

Quarterly Market Review, June 2026

Eight Bells and All is Well

In maritime tradition, at the end of a four hour shift, the watch officer would report "Eight bells, and all's well," if the ship was safe, secure, and had no emergencies to report. Despite the on-going conflict in the middle east, stubborn inflation, volatile oil prices, intense enthusiasm surrounding artificial intelligence, and increasingly concentrated market leadership global share markets have sailed to the end of the financial year near record highs.

During the June quarter of 2026 stock markets have had to navigate sharp swings in energy prices, shifting geopolitical developments, mixed inflation data, and constantly changing expectations for central bank interest rates. Yet despite these headwinds, equity markets have demonstrated remarkable resilience, highlighting once again that financial markets often look beyond today's headlines and instead focus on the longer-term outlook.

The quarter began with tensions between the United States and Iran at their peak. Oil prices had surged by almost 80 per cent in the preceding weeks as markets priced in the risk of disruptions to global energy supplies, fuelling concerns that inflation would reaccelerate and potentially trigger a worldwide economic slowdown.

As the quarter progressed, however, markets largely looked through these geopolitical risks. Peace negotiations between the US and Iran repeatedly advanced and then stalled, yet both equity and bond markets appeared more focused on underlying economic fundamentals than short-term political developments.

The Australian share market delivered strong gains over the quarter, with the ASX 200 Index up 4% for the period. After rallying strongly into May, periods of volatility trimmed returns as investors weighed softer domestic inflation against ongoing uncertainty overseas. Nevertheless, Australian equities remained relatively resilient despite the challenging backdrop. The financial year return was more modest at 6.1%, battered by unexpected high inflation data in October and again by the onset of the Middle East Conflict in March.

Australian Stock Market

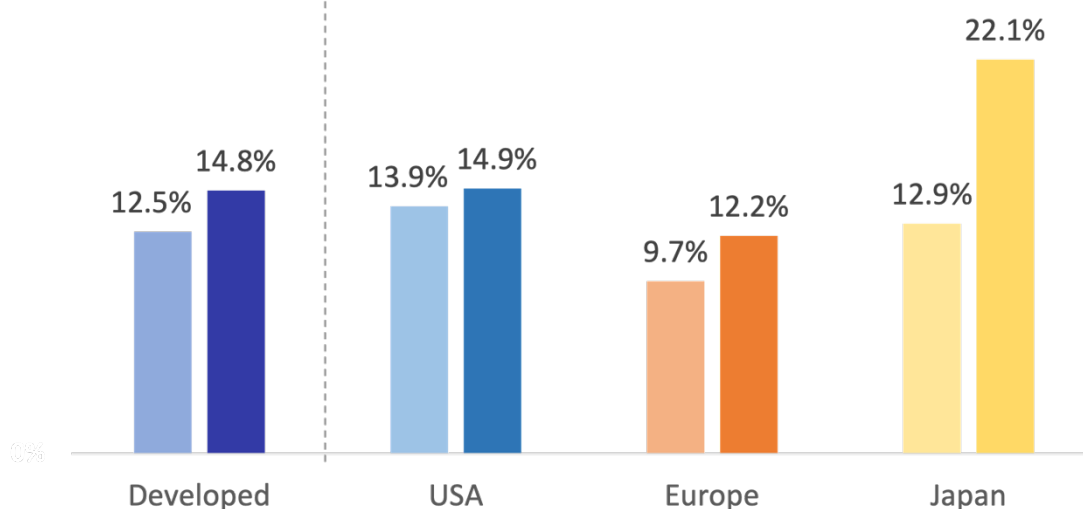


International markets were considerably stronger. The United States and most major developed markets delivered impressive gains, supported by resilient corporate earnings and continued enthusiasm surrounding artificial intelligence. Companies positioned to benefit from the AI investment boom continued to attract strong investor interest as governments and businesses accelerated spending on computing capacity, data centres and digital infrastructure.

Performance of Global Markets (in AUD)

Jun 2025 - Jun 2026

■ 3 months ■ 12 months



As the chart above illustrates, the MSCI World ex-Australia Index returned an impressive 12.5 per cent during the quarter and almost 15 per cent over the financial year—more than double the return of the Australian share market. The index remains dominated by the United States, which represents approximately 72 per cent of its market capitalisation, followed by the Eurozone at around 8 per cent and Japan at 6 per cent.

