The Tatton Weekly

IPOmania triggers market self-doubt

12 June 2026

This week's topics:

Stall, correction and rebound

Tariff trouble again

Super El Niño threatens food security

This week's writers:

Lothar Mentel
Chief Investment Officer

Jim Kean
Chief Economist

Dr. Isaac Kean
Head of investment writing

Geopolitics 1, football 0 , Ben Jennings, 12 June 2026

Stall, correction and rebound

Equities started the week poorly but ended strong – a reversal of last week. Trading liquidity was initially tight as investors contemplated a glut of newly issued shares, most notably today's SpaceX IPO, but liquidity returned on Friday amid good news stories. Recent volatility has largely been in tech sectors. That is why UK and European markets were steady compared to the tech-heavy US, despite the European Central Bank (ECB) raising interest rates.

The underlying themes are the same as they have been for months, even if they are evolving. Most players in the Middle East conflict want peace and seem to be making progress. In the UK, the Prime Minister's erstwhile allies are fading. UK bond (gilt) traders will be focussed on the Makerfield by-election next week, but global investors will care more about interest rates and Kevin Warsh's first meeting as Federal Reserve Chair.

Mixed weather for a SpaceX launch?

The $75 billion of fresh SpaceX shares have reportedly met $350 billion in demand. Having set the initial price at $135 per share, secondary trading is indicated to open at $165 – though exchanges have delayed trading to find the opening balance.

Many wondered if it was bad timing for the biggest IPO in history. AI optimism has backed off from its peak and trading liquidity has declined. Alphabet (Google's owner) just placed $85bn in fresh equity, of which $45bn have already been filled, absorbing almost as much of the available capital as the SpaceX IPO. Bitcoin – which has mirrored market liquidity and retail investor sentiment – failed to meaningfully recover recent falls. Having said that, tight liquidity and softer sentiment are partly because of the equity issuance glut.

At the time of writing, SpaceX's floated shares are in strong demand. Funds tracking the Nasdaq will soon be forced to buy them, so the more speculative investors will look to lock in purchases now. But a true appraisal of the blockbuster IPO will have to wait a week at least. Lockup expiries (insiders being gradually allowed to sell their shares) could be more important than the debut day itself.

Those worried or excited about their portfolios' potential SpaceX exposure should note that it will not be included in the S&P 500 for a year and only make up a maximum 0.5% of the Nasdaq and MSCI USA, even if the IPO is a resounding success. In other words: negligible in terms of a globally diversified multi-asset portfolio like Tatton's.

Market sentiment has been weak recently. Many are once again worried about a dotcom-style bubble. Those fears are understandable, but there is a key difference between the AI boom and the dotcom bubble in 2000: right now, it is the biggest, most profitable companies demanding investment capital. Even SpaceX's revenue is significantly larger than many of the 2000s companies that listed and quickly saw their share prices collapse. Moreover, leveraging those profits for investment in new technology makes it more likely that the current big tech winners will keep winning.

Thank China for (relatively) cheaper oil

China's weak economy has gone under the radar – partly because of other global drama and partly because we have become used to it. Interestingly, China's inflation expectations have moved up after years of deflation, thanks to higher oil prices and government mandates against price wars. But inflation has not stopped Chinese government bond yields falling – signalling persistently weak growth.

For the global economy, the most notable impact is China's weak oil demand. Chinese oil imports have fallen off a cliff since the US and Israel launched their war on Iran. Indeed, that is one of the reasons oil prices have not spiked to the predicted $150-$200 per barrel level.

China's low import figures are down to a range of factors (reserves, alternative sources, changing demand patterns) but the key question for the world economy is: what happens if that changes?

There are already signs of stress in global energy. European natural gas storage is currently at the low end of its seasonal range, and short-term gas futures contracts are getting more expensive.

The shape of futures markets suggests this is a short-term problem but – like so many things – that depends on resolution in the Middle East.

Fresh narratives to come next week

After attacks by the US and Iran, it was difficult to see a resolution. Oil prices fell after Iran leaked a 14-point proposal following a meeting with the Qataris, but they rose once Trump said "The terms that Iran leaked out to the Fake News have NOTHING to do with the terms that were agreed to, in writing…". That came only hours after he confidently announced for the 40th time (!) that a deal was "very, very close – probably the weekend".

