Atchison

June 2026

Monthly Market Update

Illuminating
the way forward

Key Events in June 2026

June – Markets buoyed mid-month by US-Iran peace framework !

- Median Growth superannuation fund is expected to return around +10% for the year to 30 June 2026. International equities were again the standout asset class, led by US AI boom.
- Since compulsory super began in July 1992, the median growth fund has returned +7.9% a year on average, against inflation averaging 2.7%, a real return of about +5.2%, comfortably ahead of the typical CPI+3.5% objective.
- For the year to June, the World Index returned around +22% over the period, the Nasdaq 100 rose +24%, and the S&P 500 added +19%, while the ASX 200 managed only about +6.1% (before dividends).
- Reserve Bank of Australia (RBA) held rates steady at 4.35% following a unanimous decision, citing that inflation was inflation is still too high (CPI headline 4.0%).
- Australian unemployment ticked up to around 4.3% – 4.5%, with signs of cooling employment momentum, though still historically resilient.
- OECD's Economic Survey of Australia flagged slow productivity growth, housing affordability strain, and high emissions as long-standing structural challenges, alongside declining business dynamism, and rising market concentration as the key reform priorities.
- The big story continuing from the May Budget into June was the tax reform package, replacing the 50% CGT discount with an inflation-based indexation approach plus a minimum 30% tax on capital gains from 1 July 2027, and a minimum 30% tax on discretionary trusts from 1 July 2028. Negative gearing on established residential property will be quarantined from 1 July 2027 for properties bought after 7:30pm on 12 May 2026, though existing holdings and new builds are grandfathered/exempt, as are widely held trusts and super funds.
- Both US and European central banks were forced into unexpectedly hawkish positions by Middle East-driven energy inflation.
- The US Federal Reserve held rates steady in June at 3.50% - 3.75% for the fourth consecutive meeting. FOMC statement noted economic activity expanding at a solid pace.
- The ECB raised its deposit facility rate from 2.00% to 2.25% (with the main refinancing rate to 2.40% and marginal lending to 2.65%) on 11 June, its first hike in three years, reversing the easing cycle that had run through 2024-25.
- China's economy seems to be picking up momentum, with the official manufacturing PMI edged up to 50.3 in June from 50.0 in May, with high-tech production climbing on demand tied to the global AI investment boom.
- The Bank of Japan raised rates to 1.00% on 16 June, the highest since 1995, driven by yen weakness and inflation pressure, particularly a fast pass-through of oil costs into producer prices, which rose 6.3% in May.
- Asian markets were whipsawed by the Iran conflict/peace-deal news cycle throughout June: stocks dipped on doubts over the peace talks mid-month, then rallied sharply once the US-Iran framework was confirmed, with Japanese and South Korean equities leading regional gains, buoyed further by chip-sector strength in Korea.
- The US dollar had a rare month where the dollar strengthened against every major peer simultaneously, even against currencies backed by central banks that were *also* hiking (ECB, BoJ), based on US increase in inflation rather than relative interest rate differentials.
- The World Bank's energy price index declined 17.7% in June, driven primarily by a 20.6% drop in Brent crude, partially offset by a 7.3% rise in US natural gas prices.
- The World Bank's precious metals sub-index fell 9.2%. Gold specifically was down 2.5% for the month, as markets priced in a higher global rate outlook.

Asset Class Summary

Table 1: Asset Class Returns – Periods to 30 June 2026

	1 Month %	3 Months %	1 Year %	3 Years % pa	5 Years % pa	10 Years % pa
Australian Shares	0.9	4.1	6.1	10.6	7.7	9.4
Australian Small Companies	-2.0	3.1	7.9	9.2	2.4	6.5
International Shares (unhedged)	-0.4	15.4	22.1	18.9	11.2	12.9
International Shares (Hedged)	3.1	12.6	15.0	17.8	13.4	14.1
Emerging Markets (Unhedged)	2.7	24.2	36.1	21.6	8.2	10.0
Australian Property Securities	3.4	8.7	0.7	9.8	4.8	6.0
Global Property Securities (Hedged)	2.4	9.9	15.0	8.9	1.3	
Global Listed Infrastructure (Hedged)	2.5	4.1	19.3	12.5		
Australian Bonds	1.1	2.7	1.4	3.9	0.3	1.6
Global Bonds (hedged)	0.8	1.8	3.0	3.4	-0.7	
Cash	0.4	1.1	3.9	4.3	3.2	
	Change over the month					
AUD/USD	-4.12%	0.6869				

