GLOBAL INSTITUTIONAL ADVISORS

Weekly Market Wrap

Market Developments

Equity markets pulled back as the AI and semiconductor rally driving most of 2026's gains lost momentum: the S&P 500 fell 2.0% and the Nasdaq 4.2%, while the Dow added 0.6%, consistent with a rotation out of crowded tech positions. Asia saw a sharper version of the same move, with South Korea's KOSPI reversing on an SK Hynix/Samsung pullback and Hong Kong's Hang Seng falling 5.2% on internet-name weakness. Oil extended its decline ((9.6%) on the week to $69.2/bbl, (20.8%) MTD) as the Hormuz ceasefire held, reinforcing the disinflation trend. UK PM Keir Starmer resigned, with Andy Burnham the clear frontrunner to succeed him; the formal Labour leadership contest opens 9 July.

The Fed left rates unchanged, but Chair Warsh's hawkish post-meeting tone moved markets more than the decision did. The USD firmed further (DXY above 100), and the US 10Y yield fell 8bps to 4.37% as oil's decline eased the inflation premium at the long end, even as the front end stayed elevated. Gold fell below its 200-day moving average for the first time since October 2023, pressured by reduced safe-haven demand from the ceasefire and higher real rates. The S&P BDC Index remains down 15.0% YTD despite a marginal weekly gain, reflecting unresolved AI-disruption concerns in software-exposed credit.

What Are We Watching – Week Starting 29th June

- **United States employment data:** A data-heavy week for the US labour market, with non-farm payrolls (moved up to Thursday 2 July ahead of the Independence Day holiday; consensus ~172k) the critical release for judging Chair Warsh's path on rates. ADP and JOLTS also report, adding texture to the tussle between a tight labour market and creeping inflation, a tension that makes this call harder for the new Fed chair than for his predecessor.
- **Eurozone inflation and the Sintra Forum:** The ECB already raised rates by 25bps this month. This week's inflation data will show whether that price pressure is spreading more broadly across the economy. The reading carries extra weight because the ECB Forum in Sintra (29 June-1 July) is happening at the same time, where Lagarde and other central bank governors speak. Fed Chair Warsh is also on the agenda (Wed 1 July), and this will be his first time commenting on Europe since taking over.
- **Geopolitics and Hormuz durability:** Oil has dropped recently ((9.6%) on the week, (20.8%) for the month), giving some relief on inflation, but that relief depends on the ceasefire holding. It's already being tested: Iran struck a cargo ship near the Strait with a drone Thursday, the US struck back Friday, and the exchange continued into the weekend, with a tanker hit by an unidentified projectile and the regional maritime authority raising its threat level to "substantial." Further escalation could send oil back up and undo the falling-inflation story currently helping bonds rally
- **China manufacturing PMI (due 30 June):** Last month's reading was right around the 50 mark, the line between growth and contraction. A weak number this week would raise fresh doubts about how solid China's recovery really is, especially with Hong Kong stocks already under pressure from the wider tech selloff.
- **USD/JPY and carry trade risk:** The yen is back at the 161 level against the dollar. It's an important currency for "carry trades" (where investors borrow cheaply in yen to invest in higher-yielding assets elsewhere), and 161 is a level that has triggered Bank of Japan intervention before. Because interest rates in Japan and the US are still far apart, any sudden rate move from the BoJ could send the yen sharply higher, spike market volatility, and force a messy unwinding of those carry trades.
- **UK political transition:** Labour's leadership contest now has a confirmed timetable (nominations 9-16 July), with Burnham the clear front-runner to take over from Starmer. Markets will be watching for early hints about the new leadership's approach: whether they lean toward sticking with strict budget discipline or lean toward boosting growth, especially as it could affect who runs the Treasury too.

GIA View

Equities

- US equities remain expensive and overextended on most valuation measures after an extended AI and semiconductor rally; the Nasdaq's (4.2%) weekly drawdown ((4.0%) MTD) shows how quickly that re-rating can move once sentiment turns. Volatility has picked up, and the approaching expiry of SpaceX's post-IPO lock-up adds a fresh source of potential block-selling pressure.

- EM markets without direct AI exposure, India among them, could see renewed interest as capital rotates away from crowded tech; the Sensex's modest +0.4% weekly gain against the Nasdaq's selloff is an early signal worth watching.
- Fresh long exposure to AI and tech looks like a crowded trade at current valuations. A rotation into defensives, alongside a tactically higher cash allocation, looks the more prudent positioning for now.

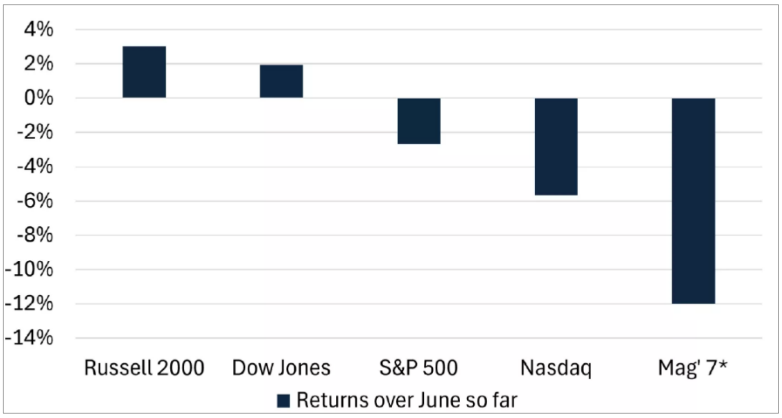
Rates

- The change in Fed leadership has lifted volatility in rates even though Chair Warsh's first meeting left rates unchanged: it was the post-meeting tone, not the decision, that moved markets. The market now sees the Fed as more hawkish, which has helped stop the dollar from falling further: the DXY index is comfortably above 100, and short-term Treasury yields are higher than a month ago, with both the 2-year and 3-year now above 4%.
- It is too early to extrapolate this into actual hikes later in the year. Warsh has set up a number of task forces to review aspects of the Fed's decision-making architecture, and the path from here depends on incoming inflation data, particularly whether the Middle East ceasefire feeds through into softer prints over the summer.

