MONTHLY MARKET REPORT SUMMARY: JULY 2026

July 2026 was a volatile month for global markets. A fragile Middle East ceasefire collapsed on July 8, reigniting US-Iran hostilities and prompting attacks on shipping in the Red Sea and the Strait of Hormuz that pushed Brent crude around 24.0% higher over the month. At the same time, a sharp global sell-off in semiconductor and AI-infrastructure shares, driven by concerns over the scale of spending and uncertainty about future revenues, dragged the Philadelphia Semiconductor Index down more than 22.0%, its worst month in over a decade. Despite the turmoil, developed share markets were broadly flat, as strong corporate earnings and improved market breadth offset the weakness in technology.

Australian shares proved more resilient than global peers, supported by banks and resources and their limited exposure to the technology names at the centre of the sell-off. Emerging markets, by contrast, bore the brunt of the semiconductor rout, led lower by Korea and Taiwan. Bond markets sold off sharply as the conflict resumed and the US Federal Reserve pushed back against near-term rate cuts, lifting long-dated yields to multi-year highs. The Australian dollar firmed modestly as higher oil and commodity prices supported the terms of trade.

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KEY SECTOR TAKEAWAYS

GLOBAL DEVELOPED SHARES

Unhedged global shares fell 0.9% in AUD terms in July, bringing 12-month returns to 10.5%, while hedged global shares rose 0.3% in July and returned 20.5% over the past 12 months. Markets were volatile as the Middle East ceasefire collapsed and a sharp reassessment of AI-infrastructure spending triggered a heavy sell-off in semiconductor shares. Strong US corporate earnings and improved market breadth, with financials and energy taking up the leadership relinquished by technology, helped offset the weakness.

AUSTRALIAN SHARES

Australian shares rose 2.3% in July, bringing 12-month returns to 6.0%. The domestic market proved considerably more resilient than global peers, helped by its comparatively light exposure to the technology and semiconductor names at the centre of the global sell-off and by support from banks and resources. Energy led the Australian market, financials rose meaningfully, whilst health care continued its recovery.

KEY SECTOR TAKEAWAYS

EMERGING MARKETS

Emerging market shares fell 4.4% in AUD terms in July, bringing 12-month returns to 25.1%. Emerging markets, and Asian technology exporters in particular, bore the brunt of the semiconductor sell-off. Korea and Taiwan has grown to become the two largest constituents of the MSCI Emerging Markets Index, so their concentration became a source of vulnerability once sentiment towards AI-infrastructure spending turned.

PROPERTY AND INFRASTRUCTURE

Hedged global listed property rose 2.4% in July, bringing 12-month returns to 17.3%. Hedged global listed infrastructure rose 0.2%, bringing 12-month returns to 15.5%. Australian listed property was little changed, down 0.1%, bringing 12-month returns to -5.4%. Rate-sensitive sectors faced a headwind into month-end as long-dated bond yields spiked following the Federal Reserve's hawkish hold. Even so, global REITs advanced on improved fundamentals and supply shortages, while infrastructure remained in favour as an inflation hedge offering more stable cash flows.

KEY SECTOR TAKEAWAYS

GLOBAL FIXED INTEREST

Hedged global bonds fell 0.9% over July and returned 2.1% over the past 12 months. Bond markets sold off sharply as the Middle East conflict reignited and the US Federal Reserve pushed back against near-term easing, with the US 10-year Treasury yield rose from 4.44% at the end of June to 4.75% by month-end.

AUSTRALIAN FIXED INTEREST

Australian bonds fell 0.4% over July and returned 1.1% for the past 12 months. The 10-year yield lifted from 4.75% at the end of June to as high as 5.1% in late July amid the global bond sell-off, before easing back below 5% by month-end.

COMMODITIES

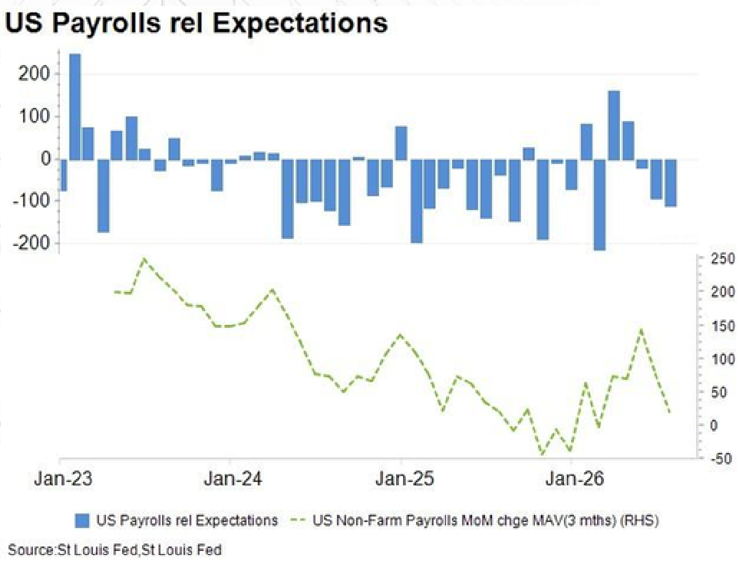
Brent crude had a volatile month, ending July at around US$90 a barrel, a gain of roughly 24.0%. Prices fell below US$71 early in the month on ceasefire optimism, before the resumption of US-Iran hostilities on July 8 and attacks on Red Sea shipping drove Brent briefly above US$100. Gold was little changed near US$4,045 an ounce, supported by ongoing central bank buying but capped by a firmer US dollar and higher real yields.

