieved in the five prior years. He's correct but this was not quite the language market participants were expecting from someone who had been profiled as a closet dove by commentators. He talked of ushering in a 'New Era' at the Fed which translates into 'there's a new Sherriff in town and things are going to change'.

Hopefully no more dot plots or forward guidance or micro-management but rather a big picture focus on inflation which Warsh summed up by saying 'it's the number to the left of the decimal point that matters'. That sounds like it will give the Fed latitude to allow inflation to sit around 2.8-2.9% and not be concerned but at the same time places great emphasis on the fact that the current print starts with a 4 which is not acceptable.

This is the sort of hawkish jawboning that bond guys like and if the pattern continues then Warsh has bought credibility and put a lid on the yield of longer dated treasuries. This has the makings of a very credible Chair which is absolutely what is needed.

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