Market Review – July 2026

Global Equities move higher

Global sharemarkets moved higher through June, rounding out a strong June quarter and first half of the year.

This may appear surprising given the ongoing conflict in the Middle East, concern over oil supply, and uncertainty around global central bank policy. However, markets have continued to look through the geopolitical headlines, supported by better-than-expected US economic activity, stronger US corporate earnings, the prospect of increased government spending, and continued optimism toward the artificial intelligence (AI) build out.

The strength of global equity markets was particularly evident in the United States. The S&P 500 Index rose 15% over the June quarter, while the Nasdaq gained 21%, marking the strongest quarterly performance for both indices since the second quarter of 2020. The strong quarter followed a difficult start to the year, when investors were adjusting to the inflationary implications of the Middle East conflict and disruption to shipping through the Strait of Hormuz.

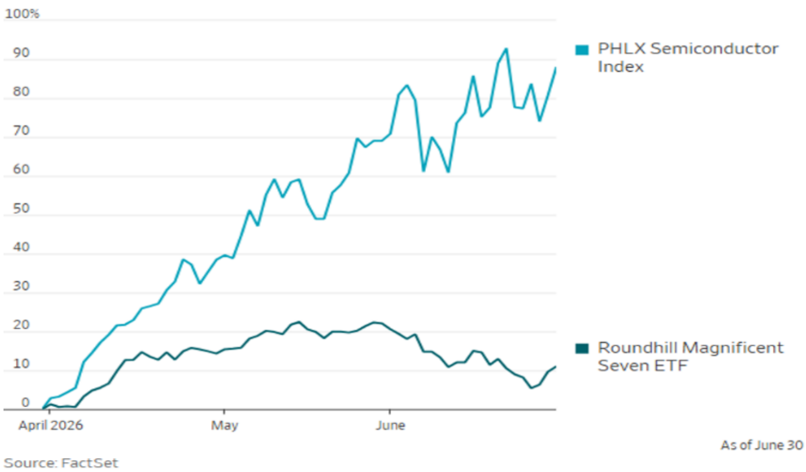
A feature of June was the underperformance of the Magnificent Seven relative to the broader market. The US technology Nasdaq Index held up better than its largest constituents as investors rotated away from mega technology companies. The shift reflected a broadening of market performance across sectors.

International Equities

Although at the market index level global sharemarkets [1] were broadly flat in June, they rose 15.1% over the June quarter. The US market underperformed with S&P 500 Index falling -1.0% over the month. European (+4.7%) and Japanese (+5.7%) equities outperformed during the month, reflecting broader participation in market gains. This broadening of market leadership is generally considered a positive sign for the outlook for global equities.

A key feature of markets in recent months has been the performance of the semiconductor sector. The Philadelphia (PHLX) Semiconductor Index, which includes companies such as Nvidia and Broadcom, rose 88% over the quarter, its strongest quarter on record. This was a significant divergence from the broader group of large technology stocks, with an ETF tracking the Magnificent Seven gaining around 11% over the same period. The Magnificent Seven includes Nvidia, Apple, Microsoft, Alphabet, Amazon, Meta and Tesla. The graph below highlights the underperformance of the Magnificent Seven in June.

Divergent technology fortunes



Source: FactSet

The strong performance of the semiconductor universe through the quarter reflects the scale of AI capital spending flowing through the US economy, and the extent to which AI infrastructure remains an important driver of business investment.

A significant market event during June was the initial public offering of SpaceX. The company raised approximately US$85.7 billion, making it the largest IPO on record. Following listing, SpaceX briefly traded at a market capitalisation above US$3 trillion, placing it among the largest listed companies globally. While only a relatively small proportion of shares were available to public investors at listing, the transaction highlighted the depth of investor demand for large scale growth companies linked to technology, communications, and artificial intelligence infrastructure.

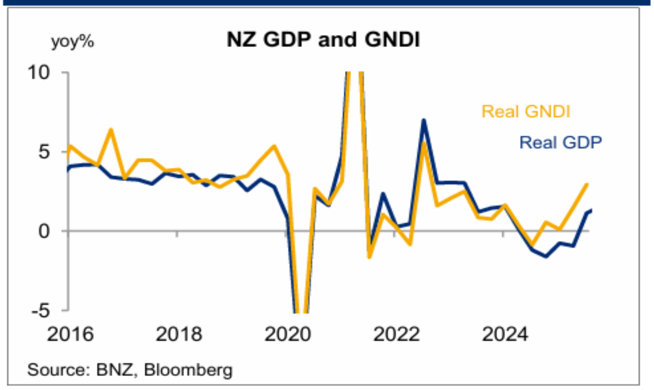
Australasian Equities

New Zealand's sharemarket [2] gained 2.9% in June, capping a strong June quarter (+5.6%). In June, performance was supported by strength in several large companies and signs of improving confidence across parts of the economy. Healthcare stocks were among the strongest contributors, with Fisher & Paykel Healthcare and EBOS benefiting from renewed investor interest in the sector. a2 Milk also contributed positively to market performance during the month.

a2 Milk was the standout performer after Chinese regulators approved the transfer of two infant formula licences acquired through the Pokeno manufacturing facility. The approval clears the way for the launch of new a2 branded products in China later this year. The company also announced a $300 million special dividend, reflecting management confidence and improved product availability following recent supply disruptions.

