

Weekly Market Wrap

Week Ending 19th June 2026



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Executive Summary

Markets closed the week ending 19 June 2026 in risk-on mode, driven by a signed US-Iran memorandum of understanding that sharply eased the Hormuz risk premium. WTI crude fell (9.8%) WoW to \$76.6/bbl as Iran agreed to reopen the Strait of Hormuz. This overshadowed a hawkish shift from the Fed, whose new Chair Kevin Warsh removed the projected 2026 rate cut, and a Bank of Japan hike to a 31-year high of 1.0%. Equities extended gains broadly (S&P 500 +0.9%, Nikkei +7.9%), though Accenture's guidance cut and resulting 20% stock collapse. The same AI-disruption fears are showing up in credit, where the S&P BDC Index fell (3.6%) even as broader risk assets rallied.

Key Themes:

- **Hormuz Risk Premium Unwinds on a Signed MOU:** Trump and Iranian President Pezeshkian signed a 14-point memorandum of understanding at Versailles on 17 June, providing for toll-free Hormuz transit within 30 days, IAEA-supervised uranium down-blending, and up to \$300bn in reconstruction financing tied to compliance.
- **Fed Turns Hawkish Under New Chair:** Warsh's first meeting held rates at 3.50–3.75% but removed the 2026 cut from the dot plot (9 of 18 officials now project at least one hike). The US 2Y rose +9.58bps WoW to a one-year high of 4.177%, while the 10Y fell (2.56bps) to 4.45%, as oil's collapse offset the long end's inflation premium. Policy-path repricing and term-premium compression moved in opposite directions in the same week.
- **BoJ Hikes to a 31-Year High, Yet JGB Yields Fall and the Yen Weakens:** The BoJ raised its policy rate 25bps to 1.0%, fully priced in beforehand. JGB 10Y fell (5.40bps) to 2.628% and USD/JPY rose 0.7% to 161.30, a clean "priced-in, sell the news" pattern on both the bond and the currency.
- **AI Disruption Moves from Theory Into Earnings and Credit Quality:** Accenture's guidance cut, despite an EPS beat, triggered an 18% single-day collapse on fears AI is structurally eating consulting demand. The same theme shows up in credit: the S&P BDC Index fell (3.6%) WoW, with software-exposed borrower books flagged as a specific concern. Two asset classes, one narrative.
- **Equity Strength Diverges Sharply by Geography and Sector:** Nikkei surged +7.9% WoW on AI-capex and chip beneficiaries; NASDAQ gained 2.6% in a four-day week; yet Nifty IT fell (1.33%) and Hang Seng (3.2%) lagged badly. Breadth is improving in aggregate but is increasingly sector- and geography-specific rather than uniform.

