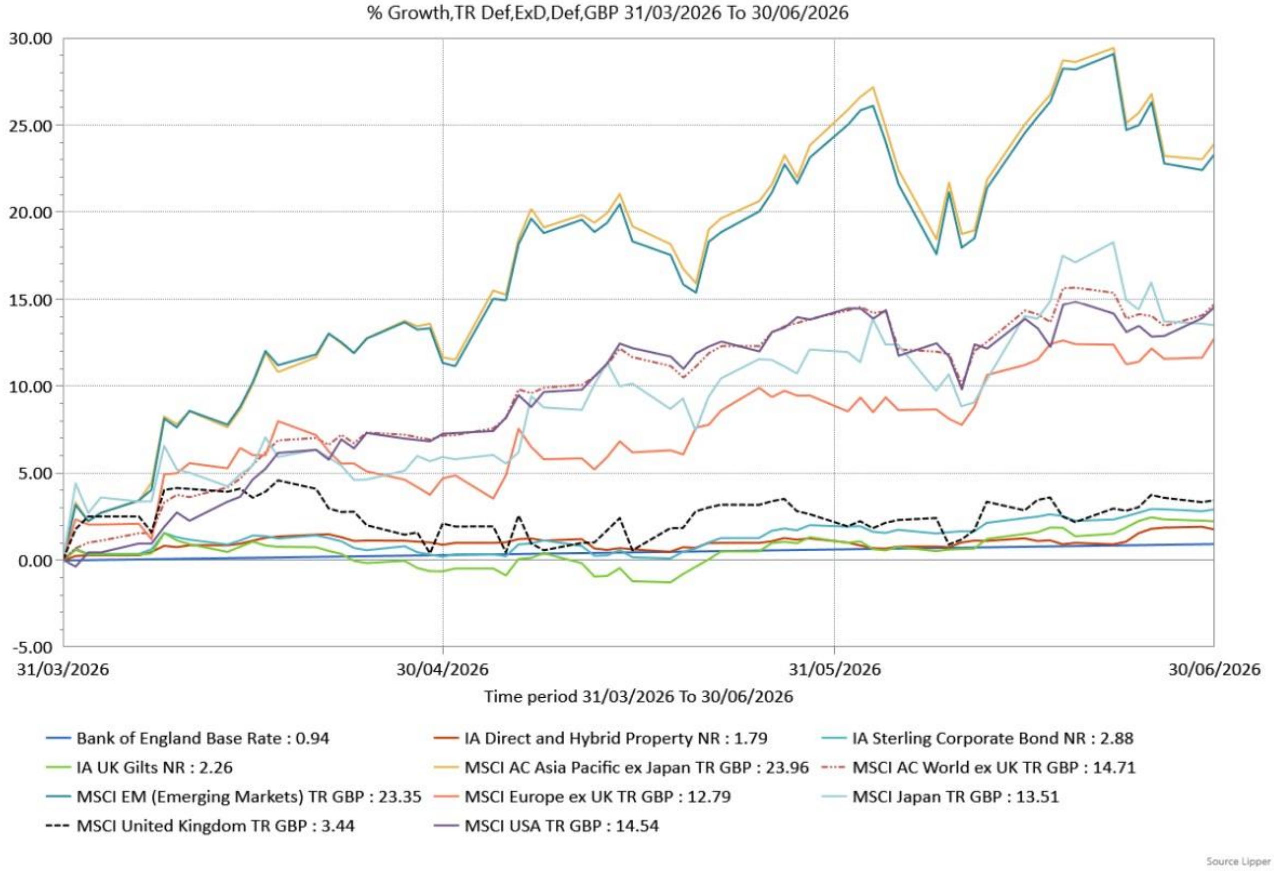
Market Commentary July 2026



Source: Lipper

OVERVIEW

Investment Markets Q2 2026

The second quarter of 2026 saw a marked reversal of the crisis conditions that dominated the start of the year. A diplomatic breakthrough between the US and Iran, formalised in a 14-point memorandum extending the ceasefire, eased the energy shock that had earlier threatened to push oil prices above $200 a barrel. Equity markets staged a strong recovery through the quarter, led by Asia and Emerging markets, although a sharp bout of volatility hit technology and AI-related names in early June. Government bond yields drifted modestly higher as a more hawkish Federal Reserve and persistent UK and US inflation reasserted themselves as a theme.

- Oil and gas supplies normalised as the Strait of Hormuz reopened to shipping. Brent crude fell back below $80 a barrel, down over 16% across the quarter and more than 30% from its peak near $114 in early May, providing meaningful relief to energy-importing economies, particularly Japan and Europe.

- Equity market leadership broadened away from the defensive, energy-led trade that characterised Q1. Asia ex Japan and emerging markets led gains over the quarter (MSCI AC Asia Pacific ex Japan +24.5%, MSCI EM +24.7%), with South Korea a standout performer, even as a sharp mid-June sell-off in AI and semiconductor names – triggered by Broadcom's earnings on 5th June – briefly unsettled tech-heavy markets including the Korea, US and China.
- Central banks turned more cautious. The US Federal Reserve, under new Chair Kevin Warsh, held rates at 3.50–3.75% but signalled a materially more hawkish stance, with the median 2026 rate projection now implying a further hike rather than a cut. The Bank of England also held rates at 3.75%, with UK growth still weak but inflationary pressure beginning to ease.
- UK politics shifted abruptly: Prime Minister Keir Starmer resigned in June following growing pressure within the Labour party and Andy Burnham's by-election win, with Burnham now the strong favourite to succeed him. Markets reacted calmly, though UK government borrowing costs and the fiscal outlook remain a key watch point for the second half of the year.
- Gold and Treasuries gave back some of their earlier gains as the dollar and bond yields strengthened on the back of the Iran agreement, although continued central bank buying suggests the structural shift away from dollar-denominated reserves has further to run.

Looking ahead to the second half of the year, the removal of the immediate tail risk from the Middle East should not be mistaken for the arrival of a benign environment. Lower energy prices are disinflationary, but the prospect of renewed consumer and corporate spending, a more hawkish Federal Reserve, and ongoing political transition in both the UK and the US mean markets are likely to remain sensitive to data and headlines through the third quarter.

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