Monthly Market Snapshot

June 2026

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets

Market commentary

Global markets in June were shaped by a shift in the perceived inflation-growth trade-off. Mid-month, reports of a potential agreement between the United States and Iran, together with progress towards reopening the Strait of Hormuz, triggered a sharp decline in oil prices, reducing downside risks to growth and easing inflation expectations. Risk appetite improved over the month, although market performance remained uneven as investors balanced the benefits of lower energy prices against increasingly hawkish messaging from the US Federal Reserve.

Global equities were broadly flat, but there was considerable divergence beneath the surface. US equities recorded a modest decline, with technology names under pressure as investors questioned the scale and timing of AI-related capital expenditure, while the Federal Reserve's June meeting added to caution.

European equities outperformed, supported by stronger relative earnings momentum and the disinflationary impact of lower energy prices. This resilience persisted despite the European Central Bank's decision to raise interest rates in response to elevated inflation risks.

Japanese equities delivered outsized gains, supported by resilient corporate earnings despite the Bank of Japan maintaining a tightening bias and the ongoing weakness in the yen. UK equities rose only marginally, with falling commodity prices weighing on resource-related sectors and renewed political uncertainty limiting broader market gains.

Australian equities delivered a modest positive return, but the headline result masked a difficult month for commodity-linked names. Resources fell sharply as crude oil and gold prices declined and copper prices softened. Australian small-cap equities also weakened, reflecting pressure from higher domestic rates.

Chinese equities declined during the month, pressured by subdued household consumption, persistent challenges within the property sector, and uneven business confidence. Emerging market equities also weakened, reflecting profit-taking following a strong year-to-date rally and increased volatility across AI- and semiconductor-related sectors.

Bond markets produced modest positive returns. Australian government bonds and composite bond indices benefited from a decline in longer-dated yields following the Reserve Bank of Australia's decision to leave the cash rate unchanged. While tighter financial conditions appear to be moderating activity across parts of the economy, inflation remains above target, leaving policymakers balancing supporting growth against maintaining price stability.

Globally, bond markets were more mixed. At Chair Warsh's first Fed meeting, rates remained on hold, but the Committee removed easing-leaning guidance and reinforced its commitment to price stability. The meeting marked a communication regime shift, with Warsh shortening the policy statement, declining to submit his own dot-plot projection, and launching task forces to review the Fed's communications, balance sheet, data use, productivity and inflation framework.

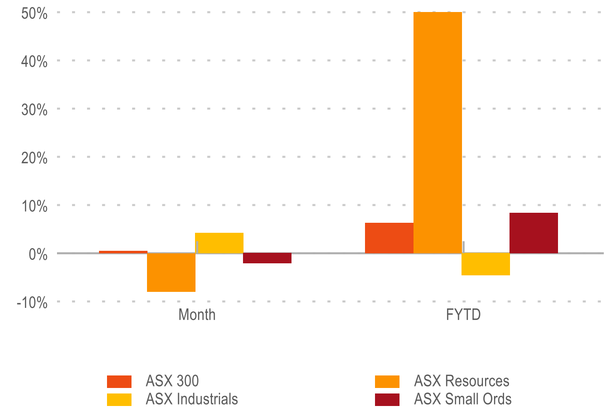
In Europe, the ECB raised interest rates to address inflation risks stemming from higher energy costs, while the Bank of England maintained its policy rate, balancing softer economic activity against inflationary pressures.

The Australian dollar weakened against major currencies during the month, boosting Australian-dollar returns from unhedged offshore assets. This explains why international equities were flat in local-currency terms but higher in Australian-dollar terms. The move reflected a stronger US dollar as markets repriced Federal Reserve policy expectations towards a more restrictive stance. The Japanese yen remained under pressure despite tighter domestic monetary policy, reflecting US interest rate expectations and ongoing concerns regarding Japan's fiscal outlook.

Listed real assets were positive overall. Australian and global listed property rose as bond yields eased or stabilised, giving some relief to interest rate sensitive assets. Listed infrastructure also delivered positive global returns, supported by its defensive and inflation-linked characteristics, although Australian listed infrastructure was slightly weaker as softer domestic sentiment outweighed the broader improvement in real asset markets.

