



June 2026

Market Commentary

The month of May saw further advances in nearly all equity indices with continued strength in the technology sector in the US and in Asia in particular, while bond markets were also mostly higher. There was an element of volatility driven by developments in the Middle East and in the oil price, which ended the period at its lowest level in six weeks. The news on the global economy and on inflation was mixed. Companies reported robust profits overall and there was a high level of corporate activity.

The ceasefire in the war in Iran largely held, while not meeting the accepted definition of such a pause in hostilities, whereas attacks deepened into Lebanon. There was no break-through in negotiations to secure a substantial opening of the Straits of Hormuz although a number of vessels did pass through; there remain sticking points on Iran's nuclear facilities as well as its stockpile of enriched uranium. Hopes of a resolution contributed to a fall in the price of Brent crude futures, the usual benchmark, from a recent peak of \$125 per barrel to \$91, if still up by 50% on the start of the year. There remain concerns over a further impact in time from the disruption if there is no prompt resolution, on fuel and on food prices through higher fertiliser costs. The International Energy Agency estimated that the Iran war had already removed some 15% of the expected global liquid natural gas (LNG) supply for the 2026–2030 period, given the hit to Qatar's export capacity, and European Union gas storage is 30% below its five-year average. Food production is also likely to see the impact of another El Niño event and global sea temperatures showed the second highest monthly reading on record in April. As Britain wilted in the hottest May on record the Climate Change Committee warned that 92% of existing homes will overheat during a typical summer within twenty-five years without some adaptation measures, up from just over half today.

On President Trump's state visit to China there was plenty of pomp if little material progress on the key aspects of Taiwan, tariffs, Tehran and trade, although China did confirm it would buy 200 Boeing airliners. Vladimir Putin also met with Xi Jinping soon afterwards and signed several trade deals. The US intensified its campaign against Cuba, which has largely run out of oil because of the American blockade, with the indictment of the former leader Raúl Castro. Donald Trump's favoured candidate won the Republican primary for a Senate seat in Texas for the mid-term elections due in November, with Democrats seeing an opportunity given his record. The Labour party lost heavily in the local elections in England as well as in Wales and Scotland, Wes Streeting was one of several ministers to resign and the way opened for Andy Burnham to contest the Makerfield by-election in June that might see him challenge for the leadership if he can beat Reform UK; the yield on 30-year gilts reached thirty-year highs, reflecting concerns on policy if also being a feature in other markets. The Indian prime minister Narendra Modi saw his BJP party take the opposition stronghold of West Bengal for the first time.

Global economic growth has remained resilient if liable to further revision depending on the turn of events. The US reported there had been 115,000 new jobs created in April, down from an upgraded number of 185,000 for March if almost twice ahead of expectations; the unemployment rate was unchanged at 4.3%. In the UK the economy was reported to have grown by 0.6% in the first quarter after an expansion of 0.3% in March, which was better than expected; there has, however, been a pattern in recent years of decent growth in the first part of the year tailing off. The May flash eurozone purchasing managers' index showed the economy weakening at the fastest rate since late 2023, although the expansion in German GDP of 0.3% in the first quarter was better than expected and for once higher than in France. Narendra Modi called on Indians to conserve fuel with more online meetings and to stop buying gold from abroad to help foreign exchange reserves. The International Monetary Fund warned that the latest AI models posed a systemic cyber-security risk to the world's financial system.

Central banks have appeared divided in deciding on how to counter the energy price squeeze. In the US the consumer price index (CPI) for April rose again to 3.8% from 3.3% in March, the highest level in three years, while producer price inflation reached 6%, the highest since December 2022 – it had been 4.3% the previous month and 3.4% in February before the war in Iran. Members of the US Federal Reserve have been more inclined to see the bank's interest rate rise from the current level of 3.5–3.75% while Kevin Warsh, who assumed the chair, is inclined to provide fewer pointers to markets. In the UK the CPI reading for April was lower than expected at 2.8% from 3.3% in March and the consensus moved to the Bank of England holding its rate at 3.75% in June. The European Central Bank is more likely to raise its rate from 2% in its next meeting. In Japan core CPI slowed to 1.4% year-on-year in April, which was a four-year low, and the Bank of Japan might for now hold its rate at 0.75%. Australia raised interest rates for the third time in 2026 to 4.35%.