Week Ending	S&P 500	NASDAQ	Dow Jones	Sensex	Nikkei	S&P BDC	Gold	Silver	Oil	Nat Gas	Crypto Index
2-Jan	(1.0%)	(1.7%)	(0.7%)	0.8%	(0.8%)	0.1%	(4.4%)	(8.1%)	1.0%	(17.1%)	5.1%
16-Jan	(0.4%)	(0.9%)	(0.3%)	(0.0%)	3.8%	1.1%	1.9%	12.9%	0.5%	(2.1%)	4.9%
30-Jan	0.3%	(0.2%)	(0.4%)	(1.0%)	(1.0%)	(2.3%)	(1.9%)	(17.4%)	6.8%	(17.5%)	(7.9%)
13-Feb	(1.4%)	(1.4%)	(1.2%)	(1.1%)	5.0%	(0.0%)	1.6%	(0.5%)	(1.0%)	(5.2%)	(1.5%)
27-Feb	(0.4%)	(0.2%)	(1.3%)	(1.8%)	3.6%	(4.0%)	3.4%	10.8%	0.9%	(6.2%)	(3.4%)
13-Mar	(1.6%)	(1.1%)	(2.0%)	(5.5%)	(3.2%)	(3.1%)	(2.9%)	(4.7%)	8.6%	(1.7%)	4.9%
27-Mar	(2.1%)	(3.2%)	(0.9%)	(1.3%)	(3.4%)	(2.2%)	0.0%	2.7%	1.3%	-	(6.3%)
10-Apr	3.6%	4.5%	3.0%	5.8%	8.5%	0.0%	1.6%	3.9%	(13.4%)	(5.4%)	8.0%
24-Apr	0.5%	2.4%	(0.4%)	(2.3%)	2.1%	(4.0%)	(2.5%)	(6.4%)	12.6%	(5.6%)	(2.4%)
8-May	2.3%	5.5%	0.2%	0.5%	5.4%	(3.7%)	2.2%	6.6%	(6.4%)	(0.8%)	2.4%
22-May	0.9%	1.2%	2.1%	0.2%	3.1%	(2.2%)	(0.7%)	(0.6%)	(8.4%)	(1.8%)	(5.9%)
5-Jun	(2.6%)	(4.5%)	(0.3%)	(0.7%)	0.4%	(1.0%)	(4.7%)	(9.9%)	3.6%	(1.9%)	(20.1%)
19-Jun	0.9%	2.6%	0.7%	1.7%	7.9%	(3.6%)	(1.5%)	(4.6%)	(9.8%)	3.6%	1.2%
YTD Return	9.4%	20.6%	6.6%	(10.4%)	41.5%	(15.3%)	(4.1%)	(10.9%)	33.6%	(10.6%)	(39.8%)

Asset Class Performance

Equity Market

Week ending >>>					
	12-Jun-26	19-Jun-26	YTD Returns	Growth for the month	Growth for the week
Equity Indices					
S&P 500 (USD)	7,431.5	7,500.6	9.4%	1.2%	0.9%
NASDAQ (USD)	29,636.0	30,406.2	20.6%	4.4%	2.6%
Dow Jones (USD)	51,202.3	51,564.7	6.6%	4.1%	0.7%
SENSEX (INR)	75,528.0	76,802.9	(10.4%)	2.1%	1.7%
Stoxx 600 (EUR)	633.2	635.6	6.6%	4.7%	0.4%
Nikkei (JPY)	66,020.0	71,250.1	41.5%	16.0%	7.9%
Hang Seng (HKD)	24,718.1	23,924.8	(9.2%)	(7.8%)	(3.2%)

- **US Equities:**

- S&P 500 closed +0.9% WoW, NASDAQ +2.6% WoW, Dow Jones +0.7% WoW. US markets were closed Friday for Juneteenth, so the entire move came in four sessions, through Wednesday's Fed decision and Thursday's reaction to both the Fed and Accenture.
- The dominant driver was the G7-sidelines MOU signing and the resulting oil collapse, which outweighed the hawkish Fed news. Normally, a hawkish Fed, and the 2Y yield's jump to a one-year high, would weigh on stocks by raising the discount rate applied to future earnings. That didn't happen this week: falling energy costs are doing more to support earnings and ease inflation than the higher rate path is doing to hurt valuations. In effect, bonds and equities read the week differently, bonds priced the hawkish Fed, stocks priced the oil relief, and for now the oil story is winning out.
- SpaceX, which IPO'd at \$135/share on 12 June, formally exercised its option to acquire AI coding startup Cursor for \$60bn in an all-stock deal on 16 June, funded entirely by post-IPO share appreciation (the stock traded into the low-\$200s before settling near \$185 by Thursday's close). The deal briefly pushed SpaceX's market cap above \$2.5tn, ahead of Amazon and Microsoft, a striking illustration of how fast newly public AI-adjacent capital can be redeployed into further consolidation.
- Accenture's fiscal Q3 print was the week's most violent single-stock move: shares fell as much as 20% intraday (worst day on record) after management cut full-year revenue growth guidance to 3–4% (from 3–5%) despite an EPS beat, citing soft bookings (\$19.3bn, -2% YoY), US federal spending weakness, and a cumulative ~\$400m Middle East drag. This is a sharper version of a theme that's been building for months: AI beginning to erode, not just augment, services demand.

