

Opinion | 29 May 2026

THINK Ahead: Deal done, hikes axed? Not exactly

Not for the first time, the world awaits a US-Iran deal that *might* help get oil flows moving again. But **James Smith** argues a breakthrough wouldn't change much for the rapidly approaching round of central bank meetings. It's (another) big week in markets, and this is what our team expects



A US-Iran deal won't change much for the June round of major central bank decisions

Deal done, hikes axed? Not exactly

Here we go again! If the reports are true, the US and Iran are close to a deal that reopens the Strait of Hormuz. Thorny issues of uranium and sanctions relief appear unanswered.

Those are frankly evergreen sentences that could have been written at almost any point over the past two months. Still, let's take it at face value. If the Strait reopens and oil flows resume, does everything simply snap back to normal?

Markets are already leaning that way. Stock markets are at new highs. And two-year swap rates – a proxy for short-term policy expectations – have tracked crude prices almost tick-for-tick through this crisis, and they're starting to retrace.

Yet the central banks themselves could be slower to change course, for four reasons:

First, even with a deal, oil prices might not have much further to fall. The market will be down by upwards of 1.6 billion barrels when this is all said and done, [our energy guru, Warren, reckons](#). Strategic reserves will need replenishing. Production facilities need to be repaired.

It's telling that he doesn't think oil prices will fall below 90 USD/bbl this year, even if oil flows return close to normal by July.

Gas tells a similar story. Warren's been warning that Europe will start to face more competition for LNG flows from Asia. That's going to keep pressure on prices across the continent – a continent reliant on natural gas for electricity. Central banks are well aware of this risk; the Bank of England Governor has warned that gas markets look “too optimistic”.

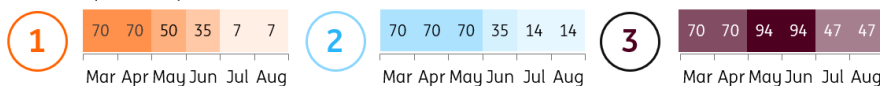
ING's scenarios for oil prices

Brent crude oil (USD/bbl)



Scale of disruption

(% disruption to pre-war Persian Gulf oil flows)



Source: Macrobond, ING

Second, does a deal really reopen the Strait in full, even if that's what is reportedly promised on paper? The risk of stop-start disruption is likely to remain high. Will shipping firms and insurers be willing to return – and at what cost?

Third, with every passing day, this crisis – now entering its fourth month – will embed itself more and more into supply chains and pricing behaviour. My Rates colleagues have a [great chart](#) showing that inflation swaps are increasing by 30bp for every month the Strait stays closed, regardless of what oil prices are doing.

It's the classic “stocks versus flows” conundrum. Risk assets can focus on future improvements in supply. Central banks must contend with the lost stock of energy so far and the macro impacts already baked in.

Fourth, there's credibility. Central banks, particularly the ECB, have spent weeks signalling that they would act if the conflict dragged on. Well, it has. And they'll be worried that markets

will start to think they are all bark and no bite.

A 25 basis point ECB rate hike in June – which, let’s face it, will achieve very little – does at least symbolise that there is action behind the words. Our team thinks it’s [virtually a done deal](#).

The Bank of England is more interesting. The case for hikes has always looked less compelling here than on the continent. Rates are already restrictive, and absent the war, further cuts were on the table. The Bank’s argument has been that not delivering those cuts is, in itself, de facto tightening.

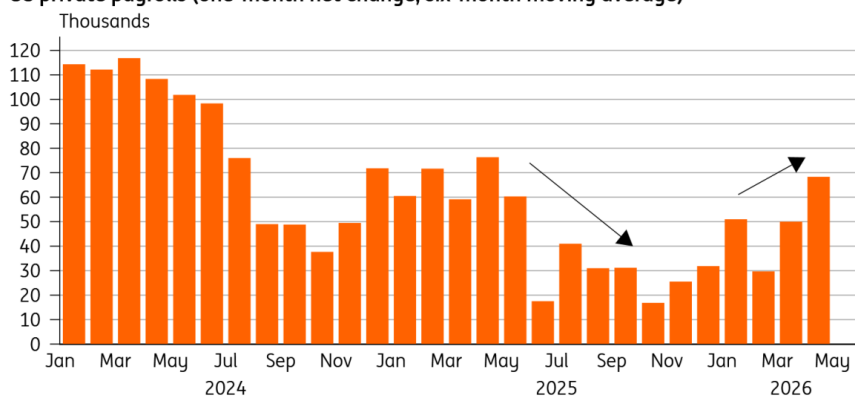
And as recent data has shown, the [jobs market is fragile](#), and there’s [very little sign](#) that last year’s bump higher in headline inflation has lingered.

