



WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | June 18, 2026

THE WEEK'S ECONOMY AT A GLANCE

A shorter Fed statement, a longer inflation fight

This week's June Federal Open Market Committee (FOMC) meeting marked a clear shift in both tone and direction for U.S. monetary policy. While the Fed held rates steady, updated projections and a wholesale rewrite of the policy statement pointed to a more cautious, inflation-focused stance. At the same time, incoming data continued to show an economy that is slowing unevenly rather than decisively – consumer spending remains resilient, while housing activity shows the clearest signs of strain under higher borrowing costs. Against that backdrop, the Fed is not only signaling a higher bar for rate cuts, but also stepping back from providing explicit guidance, leaving the path of policy more dependent on incoming data – and potentially more uncertain in the months ahead.

What this means for business: *Borrowing costs are likely to remain elevated for longer, and with less guidance from the Fed, business planning will depend more on incoming data – requiring greater flexibility in financing, pricing and investment decisions.*



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Quote of the week

A shorter Fed statement reflects greater humility about the outlook – but it also means the path of policy will be less clearly signaled and more dependent on how the data evolve.

Beth Ann Bovino, Chief Economist,
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ECONOMIC DATA OF THE WEEK

9 out of 18

The June FOMC meeting revealed a more hawkish shift in participant views, with nine (out of 18) officials now expecting the federal funds rate to end 2026 above its current 3.50% to 3.75% target range. As a result, the median year-end projection rose to 3.8% – implying one rate hike – and the distribution of dots suggests a committee more focused on guarding against persistent inflation than preparing to ease policy. Only one official expects another cut this year, and new Chair Kevin Warsh did not submit his own projection, adding another layer of uncertainty to the signal from the dot plot.

ECONOMIC REPORT OF THE WEEK

The Fed's (shorter) post-meeting statement

The Fed's June statement marked a substantial break from recent practice, not just in tone but in structure. While the FOMC held rates steady in a unanimous decision, its post-meeting statement was effectively rewritten – significantly shortened, stripping out much of the prior detail, particularly around the labor market, and eliminating explicit forward guidance. In its place, the statement adopts a more streamlined, facts-only approach with a singular focus on the Fed's inflation mandate, now stating that the Committee “will deliver price stability.” Chair Warsh described the new statement as “a bit shorter” and “a bit simpler,” emphasizing that forward guidance was removed because it was no longer well suited to the current environment.

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ECONOMIC TRENDS: MONETARY POLICY

Federal Reserve: A hawkish hold, and a shift in communication

The Federal Reserve held the federal funds rate steady at 3.50% to 3.75% at its June meeting, but the decision came alongside a firm tilt in the overall policy outlook. The updated Summary of Economic Projections (SEP) showed higher expected inflation and a steeper expected policy path, with the median federal funds rate rising to 3.8% by year-end – above the current range and consistent with at least one additional rate increase. Growth remained solid and the labor market broadly stable, reinforcing the view that policy can stay restrictive as the Committee works to bring inflation back toward its 2% target.

Chair Warsh's first press conference marked a fundamental shift in how the Fed is now approaching both policy and communication. Building on the fully rewritten, streamlined statement, he signaled a deliberate move away from forward guidance and toward a more data-driven and less prescriptive framework, emphasizing that projections should be viewed as conditional and subject to change. At the same time, he reinforced a clear institutional priority around restoring price stability, while downplaying the role of tools like the dot plot as firm signals of future policy. More notably, Warsh announced the creation of task forces across five areas central to monetary policy – communications, the balance sheet, data, productivity and jobs, and inflation frameworks – highlighting that the Committee is not only recalibrating its near-term stance but also reassessing the broader framework guiding policy decisions.

