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Multi-Asset Investment Solutions

Weekly Market Review

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Market recap – tech jitters and Gulf tensions leave markets mixed, US edges higher

Global stock markets picked their way through a volatile week dominated by fresh military strikes in the Middle East and sharp swings in chip stocks. In the US, the **S&P 500 was up 0.9%** over the week (unless otherwise stated, all returns quoted are in sterling terms) and the technology-heavy **Nasdaq 100 gained 1.3%**, as a rebound in artificial intelligence (AI) and chip stocks offset jitters earlier in the week. Meanwhile, the **Dow Jones fell 0.9%**. The **UK underperformed**, with the **FTSE 100 down 1.7%**, hit by weaker energy stocks, rising government bond yields* and an impending change of political leadership. The Investment Association (IA) **Europe (excluding the UK) sector** fell 2.2%**, led lower by technology companies. Japan also slipped, with the **TOPIX down 1.4%** and the **Nikkei 225 down 2.4%**, as bond yields jumped and the yen weakened before recovering late in the week. China was split, with mainland shares weaker but **Hong Kong's Hang Seng up 3.5%** in local terms (MSCI sterling returns were not available at the time of writing). The IA's **Asia Pacific (excluding Japan)** and **Global Emerging Markets** sectors were **both down around 2%.**

* *Bonds are interest-paying financial products issued by governments, companies and other institutions when they want to borrow money from investors. Yield is the income paid by bonds (or other investments). It is usually stated as a percentage of the value of the investment.*

** *The Investment Association, which is the trade body for UK investment managers, groups similar funds together into 'sectors' to enable investors to make straightforward like-for-like comparisons.*

Geopolitics – US-Iran conflict flares up again over key oil route

The fragile US-Iran ceasefire broke down again last week, with the US striking Iranian military and energy targets after the Islamic republic attacked shipping in the **Strait of Hormuz**, the narrow waterway through which around a fifth of the world's oil and gas normally passes. Iran retaliated against US-linked targets in Kuwait, Bahrain, Qatar and Jordan, though talks between the two sides are continuing despite the strikes. The **International Energy Agency** warned a prolonged standoff could delay the rebuilding of global oil stocks. Elsewhere, the UK's Labour Party confirmed **Andy Burnham** as its new leader, with Keir Starmer's replacement due to take over as prime minister on Monday 20th July.

Central banks – rate-rise speculation grows as inflation risks resurface

Minutes of the June meeting of the interest rate-setting committee of the **US Federal Reserve (the Fed)** showed some central bank policymakers had argued for a rate rise. So, although the Fed ultimately held rates steady, officials remain split on the path ahead. The **European Central Bank**, having raised rates in June for the first time since 2023, is now expected to hike **twice more over the year ahead**, as higher oil prices stoke inflation worries. Japanese bond yields briefly hit three-decade highs before easing after the country's Finance Minister encouraged pension funds to hold more domestic assets, which also steadied the yen. **New Zealand's central bank raised rates** for the first time in three years, to 2.50%, while China's central bank is continuing to provide targeted support for sectors such as housing and green energy.

News – SK Hynix stocks jump, but Samsung shares fall sharply

South Korean chipmaker SK Hynix completed a record US stock market listing, raising $26.5 billion, with the share price jumping because of strong demand. This contrasted with **Samsung**, whose shares fell sharply despite reporting a near 20-fold rise in profit, as investors judged even strong results were not enough given elevated expectations.

Economic data – US jobless claims fall, but home sales also down

US jobless claims **fell to 215,000**, but existing home sales **dropped 2.4%** on high prices and borrowing costs. Japan's **producer prices**, what firms charge each other before goods reach the shops, **rose 7.1%** year on year, the fastest pace in three years. Meanwhile, China's **consumer prices rose 1.0%** and **producer prices rose 4.1%**.

Commodities

Brent crude oil climbed to around $76 a barrel, a weekly gain of roughly 5%, as the US-Iran escalation raised fears over Strait of Hormuz disruption. **Gold slipped to around $4,100 an ounce**, down about 1.5% over the week, as higher oil prices and signals from the Fed lifted the odds of a rate rise, denting demand for the precious metal.

Week ahead – what to watch

US: Core and headline inflation rates (Tue); Fed Chair Kevin Warsh's testimony (Tue); producer price index figures (Wed); retail sales (Thu); building permits, housing starts and consumer sentiment (Fri).

UK: Economic growth (as measured by gross domestic product or GDP) (Thu).

China: Balance of trade, exports and imports (Tue), GDP growth rate, industrial production and retail sales (Wed).

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

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