- **SENSEX:**

- Sensex closed +1.7% WoW; Nifty 50 +1.65%. The gain tracked the Oil's collapse directly, given India imports ~85% of its crude. India VIX fell (11.9%) to 12.97, a sharp compression in hedging demand as the Hormuz premium that's weighed on Indian equities since February eased materially.
- Sectoral leadership flipped to domestic cyclicals: Consumption (+6.44%) and Realty (+5.50%) led, alongside Capital Goods (+4.02%) and Infrastructure (+2.98%), as lower fuel costs directly support discretionary spend and construction input costs.
- The week's clearest divergence: Information Technology was the sole sectoral laggard ((1.33%)), falling almost entirely on Friday as the Accenture shock transmitted into Indian IT companies. Infosys (7.87%) and TCS (5.90%) erased the week's gains in a single session. A clean case of an idiosyncratic, single-name catalyst overriding an otherwise constructive domestic backdrop for one specific sector.
- DII's absorbed renewed FII selling into the week's close, purchasing a net ~\$373 million even as foreign investors turned net sellers, continuing an offset pattern that has now reached historic proportions: FII ownership of Indian equities has fallen to roughly 14.7% as of Q1 2026, its lowest level since 2012, while DII ownership has climbed

to a record ~18.9%, the first time domestic institutions have out-owned foreign ones in modern Indian capital markets history.

- India continues to trade at a structural premium to the broader EM complex. Nifty near 20x trailing earnings against an MSCI EM trailing P/E of roughly 17x – the “growth premium” investors have paid for years for India’s consumption story and macro stability. That premium is being tested from both directions at once: FY27 consensus EPS growth has been trimmed this cycle from roughly 14% to approximately 8% on monsoon, inflation, and RBI-pause concerns, even as India’s valuation premium over EM has itself compressed toward multi-year lows on a price-to-book basis. The market is being asked to hold an above-average multiple against a now below-average, and falling, growth estimate.

- **Stoxx 600:**

- Stoxx 600 closed 635.6 (+0.4% WoW), a modest headline masking real divergence: Germany’s DAX (+1.59%) and Italy’s FTSE MIB (+2.31%) led on oil relief and the ZEW Indicator’s first positive reading since the conflict began, while the UK’s FTSE 100 ((-0.69%)) was the lone major decliner, continuing its weaker risk-on beta versus continental peers.
- Lower energy import costs are doing real work on the region’s terms of trade: the Eurozone unexpectedly ran a EUR 1bn April trade deficit (vs. a EUR 7.8bn surplus expected), driven by the energy bill; a gap that should narrow mechanically as WTI’s decline feeds through with a lag.
- The BoE held its Bank Rate at 3.75% on 18 June as expected, with UK CPI unchanged at 2.8% YoY, its lowest since March 2025 and below both the Eurozone (3.2%) and the US (4.2%). The UK’s relative inflation comfort versus G7 peers is becoming a persistent feature rather than a one-off.
- The SNB held at 0% and Norges Bank held at 4.25% while explicitly signalling a future hike, a reminder the region’s central banks remain split between those still fighting energy-driven inflation (Norway) and those closer to a peak (Switzerland, UK).

- **Nikkei:**

- Nikkei surged +7.9% WoW to 71,250.1, on a combination of the global AI-capex/semiconductor rally and direct relief from the oil collapse given Japan’s energy-import exposure.
- The BoJ’s hike to 1.0% (effective this week, highest since 1995) was delivered as expected and didn’t derail the rally; USD/JPY actually rising 0.7% WoW despite the hike suggests markets were focused more on growth/AI-capex beneficiaries than the policy-rate differential at this specific juncture.
- Underlying trade data supports the structural bull case: exports rose 17.0% YoY in May (fastest since November 2022, beating the 16.2% consensus), led by autos and semiconductors.
- Governor Ueda remained absent due to hospitalisation; Deputy Governor Uchida’s relatively hawkish press conference flagged that underlying inflation could exceed the 2% target, signalling further normalisation even though this week’s market reaction was muted.

