Parmenion Investment Management

MARKET UPDATE

Five things you need to know from July

Jasper Thornton-Boelman
Investment Director

A new prime minister, ongoing ups and downs with oil, and scrutiny over AI spending drove markets last month.

Here are five developments worth keeping an eye on.

1. New prime minister, new policies

Andy Burnham has moved into No. 10 and has already announced a wave of policy changes, alongside a new cabinet with John Healey as chancellor. Measures announced so far include scrapping VAT from electricity bills, capping bus fares at £2 across England, and cutting business rates for pubs and music venues.

Burnham announced that he'd be sticking to the fiscal rules on government borrowing, though he'll look to use "any flexibility" within them. Those words sent 10-year gilt yields above 5%, clearly showing how closely markets are scrutinising the detail of what's being promised, and how it's paid for.

If more borrowing is off the cards, taxes might be on the agenda. Burnham's promised to stick to the 2024 manifesto pledge not to raise income tax, VAT, or National Insurance, but that means other taxes could still be changed to raise revenues.

The next Budget will be an important one for investors to watch.

2. Oil ups and downs

July saw Iran and the US resume conflict over the Strait of Hormuz, ending the ceasefire. Oil prices reached $100 a barrel before falling as deals came closer to being reached. We left July without a deal, and until ships are moving freely, supply of oil and inflation will remain under pressure.

3. AI spending under scrutiny

Company earnings last month put the AI spending debate front and centre. Technology companies are investing heavily in AI, but investors are questioning how much is too much and whether future profits can support such ambitious expenditure.

Companies that seemed to spend too much in their results got punished in the stock market. The month also saw steep selloffs in the US, Taiwan, and Korea for AI-linked companies.

4. The FTSE 100 gains favour

The FTSE 100 rose to a record high last month. The UK is often described as an "unloved" market but the FTSE 100's composition has been in its favour. Other markets have been hit by the AI-driven sell off, but the FTSE 100 is mainly composed of oil and financials, which have held up better. The index may have also been used as a way for some investors to diversify away from AI.

It's a reminder that the leading markets change over time. Losers become winners and vice versa. A diversified portfolio allows you to worry less about picking winners, knowing that you've got them already.

5. BoE and Fed hold rates

Both the UK and the US held interest rates last month. The central banks based their decisions around global uncertainty over the impact of the ongoing US-Iran conflict and rising prices.

For now, rates remain on hold. But with inflation remaining above target for both countries, a rate rise could be on the cards this year.

Name	1m	3m	YTD	1yr	3yr
FTSE Actuaries UK Conventional Gilts All Stocks	-1.54	0.89	-1.44	1.29	6.70
IA Sterling Corporate Bond	-1.18	1.43	-0.07	2.95	18.45
IA Global High Yield Bond	-1.22	1.13	1.54	3.61	21.07
FTSE All Share	3.69	5.63	11.17	21.57	54.69
FTSE USA	-1.46	5.34	9.69	16.65	60.90
FTSE World Europe ex UK	-0.51	6.73	9.76	21.23	50.17
FTSE Japan	-0.52	6.12	16.26	29.13	55.11
FTSE Asia Pacific ex Japan	-3.61	6.00	19.22	30.69	60.80
FTSE Emerging	-0.67	3.30	9.61	19.17	46.61

Source: FE Analytics, GBP total return (%) to last month end

Parmenion
Investment Management

Registered Office: Aurora, Counterslip, Bristol, BS1 6BX.
Website: www.parmenion.co.uk

Version date: 10/08/2026