At least we know there was some sort of agreement. Both sides have a clear incentive: energy inflation is damaging US affordability, Trump's biggest political weakness, while the Iranian regime needs money and resources to maintain its power. But that has been true throughout the over 100-day war. Both sides are factional and unpredictable, making an agreement difficult. There is always somebody on each side destabilising any potential outcome.

'Factional and unpredictable' could equally apply to Westminster. We are still waiting for Andy Burnham's (potential) entry to Parliament next Thursday. In the meantime, Defence Secretary John Healey just resigned over what he says are insufficient resources for the UK's Defence Investment Plan. The plan has been lingering for a while and there are suggestions that it could force the government to issue a new 'War Bond'. That does not bode well for gilts, but regardless, yields barely moved this week. Like everyone, gilt traders are waiting for Makerfield.

The ECB's clearly signposted rate rise did not move bonds or equities either. Markets are focussed on a much less predictable central bank: the Kevin Warsh-led Federal Reserve. Next week's Fed meeting will be Warsh's first, and we have written before about how his low-rates, light-balance-sheet approach could be a game changer for markets. If nothing else, we should at least have something else to talk about next week.

Tariff trouble again

Markets have not worried about tariffs in a while. That might be because Donald Trump's tariffs have not disrupted global trade as much as feared, but it might just be because investors have bigger things to worry about. That would explain why Washington's fresh round of tariffs against 60 countries, announced last week, went a little under the radar.

The US is putting an extra 10% tariff on allies, including the UK and EU, and 12.5% on everyone else. The levies are nominally to combat insufficient enforcement of forced labour laws, but they are quite clearly designed to recoup revenues from last year's failed 'Liberation Day' tariffs. That replacement means the new tariffs are not a Liberation Day-sized risk for markets. They are still a risk, however.

New tariffs take time

Washington's problem with forced labour is not the suffering it causes forced labourers, but rather the competitive disadvantage for American companies. For context, the US is one of the only members of the International Labour Organisation not to ratify its Forced Labour Convention. Strangely, the findings of the US Trade Representative's (USTR) investigation propose an additional 10% US tariff on countries that *do* have laws against importing goods produced by forced labour – including the UK, EU, Canada, Mexico and Taiwan. Countries without such laws face a 12.5% tariff.

The new tariffs fall under Section 301 of the 1974 Trade Act, which allows the USTR to propose levies if it finds unfair treatment from trade partners. They replace the time-limited Section 122 tariffs, that as already mentioned were ruled illegal last month. The 122 tariffs were themselves a stopgap replacement for Trump's original "reciprocal" tariffs under the International Emergency Economic Powers Act (IEEPA). Those led to the infamous "Liberation Day" market selloff in April 2025, but were ruled illegal by the Supreme Court in February.

Those court rulings mean that Trump does not have total tariff power. Section 301 tariffs can only be imposed after the USTR's investigation and due process. Another USTR investigation – over alleged 'dumping' of goods – is still ongoing, for example (though it will almost certainly deliver extra tariffs). The payoff for the longer process is that Section 301 tariffs are much more likely to survive legal challenges. They have been frequently used by past US presidents, including Obama and Biden.

Tariff clarity at last?

The new 10%-12.5% tariffs will not make much of a difference to the effective tariff rates felt by US trade partners since last summer. According to trade expert Sam Lowe, "In practice, this leaves many of the countries in a similar position to where they were under the IEEPA." But unlike the Liberation Day tariffs, the Section 301 tariffs do not appear to be aimed at addressing Trump's personal grievances over trade imbalances. Rather, they look like a straightforward cash grab.

The US government needs revenue. Its budget deficit has been expanding under successive administrations (including during Trump's first), exacerbated by Trump's income and corporate tax cuts. Bond investors increasingly see rising US debt as a risk for treasury bonds. After initially selling off in April 2025, tariff revenues have come to be viewed as a positive for US yields.

