

Multi-Asset Investment Solutions

Weekly Market Review

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Market recap – chip rout and a Gulf flare-up drag markets lower, UK bucks the trend

Global stock markets fell over the week, driven down by a sharp sell-off in chip and artificial intelligence (AI) related stocks and a fresh escalation in the US-Iran conflict. In the US, the **S&P 500 fell 1.8%** (all returns quoted are in sterling terms) and the technology-heavy **Nasdaq 100 dropped 4.4%**, as fears grew that Chinese competition could threaten US chipmakers' profits. The **Dow Jones**, with less exposure to technology, **fell a smaller 1.2%**. The **UK bucked the trend**, with the **FTSE 100 up 0.9%**, helped by low exposure to tech and gains in defensive and energy stocks, even as the country prepared for a change of prime minister. The Investment Association (IA) **Europe (excluding the UK) sector*** fell **0.5%**, as the region's chipmakers and banks fell in sympathy. Japan suffered one of the sharpest falls, with the **TOPIX down 3.5%** and the **Nikkei 225 down 7.0%**, as heavy technology weightings amplified losses. The IA's **Asia Pacific (excluding Japan)** and **Global Emerging Markets** sectors were both **down around 3.7%**, hit by weakness in Chinese and South Korean chip stocks.

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

Geopolitics – ceasefire collapses as Iran and the US trade fresh strikes

The fragile US-Iran ceasefire broke down again last week, with the **US striking Iranian military and energy targets** after Iran attacked shipping in the **Strait of Hormuz**, the waterway through which around a fifth of the world's oil and gas normally passes. Iran retaliated against US-linked targets across the Gulf. The International Energy Agency warned a prolonged standoff could delay the rebuilding of global oil stocks. Elsewhere, **Andy Burnham** was confirmed as UK Labour leader and is **taking over as prime minister** from Keir Starmer.

Central banks – Fed split on rate path as Korea hikes and ECB set to hold

Minutes from the Federal Reserve's June meeting showed policymakers split on the path ahead, with some arguing for a rate rise even as the Fed held steady, though cooler inflation data last week eased some of that pressure. The European Central Bank is expected to **hold rates steady** this week, with a possible cut pencilled in for September. Japanese government **bond yields*** eased to **2.70%** after the government reassured investors the Bank of Japan's independence would be protected, while South Korea's central bank **raised rates to 2.75%**, its first rise since early 2023, to curb inflation and support its currency.

**Bonds are interest-paying products issued by governments, companies and other institutions to borrow money from investors. Yield is the income they pay, usually expressed as a percentage of the investment's value.*

News – Chinese AI breakthrough triggers global chip sell-off

The week's biggest story was a sharp sell-off in chip and AI-related stocks, triggered by the launch of a rival artificial intelligence model, Kimi K3, by Chinese firm Moonshot. The sell-off pushed an index of leading chipmakers down by more than 20% from its recent peak, hitting stocks across the US, Japan, South Korea and Taiwan.

Economic data – US inflation cools sharply, but Chinese growth slows

US inflation cooled sharply in June, with consumer prices **falling 0.4% month on month**, the biggest such fall in over six years, while jobless claims fell to their lowest level in two months. Eurozone inflation was confirmed at **2.8% in June**, still above the European Central Bank's 2% target. China's growth slowed to **4.3% year on year** in the second quarter, below expectations.

Commodities

Brent crude oil climbed to around \$88 a barrel, a weekly gain of roughly 14%, as the US and Iran exchanged fresh strikes and concerns grew over the safety of the Strait of Hormuz.

Gold slipped to around \$4,015 an ounce, down over 3% for the week, as rising oil prices and a firmer chance of a US interest rate rise reduced demand for the precious metal, which pays no income.

Week ahead – What to watch

US: S&P Global flash PMIs, a survey of business activity (Thu); existing home sales (Thu); second-quarter earnings continue, including Alphabet, Intel and Tesla.

UK: Unemployment (Tue); inflation (Wed); retail sales and flash PMIs (Fri).

Europe: European Central Bank rate decision (Thu); Germany flash manufacturing PMI (Fri).

Asia: Japan balance of trade (Wed); Japan inflation (Fri).

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

Risk Warnings

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