Taken together, the message is one of policy that remains restrictive, but uneven in its effects across the economy and less prescriptive about what comes next. Higher rates continue to weigh on interest-sensitive sectors like housing,

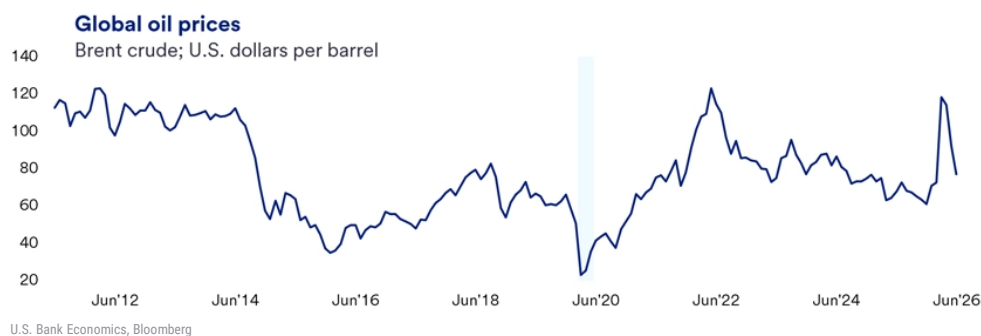
while consumer spending and financial conditions remain more resilient. For businesses, the takeaway is that the hurdle for any near-term rate cuts is high, even as the Fed becomes less explicit about its path. With forward guidance reduced and projections carrying less weight, the range of policy outcomes has widened, including the possibility of pivoting to tightening if inflation proves more persistent.

ECONOMIC TRENDS: INTERNATIONAL TRADE

Geopolitics and energy: A tentative easing of pressure?

Recent developments in the Iran conflict have introduced a potential inflection point for energy markets, with early signs of a reopening of key shipping routes raising the prospect of improved supply conditions. Oil prices have already responded, with Brent crude falling back below \$80 per barrel this week, after trading closer to the \$90–\$110 range through much of the conflict – reflecting a rapid unwind of the geopolitical risk premium. If sustained, this shift would help ease some of the upward pressure on energy costs, reducing the risk of a more pronounced pass-through into broader inflation. For an economy already contending with elevated price levels, that would provide a modest but meaningful tailwind – particularly for energy-sensitive sectors and consumer purchasing power.

But that outlook remains highly conditional. Any de-escalation will depend on the durability of negotiations, and near-term supply disruptions are likely to linger as damaged infrastructure is repaired. In the meantime, higher energy costs are already moving through supply chains, contributing to rising transportation and logistics costs and only reinforcing near-term inflation pressures. For policymakers, that argues for continued patience. For businesses, it underscores the importance of planning around continued cost volatility. Even if the worst-case energy scenario is avoided, the path back to stable prices remains uneven and closely linked to geopolitical developments.



ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Retail sales: Holding up, but not pulling away

Consumer spending on goods remained firm in May, suggesting household demand has not weakened decisively. Total retail sales rose 0.9% month-over-month (MoM) last month, 6.9% year-over-year (YoY) – exceeding expectations and building on a modestly revised 0.4% gain in April. The so-called control group, which feeds directly into GDP, increased a solid 0.7% MoM (6.3% YoY), pointing to underlying demand that was firmer than the headline details alone might suggest. Taken together, the data show consumer spending remains a stabilizing force for the broader economy, even as inflation pressures persist.

The composition, however, highlights a more nuanced picture. Part of the strength in May reflected higher gasoline prices and a rebound in auto sales, both of which boosted nominal spending. Even so, strength extended across several categories, including continued gains at non-store, primarily online, retailers. At the same time, there were signs of greater selectivity in consumer behavior, with a modest decline in restaurant spending and softness in electronics and appliance categories. This mix suggests households are still spending, but doing so more carefully, particularly in categories more sensitive to budgets and shifting preferences.