Commodities

- Oil extended its slide, with WTI down (9.6%) on the week and (20.8%) MTD to $69.2/bbl as the Hormuz ceasefire continues to hold. The question now is durability, not direction: a lasting peace would extend the disinflation tailwind for energy importers, while any flare-up would quickly reverse it.
- Gold's rally has stalled: still above $4,000/oz but only just (closing at $4,088.7, down (1.6%) WoW and (9.9%) MTD), and now below its 200-day moving average for the first time since October 2023, hit by both fading safe-haven demand and higher real rates. A further drop would likely accelerate downside given the loss of that technical support, so any fresh long exposure should be sized accordingly.

Chart of the Week - Month-to-Date: The Rotation Away from Mega-Cap Tech



- The rotation away from megacap tech is now wide enough to show up at the index level: the Magnificent 7 are down roughly 12% in June while the Russell 2000 and Dow Jones are both higher on the month. The S&P 500's comparatively modest (3.0%) MTD decline understates the damage; strip out the seven largest names and the broader market has barely moved, a reminder that headline index levels can mask just how concentrated this unwind has been.

Asset Class Performance – Week Ending 26th June

	Week ending >>>				
	19-Jun-26	26-Jun-26	YTD Δ	MTD Δ	Weekly Δ
Equity Indices					
S&P 500 (USD)	7,500.6	7,354.0	7.2%	(3.0%)	(2.0%)
NASDAQ (USD)	30,406.2	29,118.2	15.5%	(4.0%)	(4.2%)
Dow Jones (USD)	51,564.7	51,876.1	7.2%	1.7%	0.6%
MSCI EM Index (USD)	1,786.2	1,706.4	19.4%	(2.6%)	(4.5%)
SENSEX (INR)	76,802.9	77,100.5	(10.1%)	3.1%	0.4%
Stoxx 600 (EUR)	635.6	635.9	6.7%	1.6%	0.0%
Nikkei (JPY)	71,250.1	69,360.9	37.8%	4.6%	(2.7%)

Hang Seng (HKD)	23,924.8	22,671.9	(13.9%)	(10.0%)	(5.2%)
Commodities					
Gold (USD per troy ounce)	4,155.7	4,088.7	(5.6%)	(9.9%)	(1.6%)
Silver (USD per troy ounce)	64.9	59.1	(18.8%)	(21.4%)	(8.9%)
Oil (USD per barrel)	76.6	69.2	20.8%	(20.8%)	(9.6%)
Natural Gas (Henry Hub)	3.2	3.2	(10.7%)	(1.8%)	(0.1%)
Currencies					
EUR/USD	1.1471	1.1384	(2.9%)	(2.4%)	(0.8%)
GBP/USD	1.3232	1.3200	(1.9%)	(1.9%)	(0.2%)
USD/INR	94.3337	94.4037	4.7%	(0.6%)	0.1%
CHF/USD	1.2389	1.2350	(2.1%)	(3.5%)	(0.3%)
USD/JPY	161.3000	161.7400	3.1%	1.6%	0.3%
Credit Markets					
US Treasury 10Y Yield (%)	4.45	4.37	17.79	(6.69)	(8.47)
German Bund 10Y	2.99	2.85	(4.90)	(8.70)	(13.40)
UK Gilt 10Y	4.842	4.731	19.45	(8.10)	(11.10)
Japan JGB 10Y	2.628	2.637	57.10	(5.50)	0.90
India G-Sec 10Y	6.884	6.769	16.28	(23.47)	(11.50)
China CGB 10Y	1.734	1.726	(12.90)	0.60	(0.80)
S&P BDC Index	46.749	46.921	(15.0%)	(3.2%)	0.4%
Policy Rates					
Fed Funds Rate (US)	3.750	3.750	-	-	-
BoE Bank Rate	3.750	3.750	-	-	-
BoJ Policy Rate	1.000	1.000	25.00	25.00	-
RBI Repo Rate	5.250	5.250	-	-	-

Key Economic Events Upcoming Week

Date	Region	Event	Detail
Tue, 30 Jun	China	NBS Manufacturing PMI (Jun)	Prior reading hovered around the 50 threshold.
Tue, 30 Jun	US	JOLTS Job Openings (May)	Released at 10:00 a.m. ET.
Wed, 1 Jul	US	ADP National Employment Report (Jun)	Released at 8:15 a.m. ET, ahead of Thursday's Nonfarm Payrolls.
Wed, 1 Jul	US	ISM Manufacturing PMI (Jun)	First major US growth indicator of the new quarter.
Wed, 1 Jul	India	Manufacturing PMI (Jun)	Watch for any Middle East-related drag on manufacturing activity.
Wed, 1 Jul	Eurozone	Flash CPI (Jun)	Follows the ECB's 25 bps rate hike
Thu, 2 Jul	US	Nonfarm Payrolls (Jun)	Consensus estimate is approximately 172,000 jobs.

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