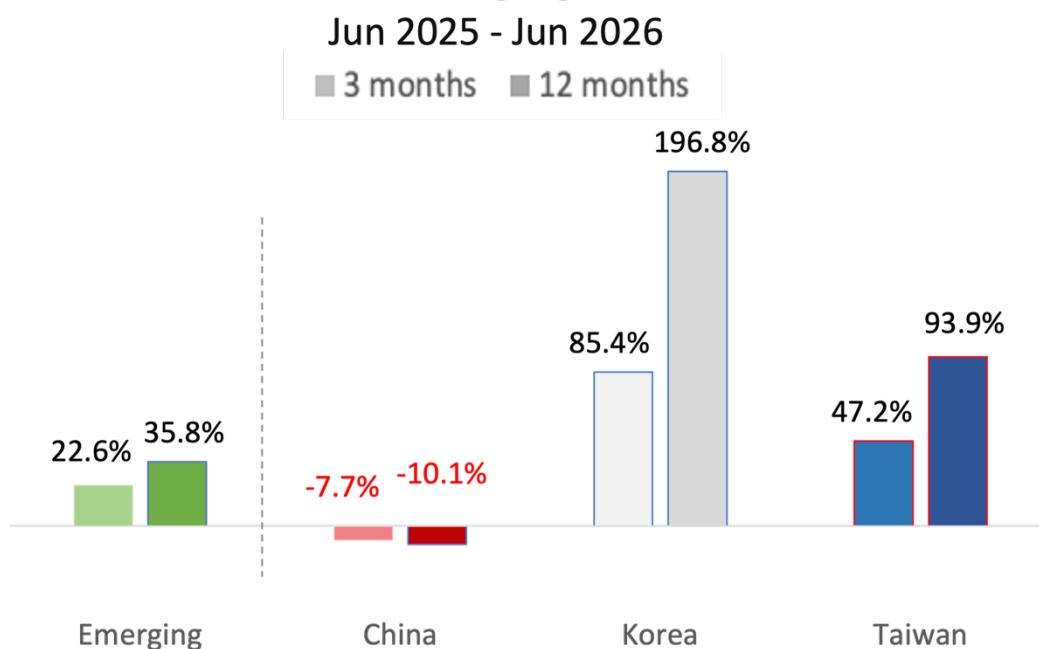
Perhaps the most surprising aspect of recent market performance has been the continued strength of technology stocks. Traditionally, high-growth technology companies are among the sectors most sensitive to rising interest rates because much of their value is derived from profits expected many years into the future. Higher interest rates typically reduce the present value of those future earnings.

This quarter, however, that traditional relationship has broken down. Technology stocks - particularly semiconductor manufacturers - have continued to surge despite higher inflation expectations and the possibility of additional interest rate increases. The Nasdaq Index has climbed to fresh record highs, reflecting investors' confidence that the long-term opportunities created by artificial intelligence outweigh near-term macroeconomic risks.

Even more remarkable has been the performance of Asian technology companies. After trading largely sideways during the early part of the year, Asian technology stocks have risen around 65 per cent since early March.

As the chart below shows, the MSCI Emerging Markets Index has returned 35.8% (in AUD) for the financial year. The South Korean market, led by its largest companies Samsung Electronics and SK Hynix, has returned a staggering 200% for the financial year, while the Taiwan market, powered by its largest company Taiwan Semiconductor Manufacturing Company (TSMC), returned nearly 100% over the same period.

Performance of Emerging Markets (in AUD)



This extraordinary rally reflects the global race to build AI infrastructure, with demand for advanced chips, data centers and supporting technologies continuing to accelerate.

If there is one lesson from the past quarter, it is that predicting short-term market movements remains extremely difficult. Few investors would have expected global share markets to reach new highs while oil prices experienced extreme volatility, inflation concerns resurfaced, and geopolitical tensions remained elevated.

No one knows when the current bull market will end. As Nobel Prize-winning physicist Niels Bohr famously observed, *"Prediction is very difficult, especially if it's about the future."* Markets will undoubtedly continue to encounter storms, and new risks will inevitably emerge. Yet, for now, investors have continued to look beyond the immediate squalls and focus on the horizon. As we enter the second half of 2026, the officer of the market watch can still report: *"Eight bells, and all's well."*

Dr Steve Garth
July 10, 2026