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Global Market Overview
July 2026

In the second quarter of 2026, global stock markets showed resilience and posted strong gains, despite early volatility. Much of the volatility was due to the tensions in the Middle East following the US bombing of Iran and Iran's retaliation strikes. The second quarter has provided the best return in the S&P 500 and Nasdaq 100 indices in six years, underpinned by good corporate earnings growth.

It is, however, the AI-focused tech stocks that have driven performance globally for most of the quarter, as the AI-driven capital spend continues. Some concerns have been growing around this sector as there is little evidence yet to show AI will sufficiently boost either productivity or corporate earnings required to justify company valuations. Post the SpaceX IPO – which raised $86 billion and is the largest ever IPO – there has been a mid-year shift which has seen investors very recently rotate more towards cyclical sectors such as industrials and financials.

Within US, Asian and Emerging Markets generally it has been the semiconductor stocks driving most recent equity index increases (as they are beneficiaries of the AI-capital spend), and which potentially increases the risks of a consolidation in these markets in the coming months. Any investments in these stocks are, however, held in well diversified regional or global funds which have broad exposures across many market sectors.

With the move towards a structured dialogue and de-escalation to hostilities in the Middle East, energy commodities experienced sharp declines. The price of oil fell to below where it was before the outbreak of hostilities. If sustained, this trend should help to moderate current inflation expectations and lessen pressure on central banks to tighten monetary policy however, the recent resumption of air strikes over escalating tensions in the Strait of Hormuz is concerning.

Historically, the establishment of a credible roadmap has often been sufficient to calm market sentiment and reinforce confidence that any escalation can be contained. It is, however, important to balance this improved outlook with a degree of realism. Agreements of this nature are only as robust as their implementation, and the path from initial signing to a lasting resolution can be uneven. We continue to believe the most likely scenario outcome will be that the Strait of Hormuz remains open for limited transit, but repeated interference disrupts shipping, reducing traffic and raising costs. Any supply loss can be largely offset through storage drawdowns and alternative transport channels.

The US economy continues to grow and expanded at an annualised rate of 2.1% in the first quarter of the year and as such it remains the primary driver of global growth. The latest US employment numbers have shown a reduction in the growth of new jobs; however, the unemployment rate dipped to 4.2% as people left the workforce. This data further eases the expectations for monetary tightening.

In the UK, immediate political matters are confusing the economic outlook, and across the channel European economies are having to adjust to new and ongoing geopolitical pressures. The Russian invasion of Ukraine is also ongoing, the fragile peace deal in the Middle East is yet to be finalised, and there remain lingering concerns about the effect of US trade tariffs and the US government's involvement in Venezuela.

Despite the uncertainties presented by the situations outlined above we believe risk assets continue to offer opportunities for some long-term investors, although returns are not guaranteed and values can fall as well as rise. During periods of uncertainty, we recommend diversification, and where possible an allocation to global equities with different styles (growth and value) to support more resilient portfolio returns. We also believe fixed income assets continue to provide useful risk benefits within portfolios, particularly at times of volatility.