Past performance is not a reliable indicator of future performance.
Source: iShares Core S&P/ASX 200 ETF, iShares S&P/ASX Small Ordinaries ETF, Vanguard International Shares Index, Vanguard MSCI Index Intl Shrs (H) ETF, iShares MSCI Emerging Markets ETF, VanEck Australian Property ETF, VanEck FTSE Intl Prop Hdg ETF, iShares Core FTSE Global Infrastructure (AUD Hedged), iShares Core Composite Bond ETF, Vanguard Global Aggregate Bd Hdg ETF, iShares Core Cash ETF

Australian Markets

The S&P/ASX 200 returned +0.96% for the month of June, and +6.1% for the 12 months. On a relative basis it was a terrible time to be an Australian index investor, with miners single-handedly propping the index into positive territory while portfolio favourites like healthcare, tech and telco underperformed. Materials first broke out to all-time highs last September after trading sideways for four years, and that proved a powerful signal, lifting high-profile names like BHP, Rio Tinto, PLS Group, Newmont and Sandfire Resources to fresh records of their own.

Best performing sectors over FY26 were; materials +48.2%, energy +9.8%, and consumer stables +9.7%. Worst performing sectors were healthcare -37.5%, information technology -37.1% and telecommunication services -12.4%.

If we look at the top performers over the year 4DMedical takes the #1 spot, closing the financial year out as a 17-bagger, up +1,749%, and outperforming the next six stocks combined. The past twelve months have featured non-stop commercial and regulatory milestones for the company's CT:VQ software, which turns standard CT scans into lung ventilation and perfusion maps. Followed by Minerals 260 +535%, and Elevra Lithium +327%. The top 20 was in fact dominated by rare-earth, lithium, gold and mining-services names, every one of which returned more than +70%. BHP also stood out at large-cap level, up +62% to a record high of $65.98 in June.

Worst performing stocks over FY26 were; WiseTech Global −69%, Tuas -61%, Xero -60%, Cochlear -59% and CSL -50%, high-multiple technology and healthcare compounders that de-rated heavily over the year.

It was a choppy month rather than a smooth one for Australian small-caps and closed down -2.0% for the month but +7.9% for the year, out-performing large caps.

Over the month consumer discretionary rallied +11.7%, led by cyclical retail +12.1%, consumer services +11.7% and durables +5.2%, on positioning for a possible RBA pivot amid housing-sector weakness. Biotech and critical-minerals names caught fire late in the month as traders chased energy-transition and clinical-milestone stories.

Energy and materials were the biggest lagging sectors on the ASX for June, down -8.9% and -6.7% respectively, with resource stocks, led by gold miners and diversified giants, detracting 174 basis points from the ASX 200's return as investors rotated out.

Global Markets

Global equities delivered mixed performance in June, falling -0.4% unhedged but up +3.1% hedged. The month was defined by divergence within the AI trade, falling oil prices following the US-Iran agreement, a record-setting period for equity issuance led by SpaceX, and signs of broadening leadership beyond the dominant technology stocks.

US equities delivered mixed results in June as market leadership broadened beyond the technology sector. The S&P 500 declined modestly, while equal-weight and small-cap benchmarks advanced, reflecting a rotation toward cyclical and value-oriented segments of the market. June saw a divergence within the AI trade, with semiconductor stocks continuing to benefit from robust demand while the hyperscalers funding much of the AI buildout came under pressure.

The S&P 500 Index fell -0.7%, but still delivered a +15.3% gain for the second quarter, its largest quarterly gain in six years. The Nasdaq Composite fell -2.7%, though it closed the second quarter with a +21.6% quarterly gain, it’s largest since June 2020.

The small-cap Russell 2000 rose +3.7%, ending the month up nearly +23% on the year, capping its best first-half performance since 1991.