- **Hang Seng:**

- Hang Seng fell (3.2%) WoW to 23,924.8, in stark contrast to onshore China, where the CSI 300 rose 3.44% and the Shanghai Composite gained 1.46% through Thursday (Hong Kong and mainland markets were both closed Friday for the Dragon Boat Festival). The offshore-onshore gap widened further rather than narrowing this week.
- China’s data was genuinely mixed: industrial production rose 4.5% YoY in May (ahead of 4.3% estimate), but retail sales fell (0.6%) YoY, the first contraction since December 2022, while property investment fell (16.2%) YoY over Jan–May. Tier-1 city home prices rose for a third straight month, the clearest sign policy support is gaining traction only at the top of the market.
- The PBOC’s package (expanding reverse repo usage, narrowing the short-term rate corridor, promoting offshore renminbi use) is financial-infrastructure plumbing, not broad stimulus, and offshore investors appear to be discounting it accordingly given the index’s continued underperformance.

Credit Market

Week ending >>>					
	12-Jun-26	19-Jun-26	YTD Change (bps)	Change for the Month (bps)	Change for the Week (bps)
Sovereign Benchmarks (10Y)					
US Treasury 10Y Yield (%)	4.48	4.45	26.26	(14.01)	(2.56)
German Bund 10Y	3.00	2.99	8.50	(18.20)	(1.00)
UK Gilt 10Y	4.836	4.842	30.55	(33.00)	0.64
Japan JGB 10Y	2.682	2.628	56.20	0.00	(5.40)
India G-Sec 10Y	6.891	6.884	27.78	(18.04)	(0.66)
China CGB 10Y	1.744	1.734	(12.10)	(3.00)	(1.00)
Short-End Yields (2Y)					
US Treasury 2Y	4.081	4.177	70.34	10.80	9.58
German Schatz 2Y	2.617	2.646	50.67	(9.16)	2.91
UK Gilt 2Y	4.235	4.254	51.94	(29.73)	1.92
Week ending >>>					
	12-Jun-26	19-Jun-26	YTD Change (bps)	Change for the Month (bps)	Change for the Week (bps)
Policy Rates					
Fed Funds Rate (US)	3.750	3.750	-	-	-
BoE Bank Rate	3.750	3.750	-	-	-
BoJ Policy Rate	0.750	1.000	25.00	25.00	25.00
RBI Repo Rate	5.250	5.250	-	-	-
Week ending >>>					
	12-Jun-26	19-Jun-26	YTD Growth	Growth for the month	Growth for the week
Private Credit					
S&P BDC Index	48.477	46.749	(15.3%)	(3.7%)	(3.6%)

- The week's credit story was a global bear-flattening at the front end, driven by two back-to-back central bank decisions: Warsh's hawkish first FOMC (17 June) and the BoJ's hike to a 31-year high (16 June). Underneath that, a sharper divide opened between public and private credit: sovereign and IG markets tracked the broader oil-driven risk-on tone, but the S&P BDC Index fell (3.6%) WoW, a sign private credit stress is now more idiosyncratic than macro-driven.
- **Fed hold, hawkish repricing:** The FOMC held at 3.50-3.75% but removed the 2026 cut from its dot plot; 9 of 18 officials now see at least one hike this year. The US 2Y jumped +9.58bps to a one-year high of 4.177%, while the 10Y fell (2.56bps) to 4.45%, as oil's collapse offset the long end's inflation premium even as near-term rate expectations rose. The 2Y/10Y spread compressed to ~27bps from ~40bps in a single week.
- **BoJ hike priced in, JGB yields fall anyway:** The BoJ hiked 25bps to 1.0%, its highest since 1995, exactly as expected. The 10Y fell (5.40bps) to 2.628% regardless, a classic case of the move already being priced in before it happened.
- **Europe steady, front end drifting higher:** Bund 10Y eased (1.00bps) to 2.99% and Gilt 10Y rose marginally (+0.64bps) to 4.842%, both directionless. The more telling move was the 2Y: German Schatz +2.91bps and UK Gilt +1.92bps, part of the same global front-end repricing rather than a European-specific story.
- **India and China 10Y both edge lower:** India's G-Sec fell (0.66bps) to 6.884%, helped by the oil collapse; China's CGB eased (1.00bps) to 1.734%, more likely tied to the same weak retail-sales/property data weighing on the Hang Seng.
- **S&P BDC Index:** The index fell (3.6%) to 46.749, reversing last week's brief +1.1% bounce. The timing lines up with Accenture's collapse: software exposure runs 20-26% of typical BDC portfolios, and Accenture's print was the clearest real-economy evidence yet of the AI-disruption-to-services fear that's been weighing on those loan books since early this year (Oaktree wrote down software loans on similar grounds back in May). That it fell while the S&P 500 rose 0.9% and NASDAQ rose 2.6% remains the key signal: public risk appetite and private credit quality are no longer moving together.

