Monthly Market Update

July 2026

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"Asian markets led global gains, driven by AI investment and easing geopolitical tensions."

Matthew Cove DipFA
Director
01304 371 753

Q2 2026 Commentary

Global equity markets delivered strong gains during the second quarter, supported by renewed enthusiasm for artificial intelligence (AI) investment and easing geopolitical tensions. Technology companies and countries manufacturing AI computer chips were among the strongest performers as businesses continued investing heavily in AI infrastructure. Investor confidence also improved as inflation remained relatively stable and investors became more confident that interest rates were unlikely to change significantly. A ceasefire between the US and Iran reduced concerns over energy supplies, causing oil prices to fall and market sentiment to improve. Global bond markets remained volatile, while commodity prices declined.

United Kingdom

FTSE All Share: 4.69%

UK equities delivered positive returns during the quarter, although falling oil prices held back the energy sector. Consumer-focused businesses, banks and property companies were among the strongest performers. Inflation remained above the Bank of England's target but was unchanged, allowing interest rates to remain on hold. Political developments, including Prime Minister Keir Starmer's decision to step down as Labour leader, had little impact on markets, with investors remaining focused on economic conditions and company earnings.

United States

S&P 500: 14.36%

US equities delivered a strong quarter, supported by resilient corporate earnings, continued investment in AI and growing confidence in the economic outlook. Investors favoured companies supplying AI computer chips, cloud computing services and AI infrastructure, while strong earnings reinforced confidence that demand for AI technology remained strong. As the quarter progressed, gains spread beyond the largest technology companies as confidence in the economy improved. Falling oil prices following the US-Iran ceasefire weighed on energy stocks but improved the inflation outlook, supporting expectations that interest rates would remain stable.

Europe

FTSE Developed Europe ex UK: 11.95%

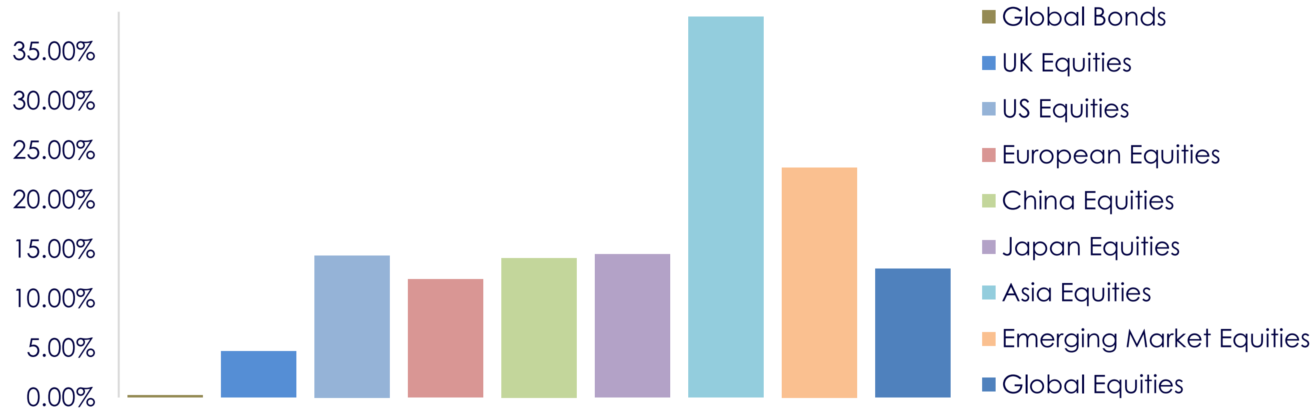
European equities delivered strong gains during the quarter, led by technology companies and banks. Optimism around AI investment and strong corporate earnings supported technology stocks, while energy companies underperformed as oil prices fell. Inflation remained above the European Central Bank's target, prompting a further interest rate rise and a higher inflation forecast, while growth expectations were revised lower. Despite weaker economic data, surveys suggested business activity was beginning to improve towards the end of the quarter, supporting investor confidence.

China

CSI 300: 14.10%

Chinese equities delivered positive returns during the quarter, although they lagged the exceptional gains seen elsewhere in Asia. Investors remained cautious as economic data gave mixed signals, while ongoing weakness in the property sector and uneven consumer demand continued to weigh on confidence. Unlike several neighbouring markets, China benefited less from the global AI-driven rally because it has a smaller role in manufacturing the advanced AI computer chips that have driven recent market gains. As a result, concerns about the pace of economic growth limited market performance relative to the rest of the region.

Discrete Quarterly Performance as at 30/06/2026



Japan

MSCI Japan: 13.48%

Japanese equities delivered strong gains during the quarter, supported by continued demand for AI technology and easing geopolitical tensions following the US-Iran ceasefire. Companies linked to AI and computer chips performed particularly well, while a weaker Japanese yen helped exporters by making their products more competitive overseas. The Bank of Japan also raised interest rates, reflecting confidence in the country's economy. Although some investors took profits in technology companies towards the end of the quarter, strong company earnings and improving business outlooks continued to support market performance.

Emerging Markets

MSCI Emerging Markets: 23.25%

Emerging market equities outperformed developed markets during the quarter, led by strong gains in South Korea and Taiwan. Continued global demand for AI computer chips and related technology supported company earnings and investor confidence, helping both markets reach record highs. Performance across other emerging markets was more mixed. India delivered positive returns but lagged the broader market, while falling oil prices later in the quarter improved confidence by easing inflation concerns. Brazil, South Africa, Saudi Arabia and Indonesia underperformed as political uncertainty, weaker commodity prices and country-specific challenges weighed on investor sentiment.

Global Bonds

Bloomberg Barclays Global Agg: 0.22%

Global bond markets delivered positive returns overall, although prices remained volatile throughout the quarter as investors responded to changing expectations for inflation and interest rates. Rising tensions in the Middle East initially pushed bond yields higher and bond prices lower before signs of a ceasefire between the US and Iran helped reverse those moves. Most major central banks remained cautious, with the European Central Bank and Bank of Japan raising interest rates, while the Bank of England and US Federal Reserve left rates unchanged. Corporate bonds outperformed government bonds, supported by resilient company finances and attractive income opportunities.

All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.

Cumulative Performance and Annualised Volatility as at 30/06/2026

	5 Years %	3 Years %	1 Year %	Volatility %
Global Bonds	-3.73	5.94	3.89	4.97
UK Equities	67.88	53.09	21.89	10.40
US Equities	91.05	66.05	25.84	12.88
European Equities	57.90	49.63	22.24	12.20
Japan Equities	63.78	59.35	33.30	12.80
Asia Equities	116.88	129.39	88.50	20.36
China Equities	7.16	44.14	88.33	19.12
Emerging Market Equities	47.34	78.36	48.17	15.84
Global Equities	79.15	62.41	25.28	11.58

Data source FE Analytics 30.06.2026. Indices used: Global Bonds: Bloomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), China: CSI 300, Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.