Not all of the tariffs are entirely outlandish either. You could argue that a 10% US tariff on EU imports helps address a relative advantage that European producers have through VAT offsets, while US producers are disadvantaged by much blunter state-level sales taxes. Indeed, the White

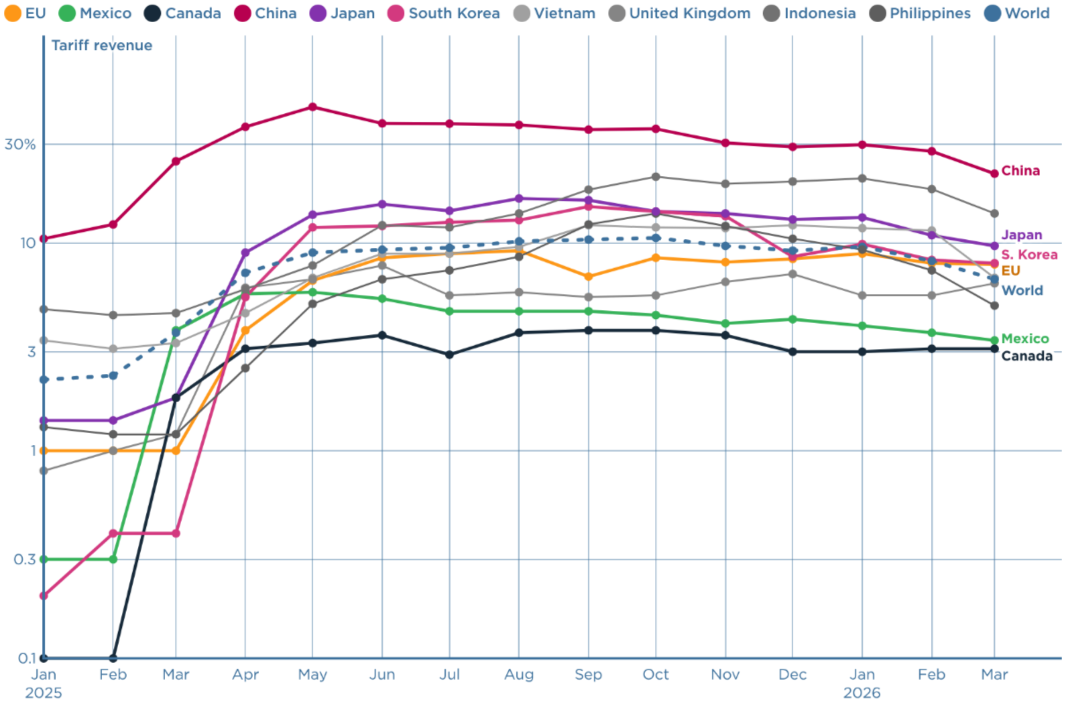
House has repeatedly argued that point although it blames Brussels rather than the US system for the discrepancy.

The slower, more legally secure tariffs provide more certainty for trading partners too. American importers would like to pay zero tariffs – but they would rather operate under a certain 10% levy than constantly changing rates. Trade policy by Truth Social is the worst outcome for everyone. In the meantime, global trade has held up surprisingly well over the last year, so an unchanged flat rate should not disturb things anymore. However, while bond markets appreciate the revenue, US

Figure 2

How much tariff revenue is the US collecting on different countries' goods?

Monthly tariff revenue as percent of monthly total import value (CIF), by import sources, January 2025–March 2026



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CIF = cost, insurance, freight

PIIE

Notes: Tariff revenue data are calculated duties estimated by the United States International Trade Commission (USITC), based on US tariff rates and any special import statuses claimed by importers. The CIF value is the total cost paid to the foreign seller, insurance paid to cover the risk of loss in transit, and freight paid to the ocean shipping, air transport, or trucking firm.

Source: USITC DataWeb.

consumers and smaller businesses have experienced higher prices and have realised that it is not just foreign producers who are picking up the tab.

Extra tariffs are a mild risk, but a risk nonetheless

That does not mean all quiet on the tariff front. The bigger issue is what comes next, with the USTR's anti-dumping investigation likely to result in extra tariffs, especially against China. There are also lingering Section 232 national security tariffs – which could also be secure against legal challenges. We do not know what extra charges these will bring, but we do know that tariffs under the various statutes stack on top of each other, potentially resulting in substantial overall tariff rates. Trump's process for imposing tariffs takes longer than it used to, but if he wanted to run another Liberation Day, there are plenty of ways he could.

