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Multi-Asset Investment Solutions

Weekly Market Review

Author
Nick Warmisham
Investment Analyst

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Market recap – Gulf tensions and AI earnings nerves leave markets mixed, UK and Asia outperform

Global stock markets delivered mixed performance last week, as investors weighed a fresh flare-up in the Middle East against a heavy slate of technology earnings. In the US, the **S&P 500 edged up 0.3%** (all returns quoted are in sterling terms unless otherwise stated) and the **Dow Jones added 0.5%.** Meanwhile, the technology-heavy **Nasdaq 100 slipped 0.8%**, as scrutiny of artificial intelligence (AI) spending focused on some of the sector's biggest names. The **UK outperformed**, with the **FTSE 100 up 1.3%**, helped by broad-based gains and low exposure to the sell-off in technology stocks. The **MSCI Europe (excluding the UK) index rose 0.7%** on solid company earnings. However, Japan was the standout performer, with the **TOPIX up 2.4%** and the **Nikkei 225 gaining 0.8%**, as financial services companies benefited from rising bond yields* while chip-related names remained volatile. Elsewhere, the **MSCI Asia Pacific (excluding Japan) index rose 1.3%** and the **MSCI Emerging Markets index gained 1.4%.** Meanwhile, the **MSCI China index rose 0.9%**, supported by state-backed buying of technology shares.

* *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.*

Geopolitics – Gulf ceasefire talks resume and UK gets a new Prime Minister

The US and Iran paused a fresh bout of strikes on Friday, with Omani mediators holding talks in Tehran on safe shipping transit through the **Strait of Hormuz**, the waterway through which around a fifth of the world's oil and gas normally passes. The pause followed the most intense exchange of attacks since April's ceasefire, after Iran extended its campaign to shipping in the Red Sea. Both sides called the talks constructive, though no resolution had been reached by the weekend. In the UK, **Andy Burnham took office as Prime Minister**, succeeding Keir Starmer and appointing John Healey as Chancellor of the Exchequer.

Central banks – Fed under pressure as oil prices reignite inflation fears

Minutes from the June meeting of the **US Federal Reserve** (the Fed) showed some policymakers already pushing for an interest rate rise, a debate that has intensified since as the Gulf conflict drove oil prices sharply higher. This Wednesday's meeting is now seen as more finely balanced, with markets pricing in a much higher chance of a rate rise by September. **European Central Bank** policymakers voted unanimously to keep rates on hold, but signalled another increase in September remains on the table. In Japan, government bond yields briefly hit a three-decade high before easing, after the finance minister moved to reassure investors over the **Bank of Japan's** independence, while the yen weakened towards a 40-year low.

News – AI spending in the spotlight as big tech earnings roll in

The biggest story last week was renewed scrutiny of AI spending as US tech earnings began. **Alphabet** grew its cloud business strongly, but shares fell as investors focused on a sharply higher spending forecast for next year. **Tesla** shares declined after missing profitability expectations. **Intel** posted its strongest revenue growth in 17 years, though even that failed to lift its shares.

Economic data – US economy remains resilient, UK surprises positively

In the **US**, jobless claims fell to their lowest level since 1969, and a survey of business activity hit an eight-month high as services strength offset weaker manufacturing figures. **UK** retail sales rose 1% in June, well above forecasts (which had predicted a decline), and this was accompanied by a stronger-than-expected return to growth in business activity. Eurozone manufacturing also improved, though German consumer confidence slipped on weaker income expectations.

Commodities

Oil rose to around $96.8 a barrel, a weekly gain of roughly 10%, as the Middle East conflict escalated again and Strait of Hormuz disruption pushed up prices, although they began to fall again on Friday amid hopes of a diplomatic breakthrough.

Gold hovered around $4,050 an ounce, little changed over the week, as some safe-haven demand was offset by higher oil prices and expectations that US interest rates will stay higher for longer than previously thought.

Week ahead – What to watch

US: Durable goods orders (Mon); Fed interest rate decision and press conference, Meta and Microsoft quarterly results (Wed); core Personal Consumption Expenditures (PCE) inflation, second-quarter economic growth (advance estimate), personal income and spending, Apple and Amazon quarterly results (Thu).

UK: Bank of England interest rate policy meeting (Thu).

Europe: Germany's Ifo business sentiment survey (Mon); second-quarter economic growth estimates for France, Spain, Germany, Italy and the eurozone, plus German inflation (Thu); preliminary inflation for France, Italy and the eurozone (Fri).

Asia: China's Politburo meeting (Mon); Japan consumer confidence (Thu); Chinese manufacturing purchasing managers' index (PMI) data (a key indicator of business activity) and the Bank of Japan's interest rate decision (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

Marlborough