EUROZ HARTLEYS

Market and Economic Conditions Update

As at 30 June 2026

June was a month of rotation rather than strong direction. The US and Iran signed a memorandum of understanding mid-month, reopening the Strait of Hormuz and sending oil back to pre-conflict levels, while equity leadership shifted away from mega-cap technology.

Domestically, the RBA held the cash rate steady at its June meeting – its first pause after three consecutive hikes – while the Government legislated a ban on new SMSF borrowing for residential property, a further tightening of housing credit.

Equities were mixed, domestically strength in industrials offset sharp falls in resources, while listed property continued to stabilise.

Australian Equities

The S&P/ASX200 Accum returned 0.7% in June, taking the six-month return to 2.4% and one year to 6.1% – a modest gain, as commodity price weakness and a stronger US dollar weighed on the resource-heavy benchmark. In the month of June, at a sector level Healthcare (+13.3%), Consumer Staples (+13.0%) and Consumer Discretionary (+12.2%) led, while Energy (-8.9%) and Materials (-6.7%) fell alongside commodity prices – industrials outperformed resources by more than 12 percentage points. At a stock level, Judo (JDO) fell ~40% after a profit warning tied to a spike in bad loans, and Worley (WOR, -14.5%) was hit by a conflict-related earnings downgrade, while Pro Medicus (PME) surged 54% to lead the ASX100.

Global Equities

The MSCI World ex Australia Total Return Index (AUD) rose 3.1%, flattered by the fall in the Australian dollar. In local currency terms the US lagged: the S&P500 finished down 1.1% – despite crossing 7,600 for the first time intra-month – behind Europe (STOXX 600 +2.5%, a fresh record) and Japan (Nikkei 225 +5.6%). Beneath the US benchmark, breadth improved markedly: the equal-weight S&P500 rose 2.4%, the Russell 2000 gained 3.7%, and the Magnificent 7 posted their largest monthly decline in more than a year. SpaceX's record IPO debut headlined more than US$250bn of US equity issuance in the first half.

Commodities

Commodities were weaker in June, with gold falling for a fourth consecutive month to US$4,008/oz (-11.7%). Brent briefly surged to US$97.8/bbl early June before ending at US$72.9/bbl as the US–Iran agreement reopened the Strait of Hormuz, and iron ore eased.

Real Assets

Global listed property (AUD hedged) returned 1.9% for the month, bringing the six-month return to 9.8%. Infrastructure outperformed, returning 2.2% for the month, 11.8% over six months and 17.2% for the year.

Fixed Income

Fixed income delivered positive returns, with the AusBond Composite Index up 1.0% and the hedged Global Aggregate up 0.4%. Globally, the story was the US Fed's hawkish shift: forward guidance was scrapped and projections showed a majority of officials pencilling in at least one hike this year, with markets now fully pricing a hike by October. Domestically, the RBA's pause saw Australian yields fall – the 3-year down 12bp to 4.36% and the 10-year down 11bp to 4.72%.

Period Returns[1]

For period ended 30 June 2026	1 month	6 months	1 year
Australian Equity S&P/ASX 200 TR Index AUD	0.7%	2.4%	6.1%
International Equity MSCI World ex Australia TR Index AUD	3.1%	5.6%	14.9%
Property FTSE EPRA/ NAREIT Developed NR Index (AUD Hedged)	1.9%	9.8%	14.3%
Infrastructure FTSE Developed Core Infrastructure NR Index (AUD Hedged)	2.2%	11.8%	17.2%
Australian Fixed Income Bloomberg AusBond Composite 0 Year Index AUD	1.0%	2.3%	1.5%
International Fixed Income Bloomberg Global Aggregate TR Index (AUD Hedged)	0.4%	1.2%	2.9%

Source: Bloomberg

[1] Past performance is not a reliable indicator of future performance.

Currency Markets

The US Dollar Index rose 2.3% to 101.19 on the hawkish Fed repricing. The Australian dollar traded around US$0.68 for much of the month before easing to finish at 0.6919 (-3.7%), reflecting widening rate differentials and softer commodity prices. The other notable move was the Japanese yen, which weakened through ¥162 to a 40-year low, keeping intervention risk in focus.

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Overview
June 2026 was defined by rotation. Equity leadership broadened beyond mega-cap technology, the US–Iran agreement unwound the oil shock, and markets moved to price further central bank tightening globally. Domestically, the RBA paused after three consecutive hikes.