The main reason markets are not so worried is that Trump, seemingly, does not want to. His recent summit with Xi Jinping looked friendly, and both the US and China have deep interests in continuing to trade. Ultimately, the tariff question will come down to what Trump sees as politically valuable ahead of the November midterm elections: protectionist measures that play to the MAGA faithful, or cost of living relief for struggling Americans?

Trump's low approval rating – particularly on the economy – strongly suggests the latter. As ever with this administration, though, we have to wait and see. US tariffs have moved into a less chaotic phase than last year, and the world economy is coping well. But the potential for a nasty surprise is still there.

Super El Niño threatens food security

El Niño has begun. Japan's Meteorological Agency reported this week that the weather phenomenon, characterised by persistently warmer than average sea surface temperatures across the equatorial Pacific Ocean, started this spring. The warmer temperatures can create extreme weather conditions across the world, damaging communities and adversely affecting crops.

That is a risk for global supply chains, at a time when supply chains are already under stress. El Niño's effect on the world economy is not straightforward, so it is not as simple as saying prices will rise. Still, it shows the economic problems created by climate change.

Super El Niño can cause immense damage

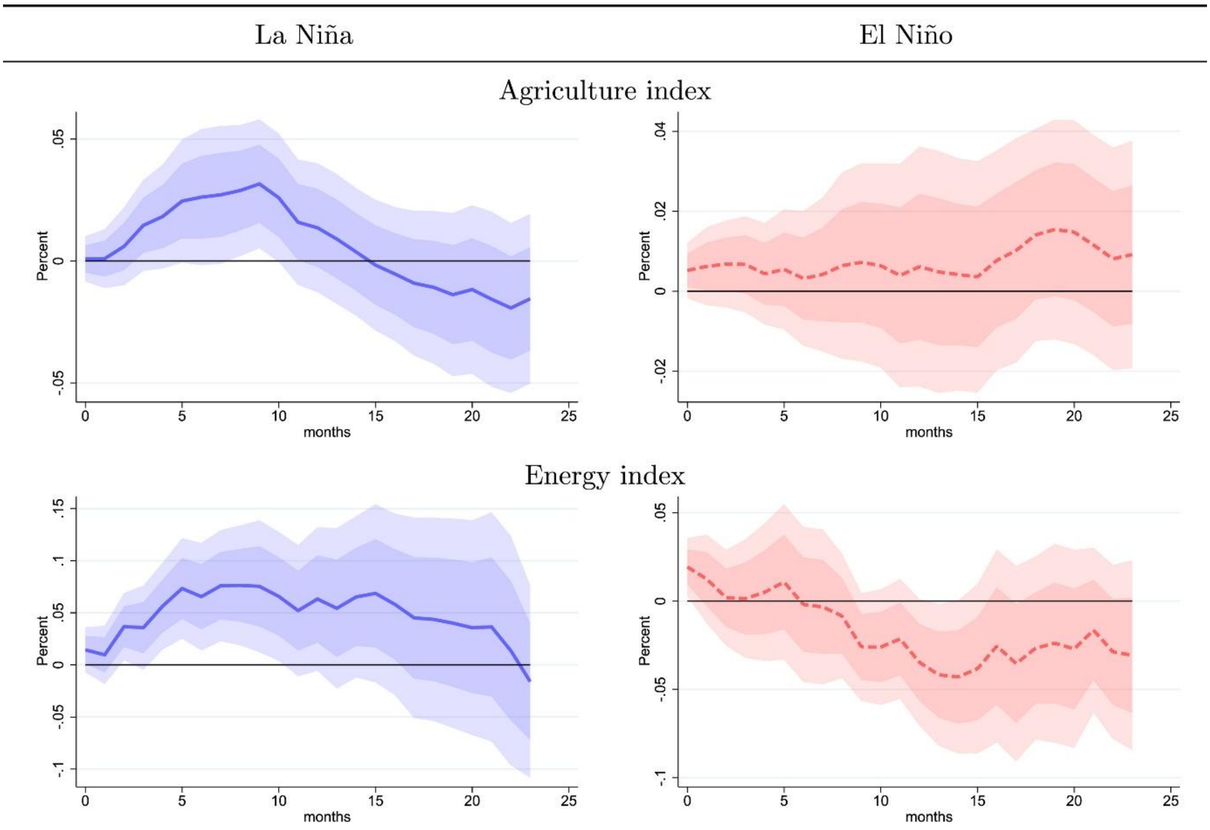
An El Niño event is said to start when surface temperatures in the Pacific Ocean rise above the long-term average by at least 0.5C for five overlapping three-month periods. Ocean wind patterns change during these events, so warm waters that would normally flow towards Asia head towards the Americas instead.