KEY SECTOR TAKEAWAYS

CURRENCIES

The Australian dollar ended July near US$0.70, modestly firmer over the month as the rally in oil and broader commodity prices supported the terms of trade. The US dollar lost some ground despite the more hawkish Federal Reserve and the sharp rise in Treasury yields, while the Japanese yen remained under pressure before rebounding late in the month on co-ordinated intervention by the Bank of Japan and the US Treasury.

ECONOMIC HIGHLIGHTS



UNITED STATES: A HAWKISH FEDERAL RESERVE AND A SOFTENING LABOUR MARKET

The Federal Reserve held the federal funds rate at 3.50% to 3.75% for a second consecutive meeting under Chair Kevin Warsh, but three regional presidents dissented in favour of a 25 basis point hike, and a hawkish press conference led markets to price around a 60.0% probability of a hike in September. The labour market softened, with July payrolls falling 23,000 against expectations of an 88,000 gain and earlier months revised down by 103,000, although the unemployment rate eased to 4.1% on lower participation. Activity nonetheless remained firm, with the ISM manufacturing index at its highest since May 2022 and corporate earnings growth tracking around 45.0%.

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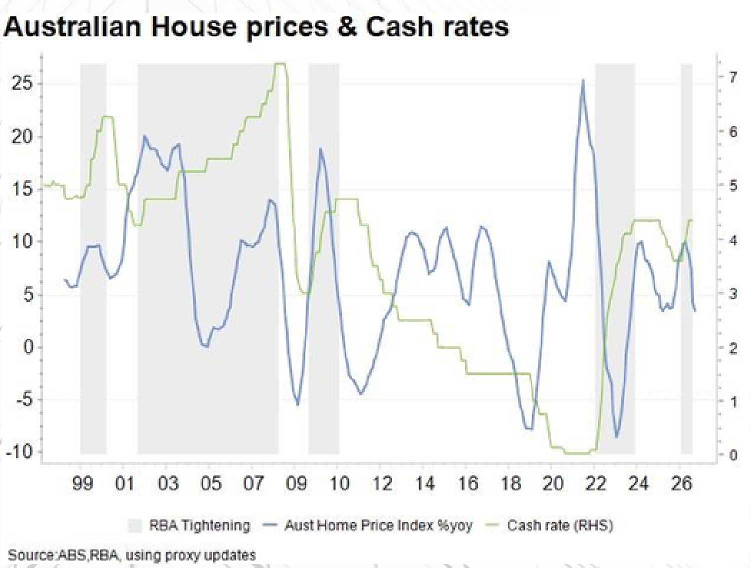
ECONOMIC HIGHLIGHTS



AUSTRALIA: EASING INFLATION AND A SOFTER GROWTH OUTLOOK

The June quarter CPI, released on 29 July, showed headline inflation easing to 3.8% from 4.0% in May, while the RBA's preferred trimmed mean measure held steady at 3.6%, below the Bank's own projection. The RBA left the cash rate on hold at 4.35% through the month, following three hikes earlier in the year. With inflation lower than expected, house prices declining and business conditions still subdued, markets sharply pared their expectations for further tightening, moving to price barely one more hike in 2026 and beginning to factor in easing in 2027.

ASSET CLASS RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Australian Cash	0.4	3.9	4.2	3.2
Australian Bonds	-0.4	1.1	3.7	-0.1
Global Bonds (Hedged)	-0.9	2.1	3.4	-0.5
Australian Shares	2.3	6.0	10.4	8.0
Global Shares (Unhedged)	-0.9	10.5	16.6	12.3
Global Shares (Hedged)	0.3	20.5	17.7	11.0
Emerging Markets	-4.4	25.1	17.7	9.0
Global Infrastructure (Hedged)	0.2	15.5	11.3	7.1
Australian Listed Property	-0.1	-5.4	10.2	5.6
Global Listed Property (Hedged)	2.4	17.3	8.7	1.5
AUD / USD	2.3	8.7	1.7	-0.7

GLOBAL SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	2.4	10.6	6.4	4.9
Consumer Discretionary	1.8	6.6	9.9	4.6
Energy	12.7	41.3	15.9	21.3
Financials	6.5	21.5	24.4	14.9
Health Care	1.5	21.3	6.8	4.4
Industrials	-1.2	18.8	19.0	12.0
Information Tech	-4.1	27.5	27.1	17.6
Materials	-0.5	25.9	10.2	6.1
Telecom	0.2	14.3	23.2	9.3
Utilities	-1.5	12.7	14.2	9.1

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AUSTRALIAN SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	-0.1	12.6	3.8	2.9
Consumer Discretionary	1.1	-4.4	11.7	4.9
Energy	12.1	20.5	2.0	12.4
Financials	5.8	8.5	19.5	13.6
Health Care	2.2	-40.0	-11.8	-8.5
Industrials	-1.4	3.3	11.2	9.3
Information Tech	-4.8	-39.7	-1.9	-2.3
Materials	-0.9	44.8	12.3	9.8
Telecom	1.1	-10.1	5.2	5.6
Utilities	-1.0	5.4	7.9	16.0

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CONCLUSION

- Global share markets were volatile as the Middle East ceasefire collapsed and a sharp sell-off hit semiconductor and AI-infrastructure shares.
- Developed markets were broadly flat overall, with strong US earnings and improved breadth as financials and energy took over the leadership from technology.
- Australian shares outperformed global peers, supported by banks and resources and their limited exposure to the technology sell-off.
- Emerging markets fell sharply, led lower by Korea and Taiwan as the semiconductor rout weighed on Asian technology exporters.
- Bonds sold off as the conflict resumed and the US Federal Reserve pushed back against near-term easing, lifting long-dated yields to multi-year highs.
- Brent crude surged around 24.0% as hostilities resumed, while the Australian dollar firmed modestly and gold was little changed.

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