Important disclosures provided on last page

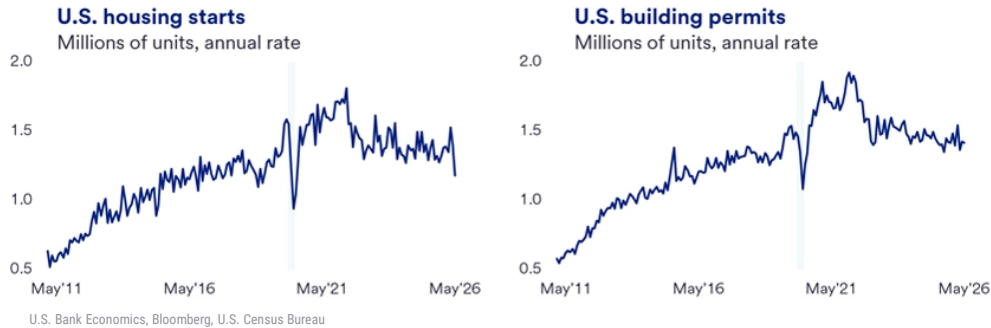
The broader message is that household spending has not yet turned decisively lower, but momentum may be less robust beneath the surface. Retail sales are reported in nominal terms, and once adjusted for inflation, real spending appears considerably more modest of late, with gains closer to flat over the month. Elevated prices, particularly for energy, are supporting top-line sales while also putting pressure on household purchasing power. For policymakers, the takeaway is that demand remains firm enough to limit urgency around rate cuts, even as underlying growth shows signs of moderation. For businesses, it points to an environment where demand persists, but pricing power and category mix matter more than aggregate growth alone.



ECONOMIC TRENDS: HOUSING SECTOR

Residential construction: Feeling the weight of higher-for-longer

Housing remains one of the clearest channels through which elevated interest rates are weighing on the real economy. Housing starts fell 15.4% MoM in May to a 1.18 million annualized pace (-8.7% YoY), the lowest level since May 2020. However, the pullback was less pronounced in the more forward-looking permits data, which slipped just 0.7% MoM to a 1.41 million annualized pace (-0.2% YoY). The contrast suggests the May starts decline may overstate the degree of underlying weakness, especially given the month-to-month volatility often seen in construction data.



ECONOMIC TRENDS: HOUSING SECOTR

Residential construction: Feeling the weight of higher-for-longer *continued*

The underlying details point to a housing market that is soft but not uniformly weakening. Much of the decline in starts was concentrated in multifamily construction, where activity can swing sharply from month to month. A drop in single-family starts was more modest, while single-family permits rose some, leaving planned construction broadly consistent with the sideways pattern seen in recent months. Still, permits are not pointing to a meaningful acceleration, and builder sentiment remains subdued. The National Association of Home Builders (NAHB) Housing Market Index fell to 35 in June, well below the 50-point threshold, with weak buyer traffic and many builders continuing to rely on price cuts and incentives to support sales.

The broader message is that housing remains a restraint on growth while affordability is stretched. Mortgage rates above 6%, elevated construction costs, cautious buyers, and ample new-home supply continue to weigh on activity, even as slower home price growth offers some modest relief. For businesses tied to construction, housing turnover, building materials, home improvement, or mortgage activity, the near-term outlook still points to caution rather than a quick rebound. Housing may not be weakening as sharply as the May starts figure alone suggests, but it remains firmly constrained by the higher-rate environment.

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ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: PCE in focus as post-meeting 'Fed Speak' begins

This week's economic calendar features a set of timely updates on inflation, consumer activity, and business investment, with attention centered on the Federal Reserve's preferred price gauge. While the broad contours of the data are unlikely to alter the overall narrative, the releases should provide incremental insight into how price pressures and economic momentum are evolving into the second half of the year.