El Niño occurs irregularly every few years as part of the El Niño-Southern Oscillation (ENSO) cycle, which includes cold periods, known as La Niña, and the neutral baseline. This year, meteorologists are bracing for a much rarer "Super El Niño" – an informal term for sea temperatures more than 2C above average. While some expect this to push global air temperatures to new highs in 2027, research indicates that the biggest impact is on global rainfall and wind patterns; droughts in some parts of the world and floods in others, gales and hurricanes in places that are built for gentle breezes.

Those extreme weather events related to El Niño can be devastating, both directly and indirectly through property damage and agriculture disruption. The impacts on the world economy are less clear, however. Academic research suggests that many regions experience a growth hit, while others – including the US and Europe – can get a short-term boost. But while estimates vary, most suggest that the overall effect on the global economy is negative. Some studies even point to trillions in lingering El Niño damage over the years.

ENSO volatility means commodity volatility

For markets, El Niño's main impact is on commodity prices. ENSO shocks (extreme variations from the typical ENSO cycle) are strongly associated with commodity price volatility. That is not always about El Niño specifically, and the volatility does not always happen straight away. In fact,



Source: Dufrénot, Ginn and Pourroy (2026)

https://www.sciencedirect.com/science/article/pii/S0305750X25002517#fig5

La Niña variations can have a bigger impact on energy and agriculture prices, though lagged from six months to a year.

The short-term impacts of El Niño on energy prices are typically smaller. Goldman Sachs published a research note this week showing only a weak correlation between El Niño and summer temperatures in the US, Europe and Asia, for example. Goldmans therefore have not changed their forecasts for natural gas demand this summer, though they note rising temperatures in general from climate change.

ENSO shocks are felt more in soft commodities. A warmer world amplifies ENSO variations, hurting crop production in many parts of the world. Crops elsewhere can sometimes benefit, but the aggregate effect is increased volatility in soft commodity prices.

The varied impacts are not just about farming conditions themselves. Prices are particularly volatile for commodities that are highly concentrated, or where only a small proportion of overall production is sold on international markets. By contrast, globally traded crops that are grown across the world are usually less volatile when extreme weather hits.

Food chain security requires different solutions

Right now, the biggest global supply chain concern is how to get tankers through the Strait of Hormuz. El Niño might seem like a low priority given everything else going on – but these events are not independent of each other. With the Strait closed, farmers struggled to get adequate supplies of fertiliser this spring, which is likely to push up food prices into the end of 2026. If extreme weather hits at the same time, food shortages become much more likely.

The impact of weather on global agriculture is an increasingly large concern as climate change accelerates. One way to mitigate those risks is by diversifying the world's agriculture production. ENSO shocks increase the chance of individual crops failing, but it is still unlikely that all will fail at the same time. Variation and increased global trade mean more secure food supplies than in the past.

Unfortunately, that is the opposite of the overall trend in global trade – which has put more emphasis on domestic or nearby production. That might make sense for certain goods like energy, where individual sources are generally reliable and the important factor is who controls them. But farming is different. Extreme weather events make all individual sources vulnerable and unpredictable – regardless of who controls them. We tend to think of supply chain security in energy terms, but food security arguably calls for a different approach.

These issues will only get more pressing as climate change continues. Even if "Super El Niño" does not push up inflation this year, it shows the long-term climate risks facing markets and the global economy.