The New Zealand economy had more positive momentum at the start of the year than previously assumed. First quarter GDP rose 0.8%, while annual growth of 1.5% was stronger than consensus expectations of 1.0%.

NZ economy had positive growth momentum through Q1



New Zealand's economic growth in the second quarter is expected to be weaker, with softer PMI and PSI readings in May supporting that view. However, the June ANZ Business Outlook survey provided a hint that momentum may be returning. Business confidence and expected own activity improved. This suggests that if lower oil prices flow through to households and businesses, the domestic recovery may regain some momentum in the second half of the year.

Top performers for the month included a2 Milk (+39.7%), SkyCity (+10.0%), and Port of Tauranga (+9.5%), whilst Serko (-14.7%), KMD Brands (owner of Kathmandu) (-10.8%), and Vista Group (-9.3%) performed the worst.

Australian equities [3] gained 0.7% in June, supported by the healthcare sector. During June Cochlear and CSL were among the stronger performers. Defensive sectors such as Supermarkets and telecommunications companies also outperformed. Energy and commodity companies underperformed. Investor sentiment towards the banking sector remained cautious. Judo Bank downgraded earnings expectations following an increase in loan loss provisions and slower lending growth, reinforcing concerns around softer economic conditions and moderating demand from consumers and businesses. Among the better-performing companies in June were Cochlear (+21.1%), CSL (+18.8%), and Ramsay Healthcare (+18.6%). Judo Bank (-39.7%), Woodside (-8.0%), and Newmont (-11.1%) were among the worst-performing stocks.

Fixed income and cash markets

The Bloomberg Global Aggregate Bond Index (New Zealand dollar hedged) rose 0.3% in June.

Global longer-term interest rates generally drifted lower during the month as inflation concerns eased, and investors became more comfortable with the global growth outlook.

The change in the US Federal Reserve's interest rate outlook was an important development for financial markets. Although the Federal Reserve left interest rates unchanged as widely expected, forward guidance removed a previous bias toward interest rate reductions. The Fed's projections showed that nine members expected an interest rate increase later this year, highlighting the ongoing strength of the US economy and the persistence of inflationary pressures.

Another key development in June was the signing of a Memorandum of Understanding between the United States and Iran. This led to the cessation of military operations. The agreement also facilitated the reopening of the Strait of Hormuz.

Ship traffic subsequently increased through the Strait, helping ease concerns around global energy supply. As confidence improved Brent crude oil fell more than 20% over the month to below US$73 per barrel, returning close to pre-conflict levels.

Brent oil price

Source: Bloomberg, Shaw and Partners

The fall in oil prices is an important development for the economic outlook. The rise in oil prices resulting from the Middle East conflict was expected to increase inflation and weigh on economic growth in the short term. The subsequent decline in fuel prices should help ease pressure on household budgets, reduce freight and transport costs, and lower the risk of higher energy costs feeding through to broader inflation pressures.

The decline in oil prices and lower than expected inflation outcomes across many regions, including Europe, have contributed to a modest shift in central bank interest rate expectations. While further interest rate increases remain likely in several economies, expectations around both the timing and magnitude of future rate hikes have eased at the margin. This includes expectations for the US Fed following its interest rate decision earlier in the month (outlined above), with markets more recently moderating their expectations for the pace and extent of future Fed tightening.

New Zealand's fixed income market [4] gained 1.2% in June, supported by a decline in longer term interest rates. Bond yields fell in response to global market factors and growing expectations that the Reserve Bank of New Zealand may not need to tighten monetary policy as aggressively as previously anticipated.

Conclusion

The easing of tensions in the Middle East and the reopening of the Strait of Hormuz has helped improve investor confidence. Increased ship traffic through the region and a sharp fall in oil prices have reduced concerns around energy supply, inflation, and global growth. Economic activity has remained resilient, particularly in the United States, supported by strong business investment.

Looking through near-term volatility, the outlook for global sharemarkets remains constructive, with market gains broadening across sectors and regions. Steady global growth and supportive government spending provide a favourable backdrop for global sharemarkets.

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 30 June 2026	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 Years p.a.
S&P/NZX 50 Index	2.9%	5.6%	0.8%	8.8%	5.4%	2.3%
S&P/ASX 200 Index (AUD)	0.7%	4.0%	2.4%	6.1%	10.6%	7.8%
MSCI ACWI Index (Local Currency)	-0.1%	15.1%	12.2%	25.5%	19.8%	12.0%
MSCI ACWI Index (NZD)	4.7%	16.1%	12.9%	32.8%	22.9%	15.7%
S&P/NZX 90 Day bank bill Total Return	0.2%	0.6%	1.2%	2.8%	4.4%	3.6%