Currencies

Week ending >>>					
	12-Jun-26	19-Jun-26	YTD Growth	Growth for the month	Growth for the week
Currency					
EUR/USD	1.1568	1.1471	(2.1%)	(1.3%)	(0.8%)
GBP/USD	1.3406	1.3232	(1.7%)	(0.7%)	(1.3%)
USD/INR	95.1175	94.3337	4.6%	(1.7%)	(0.8%)
CHF/USD	1.2546	1.2389	(1.8%)	(2.5%)	(1.3%)
USD/JPY	160.2400	161.3000	2.8%	1.6%	0.7%

- The euro, sterling, and Swiss franc all weakened this week. EUR/USD (0.8%) WoW to 1.1471, GBP/USD (1.3%) to 1.3232, CHF/USD (1.3%) to 1.2389. This is somewhat counterintuitive for a risk-on, oil-down week that typically favours energy-importer currencies. The more direct explanation is the US 2Y's +9.58bps jump on the hawkish Fed repricing, which widened near-term rate differentials in the dollar's favour and dominated the energy-relief tailwind for European currencies. USD/JPY rose 0.7% to 161.30 (~2.9% YTD), the yen weakening despite the BoJ's hike to a 31-year high, a "priced in, no follow-through" pattern that mirrored JGB yields' own decline this week; even post-hike, the US-Japan rate differential remains wide enough for carry dynamics to dominate the incremental hawkish signal.
- USD/INR was the exception this week, falling (0.8%) to 94.33 as the rupee strengthened, the clearest currency beneficiary of the oil collapse given India's heavy import dependence. The contrast with the rest of G10 is instructive: while the euro, pound, and franc are moving on US rate differentials, INR is moving on the energy bill, two entirely different mechanisms pulling currencies in opposite directions this week. That split has now held for several consecutive weeks and remains the cleanest framework for reading currency moves through this conflict-resolution period.

Commodities

Week ending >>>					
	12-Jun-26	19-Jun-26	YTD Returns	Growth for the month	Growth for the week
Commodities					
Gold (USD per troy ounce)	4,219.3	4,155.7	(4.1%)	(8.5%)	(1.5%)
Silver (USD per troy ounce)	68.0	64.9	(10.9%)	(14.6%)	(4.6%)
Oil (USD per barrel)	84.9	76.6	33.6%	(27.3%)	(9.8%)
Natural Gas (Henry Hub)	3.1	3.2	(10.6%)	9.2%	3.6%
Copper (US cents per pound)	644.5	638.6	12.2%	2.1%	(0.9%)
Aluminium (USD per metric tonne)	3,533.0	3,412.4	13.8%	(5.9%)	(3.4%)
Wheat (US cents per bushel)	584.5	605.8	19.6%	(4.7%)	3.6%
Sugar (US cents per pound)	13.7	13.6	(6.9%)	(8.2%)	(0.8%)

- **Gold (USD per troy ounce):**
 - Gold fell (1.5%) WoW to \$4,155.7. The drivers are mechanical and familiar: de-escalation easing the safe-haven premium while the Fed's hawkish repricing lifted front-end real yields, raising the opportunity cost of holding a zero-yield asset.
 - The structurally important point is the trend, not the single week: gold has now declined for a third straight period even through active war, a signed peace deal, and a hawkish Fed, suggesting its safe-haven premium is almost fully unwound.
- **Silver (USD per troy ounce):**
 - Silver fell (4.6%) WoW to \$64.9, underperforming gold on the way down just as it underperformed on the way up in recent weeks, consistent with its higher-beta dual precious/industrial character; copper's own (0.9%) decline left little industrial-demand offset this time.

