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# Weekly Market Review

**Author**
Nick Warmisham
Investment Analyst

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## **Market recap** – technology sell-off ends winning run for stocks

Global stock markets fell sharply last week as technology stocks experienced a significant sell-off. This was triggered by disappointing results from chipmaker Broadcom and a stronger-than-expected US jobs report, increasing expectations of an interest rate rise. The technology-heavy **Nasdaq 100 dropped 3.8%** (all returns in sterling terms) – its worst week since April 2025 – while the **S&P 500 fell 1.9%**, posting its first weekly loss since March. The **Dow Jones Industrial Average** was a notable exception, edging up **0.4%,** as investors rotated into more defensive and value-oriented companies. In the UK, the **FTSE 100 slipped 0.4%** and the **MSCI Europe Index** (excluding the UK) **fell 0.8%**, dragged lower by technology-linked holdings. **Japan's TOPIX was broadly flat at 0.2%** and the **Nikkei 225 edged up 0.4%**. The **MSCI Asia Pacific Index (excluding Japan) fell 1.2%** and **MSCI Emerging Markets was down 1.3%**, with South Korea particularly weak as Samsung Electronics and SK Hynix bore the brunt of the global sell-off in semiconductor stocks.

## **Geopolitics** – Middle East impasse keeps energy markets on edge

The Strait of Hormuz remained closed to shipping throughout the week as US-Iran ceasefire talks remained stalled. Early hopes of a deal faded quickly after **Iran broke off negotiations**, citing ongoing Israeli military activity in Gaza and Lebanon, while Iran-backed Hezbollah rejected a separate Lebanon ceasefire proposal. US President Donald Trump had maintained that talks were in their final stages, but Iranian officials struck a more pessimistic tone and regional skirmishes continued. The Trump administration also announced plans for new **tariffs of 10% to 12.5% on a broad range of countries**, adding a further layer of uncertainty for investors already navigating elevated energy prices and shifting rate expectations. With the **US Strategic Petroleum Reserve on track to hit its lowest level since the early 1980s**, traders are increasingly focused on physical inventory data as the clearest signal of when energy shortages may begin to affect consumers and businesses in earnest.

## **Central banks** – strong jobs data complicates debut for new Fed chair

Friday's bumper US employment figures – **172,000 jobs added in May**, more than double what was expected – means markets are now pricing in at least one **interest rate rise before the end of the year**. This is a stark contrast to the multiple cuts expected at the start of 2026. The new Chair of the US Federal Reserve (the Fed), Kevin Warsh, will make his debut at the June meeting. Rates are expected to be held for now, but the Fed is likely to signal the next move could go either way. Meanwhile, comments from Bank of Japan Governor Kazuo Ueda last week signalled an increased likelihood of a **June rate hike**.

## **News** – Broadcom disappointment resets AI earnings expectations

Broadcom's results disappointed not because they were weak, but because its prediction of an **84% growth in revenues in the third quarter** fell short of what markets expected as a minimum. Other chipmakers fell sharply and the message was clear: for artificial intelligence (AI) linked stocks, good results are no longer enough. Elsewhere, new car registrations in the UK rose **7.1% year on year in May** – the highest since 2019 – led by a **34.2% surge in battery electric vehicle** sales. In China, Tencent is testing an AI agent embedded in WeChat, while DeepSeek is exploring a fundraise at a reported valuation of **$52 billion**.

## **Economic data** – resilient activity but persistent price pressures

US economic activity data remains solid but upward pressure on prices persists. Manufacturing data for May showed activity at a four-year high, while services data also showed activity was up. Job openings hit **7.618 million in April**, above expectations. On the other hand, initial jobless claims rose to **225,000** and announced layoffs increased for a third consecutive month, with AI cited as the leading reason for cuts. In Europe, the eurozone economy **contracted 0.2% in the first quarter**, revised down from an initial forecast of 0.1% growth. In Japan, employment surged to a record **68.76 million** people.

## **Commodities**

The price of **Brent crude oil slipped around 2% on Friday to around $93 per barrel**, as Chinese crude imports fell to a ten-year low and diplomatic progress towards a US-Iran peace deal remained elusive.

**Gold fell around 4.2% during the week** – dropping below $4,370 per ounce, its lowest level in 2026 – as surging bond interest payments offered an increasingly attractive alternative. **Industrial metals were down 1.0%** and the **broader commodities index fell around 1.1%** in sterling terms.

## **Week ahead** – what to watch

**US:** Existing home sales (Tue); consumer price index (CPI) inflation (Wed); producer prices (Thur); consumer sentiment survey and SpaceX shares begin trading on the US Nasdaq stock exchange (Fri).

**Europe:** European Central Bank interest rate decision and press conference (Thur).

**Asia:** China balance of trade, exports and imports data (Tue); China year-on-year inflation (Wed).

**UK:** Economic growth (as measured by gross domestic product or GDP) month on month for April (Fri).

Source: Marlborough Multi-Asset, Morningstar, Financial Times, PIMCO, T. Rowe Price, Anglia Advisors, Trading Economics




**Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP**

**Intermediary Support.** 0808 145 2502

**Email.** salessupport@marlboroughgroup.com

**Website.** marlboroughgroup.com


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