After some agonising, I switched my call to a June rate hike after the April meeting, but that now looks unlikely. A hike is still possible in July if the situation in the Strait hasn’t been durably resolved. In the meantime, don’t expect the BoE to sound the all clear.

Across the Atlantic, an Iran deal probably wouldn’t change much, either, at the Fed in the near-term. Officials have been turning more hawkish, and that’s not only because of higher energy prices. Payroll growth has picked up on a six-month basis, even if much of that remains concentrated in healthcare. At the same time, dramatically lower migration and an ageing population are limiting the supply of workers. The Fed reckons that the unemployment rate need not rise even if jobs growth were zero.

US jobs growth is picking up

US private payrolls (one-month net change, six-month moving average)



Source: Macrobond, ING

That’s now fuelling a broader debate on whether policy is as restrictive as we’d all thought.

So, in short, don’t expect central banks to change their tune very much in June, deal or no deal. Further out, though, it’s a different equation.

The risk of second-round effects on inflation increases the longer the crisis lasts. A deal that, at the very least, reduces the likelihood that the disruption lasts for several months would remove a key argument for hiking rates.

And second-round effects cut both ways. Yes, inflation might be higher, but the longer this lasts, the impact on growth magnifies too. And that's already becoming abundantly clear. Just look at the latest European purchasing managers' indices. Or the recent falls in US disposable incomes that James Knightley [highlighted this week](#).

Remember, this is not 2022. The risk of this all morphing into a multi-year inflation shock is more limited, and growth is more vulnerable.

The bottom line is that, yes, central banks are likely to stay hawkish for now. Why wouldn't they? But we still think it's probably a one-and-done hike from the ECB. And that the Fed will ultimately cut rates again, maybe as soon as December.

Markets, as we've warned throughout, still risk overpricing how much tightening is to come.

James Smith

THINK Ahead in developed markets

United States (James Knightley)

- The pricing of potential Federal Reserve rate hikes has receded over the past week, as hopes for a deal that would lead to a reopening of the Strait of Hormuz prompted oil prices to drop. Nonetheless, as James explains above, we are not expecting much relief in terms of lower prices through the second half of 2026, which means elevated motor fuel costs will continue to eat into spending power while keeping inflation elevated. This is likely to keep Fed officials leaning hawkish as they look to keep longer-dated Treasury yields anchored.
- **Labour market** (Fri): It will be a busy week for data, with the ISM manufacturing and services sector reports set to remain consistent with GDP growth of around 2%. The highlight will be the May jobs report, which follows on from the surprisingly robust payrolls data in March and April. In terms of what to expect, the relationship between the official job numbers and survey-based evidence has completely broken down of late. The ISM employment numbers for May were both in contraction territory, while Indeed's job posting index is weak, and the official job openings numbers are telling a similarly lacklustre story. This should, in theory, point to the potential for a more subdued payrolls print for May, but the birth-death model, which is used to fill gaps missed in the Bureau of Labor Statistics sampling, may well continue to offer near-term support. As such, another 100k print, with the unemployment rate remaining at 4.3%, looks distinctly possible.

