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The Monthly Edit

June 2026

We examine the markets daily, and our monthly update is a selection of key global stories explained through an investment lens.



Market headlines

Oil retraced, easing inflation pressure and stagflation fears

After sharp conflict-driven volatility, oil prices fell back toward pre-conflict levels as supply disruptions proved contained.

Central banks shift back to a tightening bias with ECB leading

The ECB delivered its first rate hike of 2026 in response to renewed inflation pressures, while the Fed held steady but removed its easing bias in their commentary.

UK assets resilient despite political turnover

Following the Prime Minister's resignation, UK assets outperformed in relative terms, suggesting markets largely looked through the political shift.

Equity weakness masks improving breadth

Headline equity performance remained subdued, but underlying breadth improved beyond mega-cap leadership. At the same time, volatility in the semiconductor sector highlighted sensitivity to positioning and the fragility of the AI-centred rally.



The big topics

Oil price reversal eases inflation fears

Energy markets were central to this month's narrative, with a sharp reversal in oil prices reshaping the macro backdrop.

Improving diplomatic signals, stabilising shipping flows through the Strait of Hormuz, and a temporary easing of sanctions on Iran helped oil retrace significantly over June, ending the month near pre-conflict levels. This decline has eased near-term inflation expectations and provided some relief to bond markets. That said, the speed of the move highlights how sensitive inflation and market sentiment remain to geopolitical developments, leaving the outlook inherently fragile.

Central banks stay cautious amid shifting inflation dynamics

While falling energy prices have helped soften headline inflation pressures, central banks continued to signal caution.

The Federal Reserve's first meeting under new chair Kevin Warsh struck a more hawkish and less predictable tone, reinforcing that policymakers remain focused on inflation credibility despite improving data. Similarly, the European Central Bank maintained a tightening stance, raising rates by 25 basis points. Markets have oscillated between pricing "higher for longer" and a more benign path, reflecting mixed signals from resilient labour markets, softer core inflation, and easing energy costs. Overall, policy expectations remain finely balanced, with little room for complacency on inflation.

Equity market leadership broadens beyond mega-caps

A sharp correction in mega-cap technology stocks, notably the Magnificent 7, weighed on headline indices and masked a more resilient underlying picture.

The pullback was most pronounced in semiconductors, where positioning and expectations had become particularly stretched. In contrast, equal-weight indices and smaller-cap equities held up relatively well, suggesting improving market breadth after a prolonged period of concentrated leadership. Strong earnings in parts of the tech sector provided intermittent support, and the broader move reflects a repricing of elevated expectations rather than a deterioration in fundamentals. This rotation highlights the risks of concentrated exposure and points to a more balanced and selective market environment.

Resilient growth meets heightened sensitivity to macro surprises

Economic data over the month reinforced a picture of resilience, but markets became increasingly sensitive to surprises.

Strong US labour market data challenged expectations of an imminent slowdown and pushed bond yields higher, while softer inflation prints later helped reverse some of that move. This pattern, where “good news is bad news” for markets, reflects the tension between solid growth and restrictive policy. Meanwhile, global data remained mixed but broadly stable, supporting risk assets as geopolitical fears eased. The key takeaway is that while the growth backdrop remains intact, markets are likely to stay highly reactive to incremental data shifts and evolving policy expectations.



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