Market Commentary & Outlook June 2026

Summary

- **Global** and **Australian** equity markets finished the financial year on a **modest but positive** note.
- **Australian small** caps lagged, facing headwinds from sticky underlying inflation.
- **Emerging market** equities produced **positive** returns, despite a drag in performance from China.
- Lower bond yields saw **Australian fixed income** record **positive** returns.
- **Global bonds** delivered modest returns as **yields declined** over most major developed markets.
- **Listed infrastructure** and **real estate** produced positive returns.
- **Commodities** suffered a major broad based **retracement** as geopolitical risk premiums declined.

Market Overview

June 2026 marked a positive end to the financial year, driven by an easing of geopolitical tensions and a notable rotation across asset classes. The signing of a Memorandum of Understanding between the US and Iran, which included the reopening of the crucial Strait of Hormuz led to a dramatic unwinding of safe-haven and inflation premiums, causing sharp drops in energy and precious metal prices. While global equity markets saw a temporary cooling in mega-cap US technology stocks, market leadership broadened significantly into value and cyclical sectors. For Australian investors, depreciation of the Australian dollar during the month acted as a buffer, boosting unhedged offshore returns despite mixed movements in local currency terms.

Australian Equities

Australian equities delivered modest, but positive returns.

- **S&P/ASX 200, up 0.67%.** Performance was highly bifurcated across sectors. Domestically focused growth and defensive sectors led the charge, with Healthcare, Consumer Staples, and Consumer Discretionary outperforming as investors rotated away from macro risks. Conversely, the heavily weighted Materials and Energy sectors lagged considerably due to the broader decline in global commodity prices.

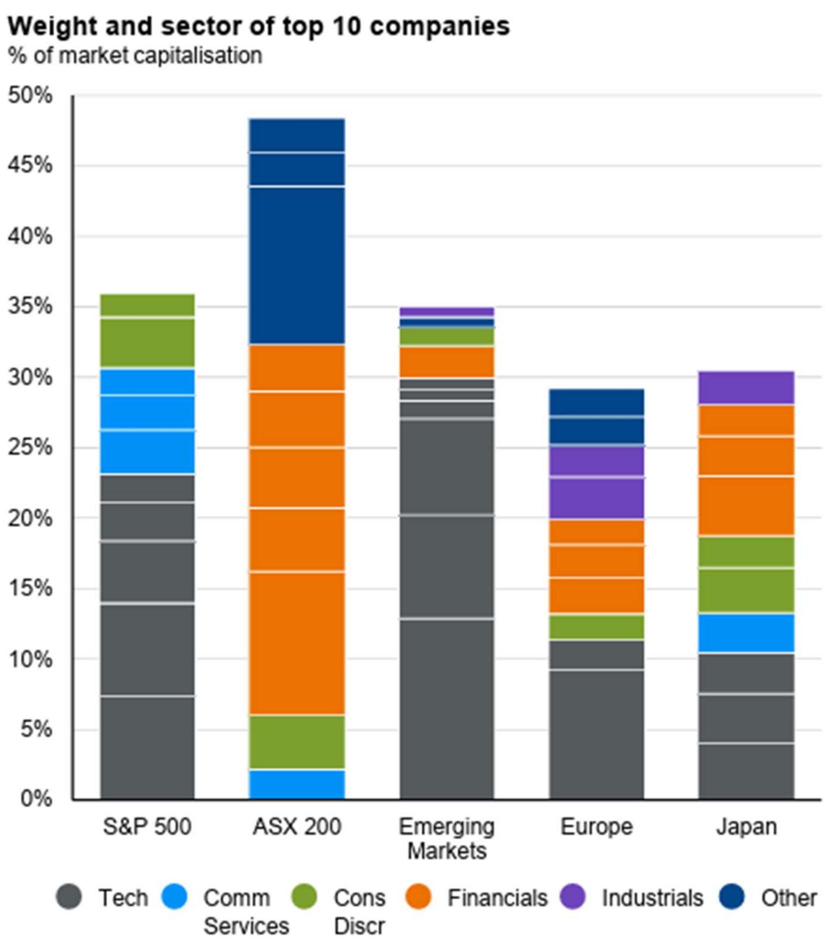
- Australian **small-caps** underperformed their large-cap counterparts during June. The domestic market landscape remained highly selective, as small-cap growth assets faced headwinds from a general sell down in more highly rated growth companies as well as sticky underlying inflation figures and concerns over the forward impact of federal budget policy shifts regarding capital gains tax.

Global Equities

Overall, global equities had varied regional results. Hedged global equities delivered a small positive return during June. For unhedged Australian investors, the weakness of the AUD turned mixed international returns into a robust 3.05% gain in Australian dollar terms.