THINK Ahead in Central and Eastern Europe

Poland (Adam Antoniak)

- **1Q26 GDP (Mon):** The Statistical Office is expected to confirm its flash estimate of first-quarter GDP growth at 3.4% year-on-year. Private consumption growth likely eased from 4.3% YoY in the fourth quarter of 2025 but remained the main driver, with the timing of Easter supporting spending in late March. Fixed investment is less clear. Construction was weak in early 2026, posting double-digit declines amid harsh weather (heavy frosts). However, recently released data suggests a revival in investment among medium-sized and large enterprises. We expect a positive figure, as EU fund inflows also point to an uptick. For 2026, we continue to expect solid GDP growth of 3.4%.
- **NBP Rate Decision (Tue):** With only three weeks since the previous meeting and limited new information, Poland's Monetary Policy Council (MPC) is expected to keep rates on hold at 3.75%. Inflation rose above the upper bound of the target range (2.5% +/- 1ppt) in May, which Governor Adam Glapiński has cited as a precondition for a potential rate hike. Whether inflation will remain above this threshold is highly uncertain. The National Bank of Poland's staff macroeconomic projections, due in July, may shed more light and trigger a more active policy debate. Our forecasts point to CPI inflation declining towards target, so we expect rates to remain unchanged this year.

Hungary (Peter Virovacz)

- **GDP (Tue):** Details of the robust first-quarter GDP growth reading are likely to reveal a significant acceleration in consumption, supported by government transfers and one-off factors such as fuel stockpiling. Investment will remain weak, and net exports are likely to drag on growth, as export growth has been limited while energy imports have risen. We don't expect any of this to alter our overall view of the outlook.
- **Retail/Industry (Thu/Fri):** After a surprisingly strong March, we expect both retail and industry to slow. Retail sales volumes are likely to decline month-on-month following March's fuel stockpiling boom, which may reverse in April. As industry gradually feels the impact of the Strait of Hormuz shock, we expect only moderate growth, driven by new capacity.

Czech Republic (David Havrlant)

- **PMI (Mon):** Czech industry has shown resilience amid the ongoing Middle East turmoil, but we expect some deterioration in May's PMI. Real wage growth likely remained strong in the first quarter, supporting solid consumption despite uncertainty. Improved purchasing power also contributed to decent retail sales growth in April. Inflation likely softened in May, mainly due to lower diesel prices as the government's margin ceiling took effect.

Kazakhstan (Dmitry Dolgin)

THINK economic and financial analysis

- **Base rate (Fri):** We expect the base rate to remain unchanged at 18.00%, reflecting the National Bank of Kazakhstan's cautious assessment of external inflation risks from Middle East tensions, alongside domestic pressures from utility tariff hikes and quasi-fiscal stimulus. At the same time, recent CPI-relevant trends are gradually strengthening the case for future cuts, with improving inflation expectations, a stronger tenge, and moderating money supply growth.
- **CPI (Mon):** We expect May CPI to remain unchanged from April at 10.6% YoY. This could be an important input into the NBK's policy assessment and, if it undershoots expectations, may tilt the balance in favour of a small rate cut.

