

## Market Review – June 2026

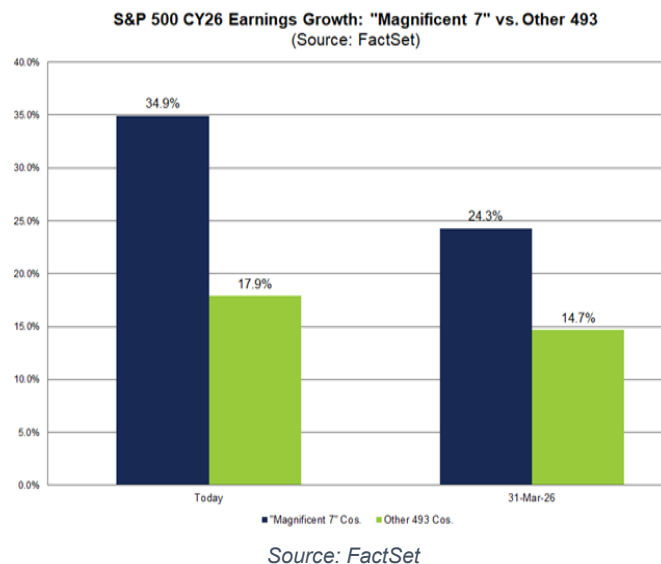
### Global equities move higher

Global sharemarkets moved higher through May on resilient corporate earnings and the prospect of an end to the conflict in the Middle East. As a result, US sharemarkets finished the month at record highs, led by technology companies. Although oil prices remain elevated, they experienced their sharpest monthly decline in the month of May since 2020. The Brent oil price fell 16% to finish the month at \$92, compared to around \$65 at the outbreak of the Iran war in early March.

At the same time, investors continued to contend with softer economic growth and firmer inflation pressures.

Overall, the outcome has been global sharemarkets remaining more resilient than the economic headlines alone might suggest. A key support for global sharemarkets was the strength of the US first-quarter earnings season. By late May, around 95% of S&P 500 companies had reported earnings, with 82% beating earnings expectations. Earnings growth for the quarter was running at about 29% year on year, compared with expectations of around 14% at the beginning of the reporting season. Technology companies' earnings results surprised to the upside and account for the majority of earnings growth over the last year.

The graph below highlights that US corporate earnings growth expectations for 2026 have been revised upwards since 31 March and the large US technology companies (Magnificent 7) are growing earnings at a faster rate than the rest of the other 493 S&P 500 companies.



The earnings season does not remove the economic uncertainty, but it has confirmed that corporate profitability, particularly within large US technology firms, remains a significant support for global sharemarkets.

### International Equities

Global sharemarkets<sup>[1]</sup> rose 5.3% in May, following a 9.4% gain in April. Global sharemarkets were led higher by the US, with the S&P 500 gaining 5.1% in May, bringing its two-month gain to more than 16%, one of the strongest two-month performances on record. Emerging markets also performed strongly, with the representative index rising 9.7% in May.

Results from Alphabet, Meta, Amazon and Microsoft all exceeded revenue and earnings expectations, reinforcing confidence that large-scale spending on artificial intelligence infrastructure is continuing to support both corporate earnings and broader market sentiment. The scale of that investment remains striking, with the five largest US technology companies collectively committing around US\$630 billion to AI infrastructure in 2026.

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That theme was reinforced further in May by Nvidia's latest earnings result. Nvidia's first-quarter revenues rose to US\$81.6 billion (up 85% year-on-year), net income reaching US\$58.3 billion (up 211%). Their result highlights both the scale and momentum of demand for semi-conductor chips across the AI infrastructure build out.

Nvidia's result also highlighted that the AI story is broadening beyond semiconductors alone, with power, data centres and related infrastructure increasingly emerging as important beneficiaries of the investment cycle. Reflecting this strength, chip makers Micron Technology and SK Hynix both moved above US\$1 trillion in market value during May, joining a very small group of global companies at that scale, while Samsung Electronics had also crossed the same threshold earlier in the month. More broadly, Caterpillar's strong result suggested that industrial demand linked to infrastructure, energy and data-centre investment also remains firm.

### Australasian Equities

New Zealand's sharemarket<sup>[2]</sup> gained 2.7% in May, marking one of its strongest monthly performance over the last twelve months. Positive earnings announcements from larger companies in the index helped drive the local market higher. Fisher & Paykel Healthcare was a standout, with stronger-than-expected margins and resilient growth. Mainfreight and Ryman Healthcare were also among the companies that helped support the local market. Infratil reported strong numbers and completed a fully underwritten sale of 5% of Contact Energy for around NZ\$495m. The picture was not uniformly positive, however, with Air New Zealand continuing to point to difficult trading conditions and ongoing cost pressures.

Top performers for the month included Vista Group (+37.8%), KMD Brands (owner of Kathmandu) (+33.9%), and Tourism Holdings (+28.0%), whilst Gentrack (-39.1%), a2 Milk (-24.5%), and SkyCity Entertainment (-21.3%) performed the worst.

