

Market Perspectives | June 2026

Peace Doves, Rate Hawks, AI Booming and All Change in UK Politics

Important: General market commentary for information only. Not investment advice or a recommendation to buy or sell any investment.

Brent Crude

~\$75/bbl

24 June · Lowest since conflict began

S&P 500

~7,472

24 June · Micron +14.6% after hours

UK Bank Rate

3.75%

Held 17 June · MPC voted 7–2

Sources: Bloomberg, Bank of England, ONS, Bureau of Labor Statistics, Met Office. Figures approximate, as at dates shown.

A WORD FROM JONATHAN

The question worth asking is not what happened — but what it means.

When I last wrote, the Iran peace deal was close but unsigned. Since then it has been sealed at Versailles. Keir Starmer has resigned. The Met Office has issued its most severe heat warning. Three extraordinary stories in one month.

In months like this I return to something the evidence consistently supports: the investors who do best over time are not those who predicted every crisis. They are those who stayed calm, stayed invested, and understood that uncertainty is not a flaw in the system — it is the price you pay for the long-run return. History has shown that investors who kept a long-term perspective have often come through periods like these well. The glass-half-full investor is not the naive one. They are historically the one with the better outcome.

Geopolitics: The Peace Deal — The Detail Is Proving Harder Than the Headline

Brent crude / bbl · 24 June
(Bloomberg)

~\$75

Down ~40% from wartime peak

Vessels queued at the Strait of
Hormuz

~500

Plus naval mines — clearance will take
months

Window for final deal

60 days

MOU signed Palace of Versailles,
17–18 June

The signing at Versailles was the most significant diplomatic development of 2026. The initial market response — KOSPI up 5.7%, S&P 500 at an all-time high, Brent crude down nearly 5% in a single trading day — reflected genuine relief after months of energy shock. But markets are now working through what the deal actually requires, and the picture is more complicated than the headline suggested.

The core problem, identified by Quantum Strategy's David Roche, is that current oil price levels reflect inventory liquidation — stockpiles built during the blockade being drawn down — rather than genuine production recovery. The US Secretary of Energy has acknowledged that a return to normal energy flows could take 'many months.' One distinction worth making: crude falls on sentiment; the price at your pump is stickier. Refinery margins, mine-clearance operations, and the physical backlog of vessels all mean any improvement takes time to reach the forecourt.

⚠️ WHAT REMAINS GENUINELY UNRESOLVED

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Nuclear terms, sanctions removal, and the release of frozen Iranian funds — up to \$25 billion — are still to be agreed within the 60-day window. Trump has threatened fresh strikes if talks stall, and the direction of travel, however welcome, has not yet become a destination.

| UK Politics: Seven Prime Ministers in Ten Years

On 22 June, Keir Starmer resigned following Andy Burnham's decisive Macclesfield by-election victory on 19 June. Burnham — former Mayor of Greater Manchester — is expected by most commentators to take office uncontested around 18–19 July (Eurasia Group), with Wes Streeting endorsing him rather than standing. Starmer remains caretaker PM until then.

△ Cameron · May · Johnson · Truss · Sunak · Starmer · Burnham (expected)

Seven Prime Ministers since the Brexit referendum — regardless of political persuasion, that level of leadership turnover creates a genuine continuity challenge. Long-term infrastructure investment, regulatory frameworks, and fiscal strategy all depend on policy stability that seven leaders in a decade makes harder to sustain. Independent economic analysis consistently identifies this as a drag on UK business investment and productivity.

Watch the gilt market, not the newspaper headlines. During May's leadership speculation, 10-year yields touched ~5.10% — near 18-year highs. They have since fallen steadily, reaching 4.74% on 25 June, close to the two-month low of 4.745% reached on 17 June, as Burnham's fiscal commitment, falling oil prices, and weaker PMI data have all reduced rate hike expectations (Trading Economics, 25 June 2026). In a further sign of shifting sentiment, BofA Global Research dropped its forecast for a Bank of England rate hike this year on 25 June 2014 adding institutional weight to the view that the growth environment may not support tightening. The gilt market will tell you more about what investors genuinely think of the new administration than any front page will.

The incoming Prime Minister also inherits an immediate foreign policy test. On 24 June, NATO Secretary General Mark Rutte met President Trump at the White House ahead of the NATO summit in Ankara on 7–8 July. Trump has threatened to withhold collective defence support from members who declined to assist US operations against Iran, and Defence Secretary Hegseth has launched a six-month review of US troop deployments in Europe. Rutte arrived with figures showing NATO allies collectively reaching \$1 trillion in defence spending. Whether that satisfies Trump will shape the July summit.

The top ten NATO contributors by percentage of GDP are almost entirely Eastern European and Baltic states — Poland leads at 4.48%, followed by Lithuania, Latvia, Estonia, Finland and Norway (NATO/Statista, 2025). The UK, at approximately 2.3% of GDP, does not feature in that list. Defence spending is likely to be an early and unavoidable conversation for an incoming Prime Minister.

The Chancellor, Rachel Reeves, is backing Burnham to be the next Prime Minister — despite reports that he could demote her to a junior cabinet position if he becomes Labour leader (BBC News, 25 June 2026). That the primary guarantor of Labour's fiscal credibility is publicly supporting Burnham's candidacy, notwithstanding the personal cost that may entail, will be read by the gilt market as a sign of orderly transition rather than factional disruption.