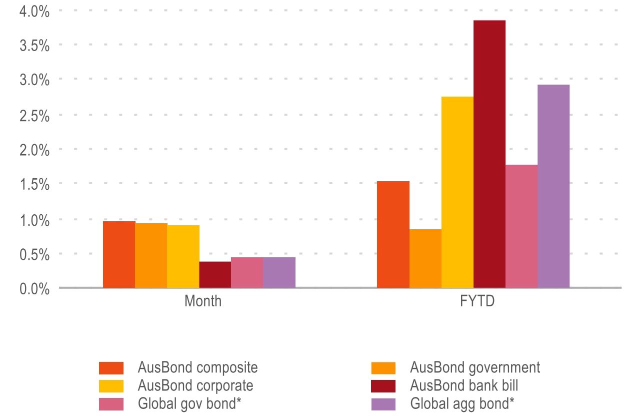
June 2026

Australian equities



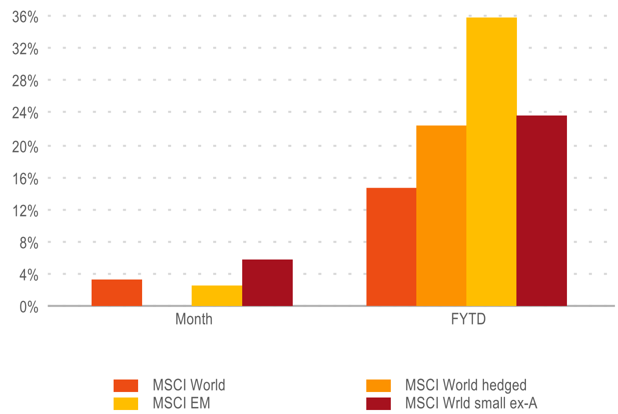
Source: LSEG Datastream

Fixed income



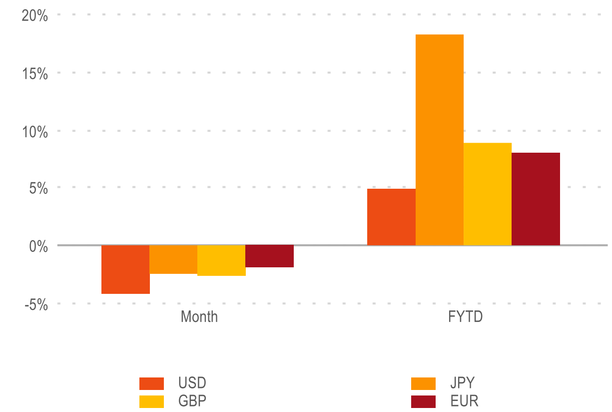
Source: LSEG Datastream

International equities ($A)



Source: LSEG Datastream

Australian dollar



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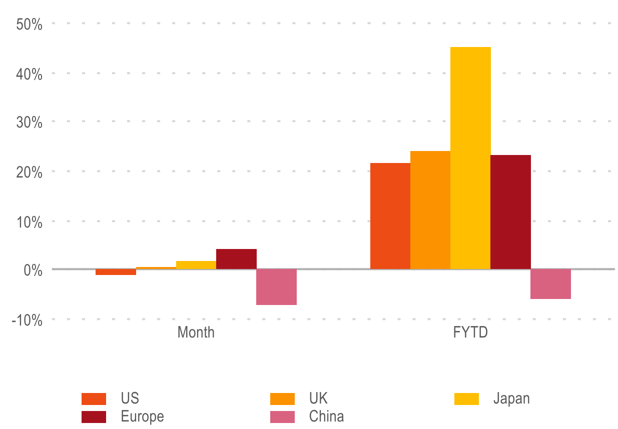
International equities



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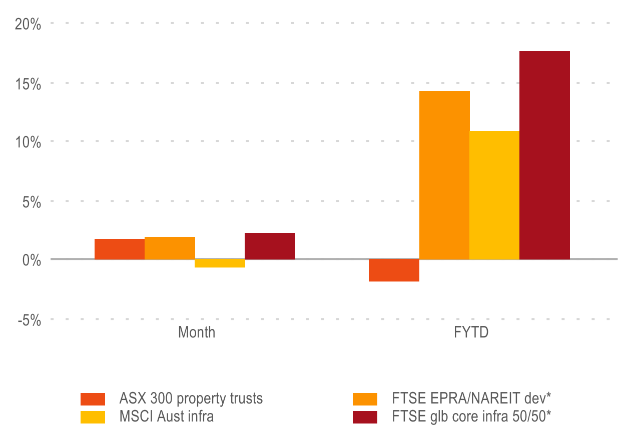
Real assets



Source: LSEG Datastream *Hedged A$

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