- **Oil (USD per barrel):**

- WTI fell (9.8%) WoW to \$76.6/bbl, its sharpest weekly decline in the period tracked, on the signed MOU and its explicit Hormuz provisions. Brent moved in close parallel toward \$79–80/bbl.
- The remaining risk is implementation, not intent: Iran’s lead negotiator Ghalibaf has publicly disputed the toll-free transit language, saying Hormuz “will not return to pre-war conditions.” Markets are pricing the direction of travel on the ~20% of global oil flows that transit the strait, not yet full normalisation.
- At \$76.6, WTI is still 33.6% above year-start levels, so the conflict’s cumulative inflationary damage is still working through the system even as the marginal trend has turned favourable.

- **Natural Gas (Henry Hub):**

- Natural Gas rose 3.6% WoW to \$3.2, continuing to decouple from the broader oil-driven trade given the US’s position as a net LNG exporter, with domestic supply/demand dynamics dominating Henry Hub pricing independent of Hormuz-linked flows.

Cryptocurrency

	Week ending >>>				
	12-Jun-26	19-Jun-26	YTD Returns	Growth for the month	Growth for the week
Crypto					
Bloomberg Crypto Index	1,597.7	1,616.2	(39.8%)	(21.8%)	1.2%
Bitcoin (USD)	63,418.5	63,200.0	(30.6%)	(20.1%)	(0.3%)
Ripple	1.1	1.1	(45.9%)	(20.9%)	0.1%
Solana	66.7	69.2	(48.3%)	(22.4%)	3.8%

- The Bloomberg Crypto Index rose a modest 1.2% WoW to 1,616.2, but the gain was narrow: Bitcoin actually fell (0.3%) to \$63,200.0 while Solana rose 3.8% and Ripple was roughly flat at +0.1%, a departure from crypto’s usual pattern of moving as a single high-beta block alongside NASDAQ (+2.6% this week).
- This week’s muted, mixed performance against a backdrop of falling oil, a signed peace deal, and a broad equity rally is itself notable: in prior weeks crypto has tracked NASDAQ’s direction closely as a liquidity-sensitive risk asset; this week’s weak correlation suggests altcoin-specific positioning outweighed the macro backdrop, for once.
- YTD performance remains deeply negative across the board, and elevated US real rates following this week’s hawkish Fed repricing continue to weigh on the asset class’s medium-term setup regardless of any single week’s correlation pattern.

Updates in AI sector over the week

- **SpaceX formalises \$60bn all-stock acquisition of Cursor:** Exercising the option secured in April, SpaceX confirmed on 16 June it will acquire AI coding startup Cursor (Anysphere) for \$60bn in stock, four days after its record IPO, funded entirely by post-IPO share appreciation. The deal briefly pushed SpaceX’s market cap above \$2.5tn, past Amazon and Microsoft.
- **Coding tools become the industry’s consolidation battleground:** Beyond Cursor, OpenAI moved to acquire Python developer-tooling startup Astral (maker of uv and ruff) for integration into its Codex coding agent, while Google Gemini co-lead Noam Shazeer departed for OpenAI. Developer-facing coding infrastructure, not just frontier model capability, is emerging as the next layer of competitive consolidation.
- **AI-disruption narrative crosses into credit markets:** As detailed in the credit section, the same fear behind Accenture’s stock collapse (AI displacing services demand) is showing up as a specific concern in software-exposed BDC loan books – a genuine cross-asset transmission worth monitoring into earnings season.
- **AI governance and export controls remain in focus:** Export-control measures restricting some non-US users’ access to certain advanced AI models were imposed this week, the latest instance of frontier AI policy intersecting with national-security considerations, following similar chip-export restrictions in recent weeks.