Eurozone equities outperformed most major developed markets in June as falling oil prices eased inflation concerns and supported rotation into more economically sensitive sectors. The UK share market rose +3.6% in euro terms and +1.3% in US dollars.

Japanese equities advanced in local currency terms, with the Nikkei 225 rising +5.7% in local currency terms and +3.5% in dollars, with the price-weighted benchmark notably outperforming the market cap-weighted TOPIX for a third consecutive month.

Emerging market equities continued to provide investors with strong returns, after strong gains over the prior two months. Index gained 2.7% unhedged and managed a +24.2% quarterly gain for the second quarter, its strongest quarterly return since 2009.

Taiwan rose +1.4%, while South Korea eked out a +0.1% monthly gain. Shares of several large semiconductor and memory companies experienced large swings as investors digested the rapid price increases through May.

Latin America equities were mostly lower. Argentina fell -7.8%, while Mexico and Brazil declined -3.1% and -2.8%, respectively. Colombia bucked the trend with a +2.4% monthly gain.

Interest Rates and Bonds

June was a "geopolitical de-escalation, rates uncertainty" month rather than a credit-stress month. The RBA hold-but-hawkish stance and the choppy Iran ceasefire/Hormuz reopening process drove most of the yield movement in both AU and US government bonds (modest declines mid-month, reversing into month-end), while credit spreads stayed compressed and dispersion, not headline widening.

The RBA held the cash rate at 4.35% at its 16 June meeting, pausing after three straight 25bp hikes (Feb, March, May) that had taken 75bp off the table this year. The RBA explicitly signalled further hikes remained on the table aimed at hosing down market speculation that tightening was over.

Australian bonds had a decent June +0.96%, rounding out a positive quarter and half-year, but the 12-month return of just +1.53% is quite subdued. The index is dominated by Commonwealth and semi-government (state Treasury Corp) bonds, together about 81% of the portfolio, per the underlying holdings, so this return is a good proxy for what a typical super fund's core Australian fixed income allocation would have earned.

Global government bonds delivered modest positive returns despite significant shifts in central bank expectations. The Bloomberg Global Treasury Index returned +0.4% in US dollar-hedged terms. Government bond yields generally declined across developed markets as lower oil prices reduced inflation concerns, although US Treasury yields shifted higher at the front end of the curve.

In Europe, UK government bonds delivered positive returns as gilt yields declined. The 10-year gilt yield fell roughly 6 bps over the month to 4.76%.

Japanese government bonds (JGB) were little changed as the Bank of Japan raised its benchmark rate to 1.0% in a continuation of gradual policy normalisation. The yield on the 10-year JGB increased by roughly 3 bps to 2.69%.

Spread sectors delivered positive returns in June, though credit spreads widened modestly as volatility increased across risk assets. That said, corporate spreads remain historically tight, and both high-yield and investment grade (IG) bonds have seen spreads narrow over the past three months.

The Bloomberg Global Aggregate Corporate Index returned 0.3% in US dollar-hedged terms, while the Bloomberg Global High Yield Index gained 0.6% on a hedged basis.

Currencies and Commodity Markets

AUD/USD had a rough month, it fell from around the 0.715–0.72 area at the start of June to close near 0.69 by month-end, a decline of roughly 3%–4%, and it touched three-month lows below $0.690 in the final days of the month before a small bounce into early July. A combination of rising oil prices tied to Middle East tensions, renewed USD strength from the Fed's hawkish positioning, and a broader rotation into safe-haven assets that disadvantages commodity currencies like the AUD.

The interesting part: normally a central bank holding rates with an explicit bias toward more tightening should be currency-supportive. It wasn't enough this time, for a few reasons:

- Safe-haven USD demand dominated the rate-differential story.
- Oil-price dynamics cut against AUD.
- Soft local trade data.
- A "good news, sold" dynamic on the RBA decision itself.

June was a sharp reversal month for commodities, energy and precious metals fell heavily as the Middle East conflict de-escalated and rate expectations turned more hawkish, while industrial metals were mixed and iron ore was the standout underperformer.

The World Bank's energy price index fell -17.7%, driven largely by a -20.6% drop in Brent crude, partly offset by a 7.3% rise in US natural gas prices. This was almost entirely a geopolitical unwind: Trump and Iranian president Masoud Pezeshkian signed a memorandum of understanding on 17 June to end the war and the blockade of the Strait of Hormuz.