Key events in developed markets

THINK economic and financial analysis

Country	Time Data/event	ING	Prev.
Monday 1 June			
US	1500 May ISM Manufacturing PMI	53.2	52.7
	1500 May ISM Manufacturing Prices	80	84.6
Eurozone	0900 May HCOB Manufacturing PMI Final	51.4	51.4
	1000 Apr Unemployment Rate	6.2	6.2
Germany	0700 Apr Retail Sales Real (MoM%/YoY%)	1.0/-1	-2/-2
	0855 May HCOB Manufacturing PMI Final	49.9	49.9
UK	0930 May S&P Global/CIPS Manufacturing PMI Final	-	53.7
Italy	0845 May S&P Global/IHS Manufacturing PMI	-	52.1
Switzerland	0900 Q1 GDP (QoQ%/YoY%)	-/-	0.1/0.7
Tuesday 2 June			
Eurozone	1000 May CPI Flash (MoM%/YoY%)	3.3	1/3
	1000 May Core CPI Flash (YoY%)	2.4	2.2
Wednesday 3 June			
US	1315 May ADP National Employment	120	109
	1445 May S&P Global Composite PMI Final	-	51.7
	1445 May S&P Global Services PMI Final	-	50.9
	1500 Apr Factory Orders (MoM%)	3.5	1.5
	1500 May ISM Non-Manufacturing PMI	53.2	53.6
	1900 Federal Reserve beige book		
Eurozone	0900 May HCOB Services PMI Final	46.4	46.4
	0900 May HCOB Composite PMI Final	47.5	47.5
	1000 Apr PPI (MoM%/YoY%)	-/-	3.4/2.1
Germany	0855 May HCOB Services PMI Final	47.8	47.8
	0855 May HCOB Composite PMI Final	48.6	48.6
France	0850 May HCOB Composite PMI	-	43.5
UK	0930 May S&P Global/CIPS Serv PMI Final	-	47.9
	0930 May S&P Global Composite PMI Final	-	48.5
Italy	0845 May Composite PMI	-	50.5
Spain	0815 May Services PMI	-	47.9
Thursday 4 June			
Eurozone	1000 Apr Retail Sales (MoM%/YoY%)		-0.1/1.2
Switzerland	0730 May CPI (MoM%/YoY%)	-/-	0.3/0.6
	0800 May Unemployment Rate Adjusted	-	3
Friday 5 June			
US	1330 May Non-Farm Payrolls change (000s)	100	115
	1330 May Private Payrolls change (000s)	120	123
	1330 May Unemployment Rate (%)	4.3	4.3
	2000 Apr Consumer Credit (\$bn)	18.0	24.9
Eurozone	1000 Q1 Employment Final (QoQ%/YoY%)	0.1/0.5	0.1/0.5
	1000 Q1 GDP Revised (QoQ%/YoY%)	0.1/0.8	0.1/0.8
France	0745 Apr Industrial Output (MoM%)	-	1
	0745 Apr Trade Balance (EUR bn)	-	-6.9
Canada	1330 May Unemployment Rate (%)	6.9	6.9
	1330 May net change in employment (000s)	10.0	-17.7
Austria	0800 Q1 GDP Final (QoQ%)	-	0.2

Source: Refinitiv, ING

Key events in Central and Eastern Europe

Country	Time (BST)	Data/event	ING	Prev.
Monday 1 June				
Russia	0700	May S&P Global Manufacturing PMI	-	48.1
Turkey	0800	Q1 GDP Quarterly (YoY%)	-	3.4
	0800	May Manufacturing PMI	-	45.7
Poland	0800	May S&P Global Manufacturing PMI	-	48.8
	0830	Q2 GDP Prelim (QoQ%/YoY%)	0.5/3.4	1/4.1
Czech Rep	0830	May S&P Global PMI	51.2	52.9
Hungary	0800	May Manufacturing PMI	51.1	50.5
Kazakhstan	-	May CPI (MoM%/YoY%)	0.9/10.6	0.8/10.6
Tuesday 2 June				
Turkey	-	Balance of Trade (USD bn)	-	-8.5
Poland	0000	Jun NBP Base Rate	3.75	3.75
Hungary	0830	Q1 GDP Final (YoY%)	1.7	1.7
Wednesday 3 June				
Russia	0700	May S&P Global Services PMI	-	49.7
	1700	Apr Retail Sales (YoY%)	2.9	6.2
	1700	Apr Unemployment Rate	2.3	2.2
	-	Apr GDP (YoY%)	0.0	1.8
Armenia	0900	May CPI (MoM%/YoY%)	-0.2/4.9	1.3/5.3
Thursday 4 June				
Czech Rep	0800	Q1 Gross wages (YoY%)	5.2	5.1
	0800	Q1 Gross nominal wages (YoY%)	6.8	7.4
	0800	May CPI (MoM%/YoY%)	0.3/2.3	0.5/2.5
Hungary	0730	Apr Retail Sales (YoY%)	5.1	8.2
Friday 5 June				
Turkey	0800	May CPI (MoM%/YoY%)	-/-	4.2/32.4
	0800	May PPI (MoM%/YoY%)	-/-	3.2/28.6
Czech Rep	0800	Apr Retail Sales (YoY%, WDSA)	3.7	4.7
Hungary	0730	Apr Industrial Output (MoM%/YoY%)	1.1/3.2	3.1/6.7
Kazakhstan	-	May Interest Rate Decision	18.00	18.00

Source: Refinitiv, ING

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