Tatton
Investment Management

12 June 2026

Global Equity Markets 12-Jun | Technical | Valuations

Market	Level	% 1 Week	% 1 Week (GBP)	Short Medium	Div YLD %	LTM PE	NTM PE	10Y AVG NTM PE
UK FTSE 100	10441	+0.5	+0.5	→ ↗	3.1	15.1	12.7	12.7
UK FTSE 250	23277	+0.3	+0.3	↗ ↗	3.5	12.3	12.3	13.2
UK FTSE All-Share	5615	+0.5	+0.5	→ ↗	3.2	14.8	12.7	12.7
FTSE Small x Inv_Tsts	6479	+1.2	+1.2	↗ →	4.2	21.7	9.7	9.9
EU STOXX ex UK	807	+1.3	+1.3	➚ ↗	2.9	17.9	15.8	15.1
France CAC 40	8323	+1.0	+1.0	↗ →	3.0	17.4	14.6	14.1
Germany DAX 40	24514	-1.2	-1.2	➚ →	2.7	17.5	14.9	13.4
US S&P 500	7406	-1.4	-1.9	➚ ↗	1.1	25.1	20.4	19.0
US NASDAQ comp	25804	-2.2	-2.7	➚ ➚	0.6	34.7	24.8	26.2
Japan Nikkei 225	66020	-0.9	-1.3	➚ ➚	1.3	24.6	22.9	18.7
World Bloomberg	2570	-0.9	-1.3	➚ ↗	1.6	22.2	17.6	16.7
China Bloomberg	1306	-1.0	-1.5	→ →	2.1	15.2	12.1	12.5
Emerging Bloomberg	1830	-0.1	-0.6	➚ ➚	2.0	18.1	11.9	12.5

FTSE100 Top 6

Company	%
Entain	+8.4
Airtel Africa	+8.4
Tritax Big Box REIT	+7.9
Coca-Cola HBC	+6.5
Croda Int'l	+6.1
IG	+6.0

S&P Global Top 6 (GBP terms)

Company	%
Sandisk	+26.0
Intel	+23.4
Applied Materials	+22.7
Lam Research	+20.6
Banca Monte dei Paschi di Siena	+20.1
Casey's General Stores	+18.4

Global Sectors (GBP terms)

Sector	%	Sector	%
Tech	-0.4	Staples	+1.7
Financials	+1.6	Energy	-0.6
Health	-0.1	Materials	+0.3
Discretionary	-0.7	Utilities	+0.0
Industrials	-0.2	Real_Estate	+0.9
Communicatic	-2.1		

FTSE 100 Bottom 6

Company	%
Halma	-15.7
Sage	-6.2
RELX	-5.4
London Stock Exchange	-5.0
Barratt Redrow	-4.2
Mondi	-4.1

S&P Global Bottom 6 (GBP terms)

Company (GBP terms)	%
Super Micro Computer	-24.6
Adobe	-19.5
PTC	-17.3
Sumitomo Electric Industries	-16.1
Halma	-15.7
Autodesk	-15.2

Fixed Income

Govt bond	%Yield	1 wk chg
UK 5yr Gilt	4.38	-0.08
UK 10yr Gilt	4.84	-0.06
UK 15yr Gilt	5.24	-0.06
US 10yr Treasury	4.48	-0.06
France 10yr OAT	3.75	+0.06
Germany 10yr Bund	3.00	-0.04
Japan 10yr JGB	2.62	-0.04

Currencies

Pair	last	%1W
USD per GBP	1.341	+0.1
GBP per EUR	0.863	-0.0
USD per EUR	1.157	+0.1
JPY per USD	160.24	+0.0
CNY per USD	6.764	-0.3
USD per Bitcoin	63,384	+4.2

Commodities

Cmdty	last	%1W
Oil Brent $:bl	89.23	-4.6
Gold $:oz	4193	-4.0
Silver $:oz	66.56	-4.0
Copper $:lb	642.6	+1.5
Alumnm $:mt	3508	-6.1
Agriculture BBG	54.44	-0.6

UK Mortgage Rate Estimates

Rates (LTV c.75%, no fee)	12-Jun	13-May
UK BoE base rate	3.75	3.75
2yr fixed	4.75	5.14
3yr fixed	4.86	4.97
5yr fixed	4.67	5.00
10yr fixed	5.21	5.28
Standard variable	6.60	6.60

Where possible, prices taken levels at 12 June 3:00 PM (today) and 05 June 3:00 PM. Mortgage estimates from moneyfacts.co.uk
LTM PE is the index price as a ratio of last 12 months earnings. NTM PE is next 12 months earnings.

Please note: Data used within the Personal Finance Compass is sourced from Bloomberg/FactSet and is only valid for the publication date of this document. The value of your investments can go down as well as up and you may get back less than you originally invested.

Lothar Mentel