- **In local currency (USD) terms the S&P500 fell** as mega-cap tech hyperscalers took a breather, as investors took profits following an extended period of performance. The pullback also reflected a combination of elevated valuations, concerns around the scale and returns of ongoing AI related capital expenditure, and a broader rotation into sectors with more attractive near-term earnings and valuation support. This provided support to equal-weighted US indices which advanced.
- **Emerging market** equities posted mixed results over the month. While structural tailwinds in semiconductor-exposed Asian markets (such as Taiwan and South Korea) and strong domestic growth in India provided upward momentum, major drags came out of Hong Kong and mainland China. China's economic recovery continued to show soft consumer demand and real estate headwinds limiting broader index gains.

The chart below shows the 10 largest companies by market capitalisation in each of the listed equity indices. The S&P 500 and the Emerging Market indices are dominated by the tech sector, Australia by financials, while markets like Europe and Japan have a more diversified sector mix.



Source: JP Morgan Asset Management: Guide to the Markets – Australia, FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Data as of 30 June 2026.

Fixed Income & Commodities

June was a positive month for fixed income:

- **Australia**: Australian bonds recorded positive returns as the fixed income market responded to shifting economic indicators. Softening domestic momentum, an uptick in the unemployment rate to 4.4%, and easing global energy shocks pushed domestic bond yields lower. The Australian 10-year government bond yield fell by 11 basis points to 4.72%, providing a welcome gain for fixed income portfolios.
- **Global**: Global sovereign bonds posted modest gains as yields declined across most major developed markets, aligning with a cooling global inflation outlook. However, the US Treasury yield curve experienced further flattening as short-term yields remained sticky due to mixed Federal Reserve policy signals. Corporate bonds remained highly resilient, supported by steady corporate balance sheets, though credit spreads widened slightly.
- **Brent crude oil** fell sharply, by roughly 20%, following the US-Iran ceasefire and prospects for an open Strait of Hormuz.
- **Gold** dropped 12%, marking its weakest single month in over a decade, as safe-haven demand collapsed, and the US dollar strengthened.

Property and Infrastructure

- **Global listed infrastructure** delivered stable, positive outcomes. The asset class was a primary beneficiary of lower global bond yields and the sharp drop in energy costs, which alleviated input pressures for regulated utilities. Transportation infrastructure, particularly global airports, continued to see strong support from resilient international travel volumes.
- **Global listed real estate** experienced a broad-based recovery. Lower long-term borrowing yields revitalised investor sentiment toward interest-rate-sensitive sectors. Specialised segments, including data centres and logistics assets, continued to command healthy valuation premiums, while traditional office property showed signs of stabilisation.
- **Australian listed property trusts** outpaced broader equities, generating a solid positive return of 1.7% in June. The decline in the domestic 10-year yield provided a tailwind. Performance was remarkably strong in the residential REIT segment, which rebounded by 13%, while industrial and retail REITs continued to rely on robust rental growth profiles.

Outlook and Positioning

Looking ahead, the investment environment remains broadly constructive, although markets are likely to experience periods of increased volatility. Inflation has moderated considerably across most developed economies, allowing central banks greater flexibility to gradually ease monetary policy. However, policymakers remain cautious, and the pace of interest rate reductions is likely to depend on continued evidence that inflation is sustainably returning to target. Economic growth is expected to remain below long-term trend in many developed markets, although recession risks have diminished compared with expectations earlier in the tightening cycle. We maintain our current asset allocation but are looking for areas of opportunity in the event of a more balanced risk-reward environment.

Benchmark Returns

Period Ended: 30 June 2026	1 Month %	3 Months %	6 Months %	1 Year %	3 Years % (pa)	5 Years % (pa)	10 Years % (pa)
Australian Shares							
S&P/ASX 100	0.91	4.24	3.34	5.91	10.63	8.18	9.71
S&P/ASX 200	0.67	4.05	2.37	6.11	10.62	7.76	9.45
S&P/ASX Small Ordinaries	-2.00	3.32	-7.91	8.11	9.89	2.98	7.03
International Shares							
MSCI ACWI ex-Australia AUD	3.05	13.77	7.12	17.17	18.24	12.86	13.67
MSCI ACWI ex-Australia AUD (Hedged)	0.02	15.10	11.94	25.44	19.32	10.92	
MSCI Emerging Markets AUD	2.39	22.64	19.21	35.75	21.40	8.93	10.87
Australian Cash and Bonds							
Bloomberg AusBond Bank	0.39	1.07	1.99	3.86	4.21	3.11	2.20
Bloomberg AusBond Composite Index	0.96	2.65	2.30	1.53	3.98	0.37	1.77
International Bonds							
Bloomberg Global Aggregate AUD (Hedged)	0.43	1.46	1.20	2.94	3.68	-0.03	1.41
Global Listed Infrastructure							
FTSE Developed Core Listed Infrastructure 50/50 AUD (Hedged)	2.20	2.61	11.85	17.17	11.81	7.90	7.27
Property							
S&P/ASX 200 A-REIT	1.73	13.74	-5.17	-2.24	11.57	5.67	5.73
FTSE EPRA Nareit Developed AUD (Hedged)	1.87	8.79	9.83	14.33	9.05	1.77	3.21

Source: Morningstar Direct