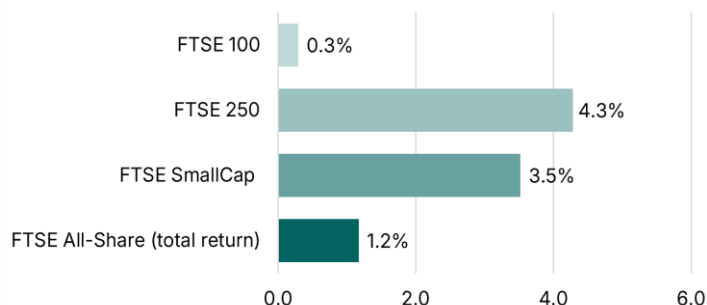
In the US earnings have been strong, perhaps surprisingly so, and forecasts have been revised up by approximately 7% so far this year, when a reduction seemed more likely. The technology sector has been the main driver with the substantial investment in Artificial Intelligence; Nvidia's latest quarterly revenues increased by 85% and sales of chips for data centres nearly doubled. The enthusiasm for AI continued: the market valuation of Samsung rose above \$1trn – the company agreed to share its profits more widely with its workforce to prevent strikes – as did that of SKHynix, with the two chip companies accounting for more than half of the Korean stock market, which is up 101% in 2026. SoftBank, a technology conglomerate, ended Toyota's reign as Japan's most valuable company after twenty-three years. The proposed stock market listings for Anthropic, OpenAI and SpaceX, which incorporates xAI, added to the excitement as well as to concerns over corporate governance. Corporate activity included the ambitious bid by the video games retailer GameStop for eBay, valuing its equity at \$56bn.



United Kingdom

The FTSE 100 index was up 0.3% over the month to 10,409 while the FTSE 250 index of mid-sized companies and the FTSE SmallCap index rose respectively by 4.3% and 3.5%.

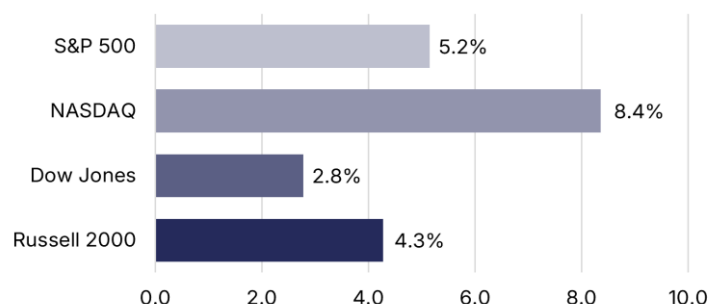
The total return for the FTSE All-Share index, including income, was 1.2% in the period.



United States

In the US the S&P 500 index was up by 5.2% in the month, while the equal-weighted version rose 2.5%; the technology-oriented NASDAQ index rose by 8.4% and the Dow Jones Industrials index returned 2.8%.

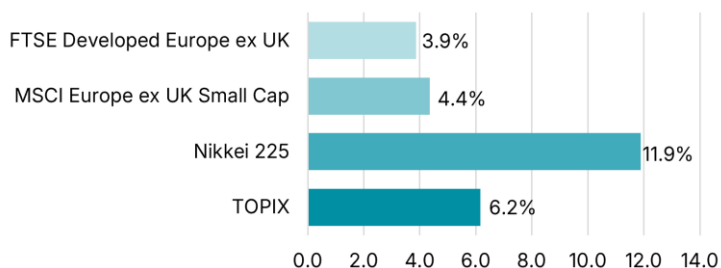
The Russell 2000 index of smaller companies was up by 4.3%.



Europe & Japan

The FTSE Developed Europe ex UK index was up by 3.9% over the month, with all major markets making gains. The German market returned 3.3% and the Italian market was up by 3.7%. The MSCI Europe ex UK Small Cap Index including income rose by 4.4%.