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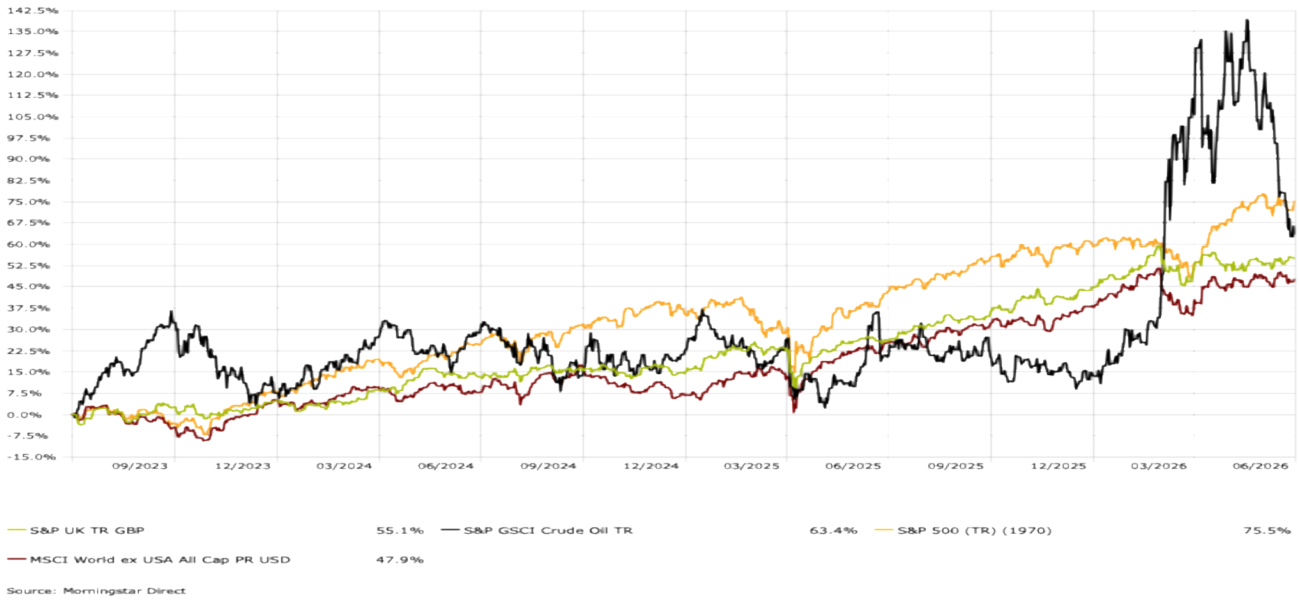
Three Years to end June 2026 – percentage return



Index, Benchmark and Exchange Traded Funds – percentage/price return to end June 2026

	Currency/Rate	Three Months	Six Months	One Year	Three Years	Five Years
Fixed Interest/Bonds						
Bloomberg Sterling Gilts TR	GBP	2.00	0.02	2.50	8.65	-21.37
Bloomberg US Treasury Bills TR	GBP	0.25	3.13	7.33	10.03	23.89
iShares Global Corporate Bond ETF	GBP Hedged	1.76	1.14	4.23	17.23	1.56
US Equities						
S&P 500 TR	GBP	14.87	9.55	20.86	68.51	74.51
NASDAQ 100 TR	USD	27.74	20.31	34.38	104.04	116.28
UK Equities						
S&P UK TR	GBP	3.43	7.18	23.38	55.11	82.52
iShares FTSE 250 ETF	GBP	9.70	4.04	9.68	36.18	17.46
European Equities						
MSCI AC Europe	Euro	11.83	10.99	22.55	52.10	64.24
iShares STOXX Europe 600	Euro	11.65	10.47	21.71	51.01	62.93
Asia and Emerging Market Equity						
iShares Core MSCI Emg' Mkt ETF	GBP	21.10	24.44	42.48	84.32	43.30
Morningstar Asia	GBP	19.87	22.37	41.61	72.00	56.35
Japanese Equities						
Nikkei 225 Average TR	Yen	36.18	39.15	74.52	121.10	165.81
TOPIX 500 PR	Yen	14.59	17.48	40.28	74.99	106.84
Global Equities						
MSCI World All Cap PR	Various	13.64	10.30	22.14	61.56	61.81
MSCI World ex USA All Cap PR	Various	9.73	9.61	22.65	47.18	49.38
Global Property and Infrastructure						
S&P Global Property TR	USD	7.89	8.07	12.52	36.03	13.38
Morningstar Gbl Infrastructure PR	USD	2.11	11.36	18.68	33.15	30.89
Commodities and UK RPI						
S&P GSCI Gold Spot	USD	-13.68	-6.97	22.09	109.31	127.96
S&P GSCI Brent Crude Spot	USD	-31.45	21.04	6.74	-1.61	-5.40
UK RPI - change to period start date	12 Months %	4.10	4.20	4.40	10.70	3.90

Important Information.

Data source: graphs, economic and market data - Morningstar Direct and UK Office for National Statistics - 7 July 2026. NB: TR is Total Return. PR is Price Return. GR is Gross Return.