The Australian sharemarket<sup>[3]</sup> rose 1.2% in May, supported by the positive global sentiment. Australian corporate news pointed to a mixed backdrop. Commonwealth Bank fell sharply after its trading update, as investors focused on rising arrears and higher provisions, adding to concerns that higher interest rates are starting to weigh on household spending and the broader banking sector. At the same time, broader company updates were generally better than feared, with many businesses holding profit guidance and some reporting results modestly ahead of expectations. Resources, selected industrials and data-centre-linked businesses were more resilient. Among the better-performing companies in May were Capstone Copper (+30.0%), BHP (+16.0%), and Fortescue (+13.5%). Brambles (-26.8%), CSL (-22.3%), and Wisetech (-15.7%) were among the worst-performing stocks.

### Fixed income and cash markets

The Bloomberg Global Aggregate Bond Index (New Zealand dollar hedged) rose 0.5% in May. Outside Japan and the US, global longer-term interest rates fell, reflecting softer economic data, softer-than-expected inflation data, and increasing prospects that an agreement to end the Middle East war could soon be reached.

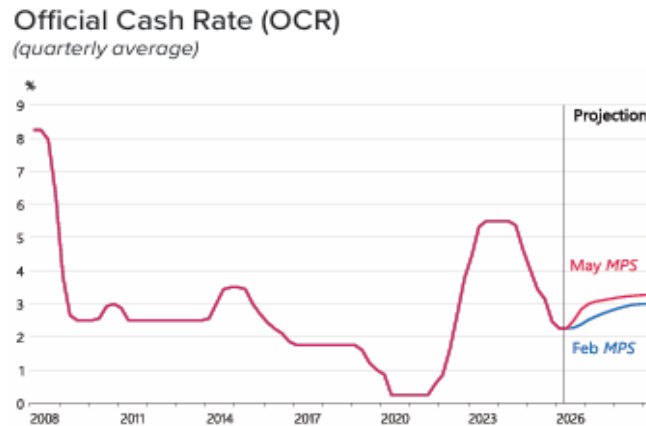
In New Zealand, the economy appeared to begin 2026 on a firmer footing. First-quarter retail sales rose 0.9%, which was above expectations, and earlier indicators suggested improvement in activity supported by retail spending and tourism. However, that momentum weakened through April and May. Electronic card spending fell 1.3% in April, and more recent business and consumer surveys point to a softening in economic activity.

The inflation side of the domestic picture has also become more difficult. In its May Monetary Policy Statement (MPS) the Reserve Bank of New Zealand (RBNZ) noted that annual inflation was 3.1% in the March quarter and expects it to rise to 4.3% in the September quarter, primarily reflecting higher fuel prices. This compares to 2.0%, the mid-point of the 1-3% inflation target range.

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At the same time, the RBNZ acknowledged that domestic demand has softened. This is a difficult combination for monetary policy, being a weak economy and rising inflation pressures.

That tension was reflected in the RBNZ's interest rate decision. The Official Cash Rate (OCR) was left unchanged at 2.25%, but the decision was split 3–3 and required the Governor's casting vote to remain on hold. Despite no change in the OCR, the overall message signalled that the OCR will most likely need to increase sooner and by more than envisaged in their February MPS, as highlighted in the graph below.



## Conclusion

The Middle East conflict continues to influence global markets. While uncertainty remains, the current impasse is best described as a managed stalemate. The base case is a resolution over time, and that the Strait of Hormuz eventually reopens.

Economic activity has held up reasonably well so far, but markets are signalling rising price pressures. Risks remain tilted to the downside, especially if disruption in the Strait of Hormuz continues.

Looking through the near-term volatility, sharemarkets remain supported by steady global growth, improving company profits, and higher government spending.

As always, and particularly during periods of heightened uncertainty, we encourage investors to focus on their longer-term goals, remain patient during short-term market fluctuations, and maintain a portfolio aligned with their objectives and risk tolerance.

- 1 MSCI ACWI Index in local currencies
- 2 S&P NZX 50 gross index
- 3 S&P ASX 200 total return Index
- 4 Bloomberg NZ Bond Composite 0+ Yr Index

## Indices for Key Markets

As at 31 May 2026	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 Years p.a.
S&P/NZX 50 Index	2.7%	-3.3%	-1.5%	7.4%	4.7%	2.2%
S&P/ASX 200 Index (AUD)	1.1%	-4.0%	3.0%	6.9%	11.0%	8.1%
MSCI ACWI Index (Local Currency)	5.3%	8.0%	13.1%	30.5%	22.0%	12.4%
MSCI ACWI Index (NZD)	3.4%	7.7%	8.6%	29.7%	22.3%	15.9%
S&P/NZX 90 Day bank bill Total Return	0.2%	0.6%	1.2%	2.9%	4.5%	3.6%

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