A New Fed Era – Hawkish From Day One
Kevin Warsh's first meeting as Fed Chair marked a shift in both style and substance. The Fed Funds Rate was held at 3.50%-3.75%, but forward guidance was abandoned and the tone skewed hawkish. Markets moved to fully pricing a hike by October, lifting the US dollar and front-end Treasury yields. Gold was a notable casualty, falling 12%, its worst month in over a decade, on the stronger dollar and unwinding safe-haven demand.

In Australia, the RBA held at 4.35% with a conditional tightening bias. Markets now price only around a 50% chance of another hike this cycle. The pause sits against still-firm data – unemployment fell to 4.4%, trimmed mean inflation is 3.6% and household spending rose 1.3% in May. Housing is however cooling. Auction clearance rates have fallen below 50%, and Sydney and Melbourne prices declined as buyers digest the Federal Budget's taxation changes alongside higher mortgage rates. The downturn remains narrow to-date led by higher-value Sydney and Melbourne houses while Brisbane, Adelaide and Perth were up. Forecasters generally anticipate a modest low-to-mid single-digit national correction, larger in Sydney and Melbourne.

US Resilience & a Growth Inflection
Underpinning the Fed's stance is an economy with genuine momentum: May payrolls rose 172k, unemployment held at 4.3%, the PMIs have improved in H1 26 and Q1 GDP was revised up to 2.1%. More significantly, growth expectations appear to have inflected, with consensus forecasters, including the World Bank and OECD, now framing 2026 as the trough in global activity and growth firming through 2027. Markets may be transitioning from pricing a slowdown to pricing a re-acceleration – supportive of the rotation into cyclicals, but also one reason inflation pressures may persist.

Inflation & the Supply-Side Question
Globally, inflation remains the central preoccupation, but the debate is shifting from demand to supply. The energy shock is unwinding, yet underlying inflation remains sticky, with central banks from Frankfurt to Tokyo tightening in June. In capacity-constrained economies such as Australia, lifting supply – of labour, energy and housing – matters as much as restraining demand, one reason inflation may take longer to return to target than markets hope.

Geopolitics – Hormuz Reopens, Oil Unwinds
The US-Iran memorandum of understanding signed on 18 June reopened the Strait of Hormuz and established a 60-day negotiation window. Brent and WTI both fell roughly 20% in June, unwinding the conflict premium. Shipping volumes remain below pre-war levels and hostilities flared late in the month; any re-escalation would flow back into energy prices. In the UK, PM Starmer resigned following a Labour leadership challenge, with markets taking comfort from likely successor Andy Burnham's commitment to existing fiscal discipline.

SpaceX, Equity Supply & the Rotation
The most anticipated IPO in years lived up to the hype: SpaceX surged around 67% above its offer price before consolidating to end the month roughly 25% above issue. Together with Alphabet's ~US$85bn raising, first-half US equity issuance topped US$250bn – a record – and funding the AI build-out has become a market event in its own right. The Magnificent 7 shed more than US$2 trillion in June – partly as a source of funds, partly on renewed scrutiny of the returns on AI capital spending – while semiconductors (SOX +11%) extended gains, a growing bifurcation within the AI trade.

Market Broadening & the July Earnings Test
The broadening we flagged last month is now underway: the equal-weight S&P 500 outpaced the cap-weighted index by around 3 percentage points, small caps posted their best first half since 1991, and industrials, financials and healthcare led US sectors. Consensus expects S&P 500 earnings growth above 25% year-on-year into the July reporting season – a high bar that will test whether the broadening can be sustained.

Emerging Markets & China
Emerging markets dipped in June yet recorded their strongest quarterly return since 2009. Korea and Taiwan – together now almost half the MSCI EM index – saw sharp swings in chip and memory names, with Korea's tech-heavy Kosdaq falling around 15% amid repeated trading halts. Index concentration has become a live issue: the three largest constituents (TSMC, Samsung Electronics and SK Hynix) account for close to 30% of the EM benchmark. Greater China markets diverged sharply with onshore AI and hardware names surging - the STAR 50 (Shanghai's Nasdaq-style technology board) up over 20%, while Hong Kong-listed internet names down (Hang Seng -9.1%) on weak consumption. India outperformed as lower oil prices eased inflation risk.

Key July events
US CPI (14th), FOMC (29th), Australia's Q2 CPI (29th), Bank of Japan (31st) and the US reporting season.

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