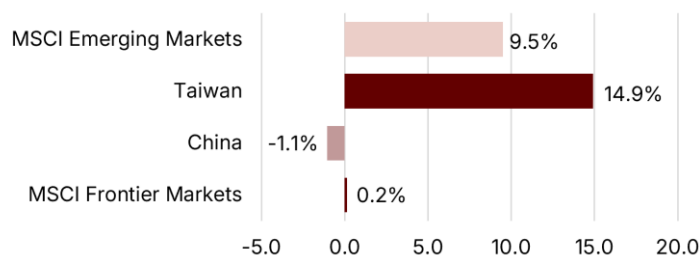
In Japan the Nikkei 225 index was up by 11.9% and the more representative TOPIX index rose by 6.2% in the period.



Emerging Markets

The MSCI Emerging Markets index in US\$ was up by 9.5% in the month; there were significant gains of 28.5% in Korea and 14.9% in Taiwan, while the Brazilian and Indian markets fell by 7.2% and 2.8% respectively. The Shanghai index was down by 1.1% and the Hang Seng index in Hong Kong fell by 2.3%.

The MSCI Frontier Markets index was 0.2% higher and the Vietnamese market rose 0.5%.

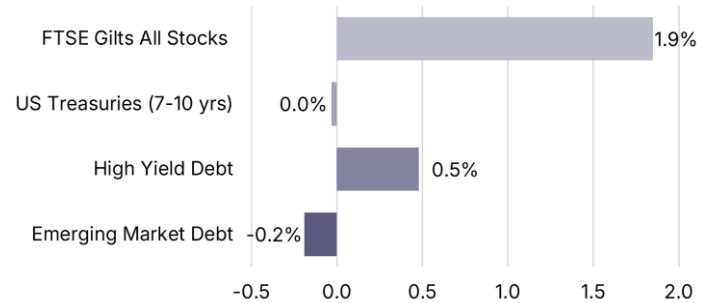




Bond Markets

In bond markets the UK 10-year gilt yield decreased from 5.01% to 4.81% and the total return for the FTSE Gilts All Stocks index in the month was 1.9%. In Germany the 10-year bund yield moved from 3.04% to 2.94% and in the US the 10-year yield was higher at 4.44% from 4.37%.

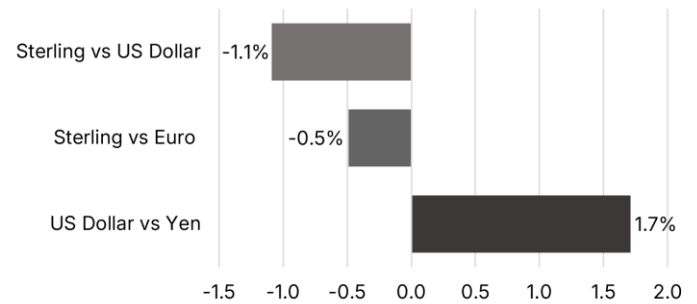
There were mixed returns in the major bond markets, with Emerging Market local debt down and UK gilts doing the best.



Currencies

Sterling was down by 1.1% against the US\$ in the month, ending at a rate of \$1.35:£, while against the euro Sterling was 0.5% lower to end at a rate of €1.15:£.

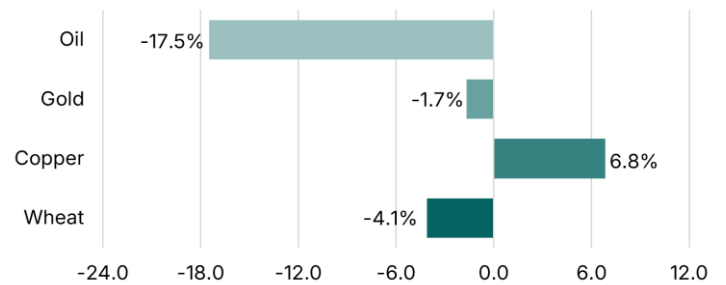
The US\$ was up by 1.7% at ¥159:\$ against the Japanese yen.



Commodities

The price of Brent crude oil ended the month down by 17.5% at a level of \$91 per barrel. Gold fell over the month by 1.7% to close at \$4540 per troy ounce.

The main metals had mixed returns in the month, with the bellwether copper up by 6.8%, and the main agricultural commodities were all lower, with wheat down 4.1%.



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