Thursday's **May Personal Income and Outlays** report will be the focal point, highlighted by the Personal Consumption Expenditures (PCE) deflator. We expect personal income to rebound modestly, rising 0.4% MoM after a flat April, while personal spending is projected to hold at a firm 0.5% MoM pace. Inflation dynamics remain mixed beneath the surface, but we expect the headline PCE deflator to firm to 0.5% MoM (4.1% YoY) and core PCE to rise 0.3% MoM (3.4% YoY). The expected uptick reflects firmer services inflation – including a rebound in portfolio management fees – as well as methodological differences relative to CPI (Consumer Price Index), particularly in healthcare and insurance components that carry greater weight in PCE. Higher gasoline prices are also likely to keep headline inflation elevated, reinforcing the view that price pressures remain sticky.

Also on Thursday, the preliminary **May Durable Goods** report will provide insight into the business investment backdrop. We expect headline orders to decline 2.0% MoM, retracing part of April's outsized 8% gain, likely reflecting typical volatility following a transportation-led surge. In contrast, underlying demand appears more constructive: orders excluding transportation are expected to rise 0.3% MoM, while core capital goods orders (nondefense excluding aircraft) – a key proxy for equipment investment – are projected to increase 0.7% MoM, pointing to a modest rebound and continued support for second quarter GDP.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: PCE in focus as post-meeting 'Fed Speak' begins
continued

On Friday, the final June reading of the **University of Michigan Consumer Sentiment Index** will provide an updated read on household confidence. We expect sentiment to edge up to 49.5, remaining near historically low levels. The preliminary report suggested that while concerns around inflation and borrowing costs persist, some relief from lower gasoline prices provided a modest lift – a dynamic likely to carry through to the final estimate.

Finally, market attention will be closely focused on **Federal Reserve Communication** throughout the week, marking the first round of commentary following Chair Warsh's inaugural FOMC meeting. We will be watching for further clarity around the changes to the policy statement, the reduced role of forward guidance, and the newly announced task force initiatives. With uncertainty elevated and policy signaling evolving, these remarks could play an important role in shaping expectations for the path ahead.

ECONOMIC DATA CALENDAR THIS WEEK

What we're watching this week, including release dates and projections from the U.S. Bank Economics Research Group.

U.S. economic calendar - June 22 through June 26						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
6/23/2026	8:45 a.m.	S&P Global US Services PMI	Jun P	51.2	51.2	50.7
		S&P Global US Composite PMI	Jun P			51.5
		S&P Global US Manufacturing PMI	Jun P	54.8	54.8	55.1
6/24/2026	7:30 a.m.	Current account balance	1Q	-245	-241	-190.8
	9 a.m.	New home sales (000)	May	635	640	622
6/25/2026	7:30 a.m.	Personal income (MoM)	May	0.4	0.4	0.0
		Personal spending (MoM)	May	0.5	0.5	0.5
		PCE Deflator (MoM)	May	0.5	0.5	0.4
		PCE Deflator (YoY)	May	4.1	4.1	3.8
		Core PCE Deflator (MoM)	May	0.3	0.3	0.2
		Core PCE Deflator (YoY)	May	3.4	3.4	3.3
		Durable goods orders (MoM)	May P	-2.0	-6.0	8.0
		Durable goods ex Trans. (MoM)	May P	0.3	0.2	1.10
		Capital goods orders nondef ex. air	May P	0.7	0.8	-1.0
		Initial Jobless Claims	20-Jun	225	225	229
6/26/2026	7:30 a.m.	GDP final update (QoQ %)	1Q T	1.6	1.6	1.6
		Advance Goods Trade Balance	May	-82.3	-83.3	-83.0
		Retail Inventories (MoM)	May			0.7
		Wholesale Inventories (MoM)	May P			0.6
		U. Mich. Consumer sentiment	Jun F	49.5		48.9

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 6/12/2026.

Federal Open Market Committee (FOMC) Speaker Calendar

June 25, 2:40 p.m.: Williams (New York Fed/Voter)

June 25, 5:30 p.m.: Goolsbee (Chicago Fed/Non-Voter)

June 26, 10:30 a.m.: Kashkari (Minneapolis Fed/Voter)

Disclosures

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