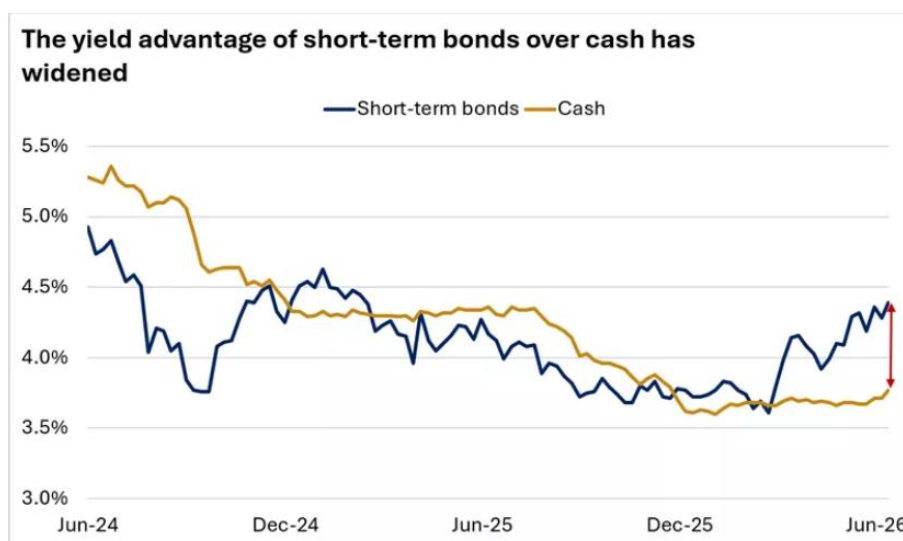
Geopolitical News

- **US-Iran MOU signed at G7; implementation risk now the key variable:** Trump and Pezeshkian signed the 14-point MOU at Versailles on 17 June, providing for Hormuz reopening, IAEA-supervised uranium down-blending, and up to \$300bn in conditional reconstruction financing. Iran’s lead negotiator has already disputed the toll-free transit terms, and the deal

excludes Israel entirely (which has stated it won't withdraw from Lebanon), leaving Lebanon's ceasefire enforcement unresolved. The 60-day negotiating window is the next catalyst.

- **G7 sidelines produce incremental, not breakthrough, bilateral progress:** Modi's meeting with Trump yielded no breakthrough on the pending India-US trade deal but reduced near-term friction after sixteen strained months; USTR Greer visits New Delhi next week.
- **China's activity data remains genuinely bifurcated:** May retail sales fell (0.6%) YoY, the first contraction since December 2022, even as industrial production and exports beat expectations – a recovery that's real in manufacturing/exports but still absent in domestic consumption.
- **Markets now look past three central bank decisions to the implementation phase:** With the Fed, BoJ, and BoE all having delivered this week, focus shifts to whether Hormuz traffic actually normalises over the next 30 days and whether Iran's compliance unlocks the first sanctions-relief tranche.

Insights from the Street



In June 2024, cash yielded more than short-term bonds, a curve already pricing in the rate cuts that markets expected to follow. Those cuts arrived, and cash yields tracked the Fed steadily lower, while bond yields drifted alongside them; for most of 2025 the two were barely distinguishable, moving in close step. Early this year, that relationship reversed: short-term bond yields began climbing while cash held flat.

The resulting gap, now roughly 70bps, and this week's Fed meeting explains why. Kevin Warsh's first meeting as Chair removed the projected 2026 rate cut from the dot plot, and bond yields repriced immediately, pushing the 2Y to a one-year high; cash could not respond in kind, since it remains anchored to the Fed's policy rate, which was left unchanged. Short-term bonds move ahead of realised policy, pricing in what the market expects next, while cash adjusts only once the Fed actually acts.

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