Precious metals fell 9.2%, a big move for the asset class. Gold traded near US$4,150/oz by the end of June, about 25% below its January record of US $5,589/oz, on a third straight weekly decline.

The broader metals index fell a more modest -2.4%, but that masks a real divergence within the complex: iron ore prices fell at their sharpest pace in two years in June, posting the worst performance in the base metals complex, driven by concerns over seasonally weaker demand, rising seaborne supply, and still-elevated Chinese port inventories.

The non-energy index fell -3.2%, with food prices easing 2.6% and fertiliser prices plunging -21.8%, while beverage prices rose +1.1% and raw materials declined -1.2%.

Outlook for Investment Markets

Economic data and corporate results suggest the global economy remains resilient despite a host of events that could potentially disrupt global economies in an increasingly fragmented world. Our mid-year outlook reflects two key themes:

- A world disrupted. In the first half of the year, the global economy contended with various disruptive forces, including the rise of artificial intelligence (AI), geopolitical fractures, the closure of the Strait of Hormuz, and an upset of energy and commodity supplies.
- Resilience endures. private-sector leverage has fallen since the 2008 Global Financial Crisis. Meanwhile, previous rate cuts in the US and UK, along with looser fiscal policy in Europe and Japan, are supportive of a measured re-leveraging through stronger investment and spending, in our view.

However, data so far indicate that many economies have been resilient in the face of this shock. In the US, recent Q1 GDP growth data indicated still-solid growth, while figures in China and Germany showed upside surprises. Further, retail sales data for March was impressive in countries such as the UK and the US.

Even more encouraging is that manufacturing PMI surveys for April suggest further gains in business activity, which is impressive given the rise in energy costs, and gives hope that the Q2 corporate earnings season may be as good as Q1.

So far, the disruption in 2026 appears to have been more inflationary than a hit to economic activity. That presents a dilemma for central banks. Market pricing has shifted, with most central banks expected to hike rates or keep policy on hold. We do not expect the degree of tightening implied by the market.

Global asset performance so far in 2026 has been positive despite the geopolitical and supply shocks of this year.

At the start of 2026, it was expected cyclical assets to outperform, and that has been the case with commodities and public equities in the lead.

Most strategists remain positive on equities through year-end. They expect US equities to lead global gains, projecting a 12% advance for the S&P 500 over the next 12 months, driven by resilient earnings growth. However, the catch is concentration. Only about 17% of S&P 500 stocks have outperformed the index over the past month, one of the lowest readings in a decade. Market performance remains highly concentrated in AI and energy-related sectors despite improved valuation metrics.

Australia offers fewer positives in the near term. Economic conditions are stable, but elevated equity valuations, subdued earnings growth, and tight monetary settings limit upside. With financial conditions likely to remain restrictive compared with global peers, we retain an underweight stance toward Australian equities for the remainder of the year.

Europe continues to emerge from a prolonged period of stagnation, enabling increased spending on defence and infrastructure and improving earnings visibility across cyclical sectors. Here, valuations remain attractive both relative to history and peers.

Emerging markets have already shown a performance edge year-to-date, fuelled by Asia's contribution to the global AI buildout, and enters H2 with a constructive outlook alongside strong cross-sector, cross-geography earnings trends, though with volatility given geopolitical uncertainty and high investor expectations.

Many economists believe central bankers no longer have an easing bias but are not expecting aggressive hike cycles either, or do not see a significant fixed-income rally near term, though rate volatility should stay subdued enough for investors to earn their yield.

Atchison

Level 4, 125 Flinders Lane,
Melbourne VIC 3000
Level 3, 63 York Street,
Sydney, NSW 2000

P: +61 (0) 3 9642 3835
enquiries@atchison.com.au
www.atchison.com.au

ABN: 58 097 703 047
AFSL Number: 230846

To obtain further information,
please contact:

Jake Jodlowski
Principal
P: +61 3 9642 3835
E: jake@atchison.com.au

Mishan Dahia
Investment Analyst
P: +61 3 9642 3835
E: mishan@atchison.com.au