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| The UK Heatwave: Why This Belongs in an Investment Letter

The Met Office issued a Red Extreme Heat warning — danger to life — for central and southern England from 22 June, with temperatures up to 38°C forecast alongside humidity far exceeding the 2022 heatwave. The June record of 35.6°C, held since 1976, was expected to fall. This followed a May heatwave that had already broken the UK spring record at 35.1°C at Kew Gardens. Two record-breaking events in six weeks.

“The biggest threat from current and future heatwaves may not be outside — since in the UK we spend 90% of our time indoors. Modern, well-insulated homes built to reduce heating energy demand can actually trap heat more effectively during a heatwave, making them harder to cool than older, leakier buildings.”

Prof Lucélia Rodrigues — Head of Architecture & Built Environment, University of Nottingham · Science Media Centre, 22 June 2026

So the good news is that your well-insulated home is saving you money on your heating bill. The bad news, according to Professor Rodrigues, is that it is now essentially a slow cooker.

The economic consequences are direct: rail networks fail in extreme heat, construction and outdoor work halts, NHS demand rises sharply, and energy bills spike as cooling loads increase — compounding costs already elevated by the Iran conflict. The Climate Change Committee identifies cooling as a top-three UK adaptation priority. These are not future projections. They are happening now.

The effects are being felt across Europe. On 23 June, France's Golfech nuclear plant near Toulouse shut down a reactor after the Garonne river — its cooling water source — exceeded 28°C, the legally permitted discharge threshold (AFP, 23 June 2026). EDF had already warned that plants along both the Rhône and Garonne faced output curbs, with river temperatures running up to 8°C above seasonal norms. It is a striking paradox: the heatwave drives up electricity demand for cooling precisely as it forces the country's largest low-carbon power source to scale back. Europe is not short of reminders this month that climate and energy are inseparable.

| Rates & Economy: Peace Doves vs Rate Hawks

Bank Rate · held 17 June (Bank of England)

3.75%

7–2 vote · Two MPC members wanted 4%

UK CPI · May 2026 (ONS)

2.8%

Below Bank of England's own forecast

US CPI YoY · May 2026 (BLS)

4.2%

Highest in three years · Energy-driven

The Iran deal is the peace dove: falling energy prices reduce inflationary pressure and give central banks room to hold or cut. But central banks are not yet convinced. The Bank of England's 7–2 vote conceals a committee watching inflation projections that point upward again in H2 2026 as energy costs feed through into wages and business pricing.

In the US the picture is sharper. Under new Federal Reserve Chair Kevin Warsh, the June meeting removed the Fed's easing bias entirely. Nine of 18 officials now expect at least one rate hike before year-end (Retirement Planning Group, 19 June 2026). US CPI at 4.2% year-on-year in May — highest in

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three years — is the hawks' exhibit A. Rate cuts that were widely priced at the start of 2026 have been substantially written off.

For mortgage holders, the direction of fixed rates is cautiously improving as swap rates ease. A typical £250,000 repayment mortgage over 25 years remains roughly £280 per month more expensive than before the conflict. For those with fixed-rate deals expiring in the coming months, the timing of any renewal is worth considering carefully. The next Bank of England decision is 30 July.

Andy Haldane — former Bank of England Chief Economist and now President of the British Chambers of Commerce — has argued consistently that the UK's growth problem is structural and pre-dates the Iran conflict: private investment has remained subdued, productivity has flatlined, and the economy carries deep psychological scarring from a sequence of crises stretching back to 2008. When that context is added, rate cuts may ultimately prove more likely than hikes — the growth environment may simply not support sustained tightening, whatever the hawks on the MPC currently argue. That view has support in the City: Josie Anderson, European Economist at Nomura, told Bloomberg's Lizzie Burden on 24 June that she does not expect a Bank of England rate cut until 2027.

| Markets: Recovery — and a Sharp Question About What Comes Next

FTSE 100 — Positive

Trading ~10,400–10,500 — one of the stronger major indices in 2026. Its weighting toward banks, energy, and global industrials has benefited from the improved geopolitical backdrop. Its low technology weighting — often criticised — has provided some shelter from rate-driven tech volatility.

S&P 500 & Nasdaq — Positive

The S&P 500 closed at 7,472 on 24 June (Yahoo Finance), with Micron's post-close results — a 16% revenue beat and Q4 guidance of \$50bn against \$42.9bn expected — sending semiconductor stocks sharply higher in after-hours trading. The Nasdaq Composite stood at 26,166 on 24 June before the Micron results. S&P 500 valuations at ~21x forward earnings are more sustainable than 23x+ at year-end, but not cheap.

The semiconductor sell-offs of recent weeks illustrate something worth understanding about where AI valuations now sit. Think of it as a high jump bar that keeps being raised: clearing the previous height is no longer enough. Broadcom beat its headline numbers in early June — revenue up, AI semiconductor revenue up 143% year-on-year — yet its shares fell 14% because forward guidance came in below sky-high analyst expectations. Micron fell 13% on Tuesday on pre-earnings anxiety. Then, after the US market close on 24 June, Micron reported: revenue of \$41.46bn against \$35.59bn expected, EPS of \$25.11 against \$20.49 expected, and Q4 guidance of \$50bn against the \$42.9bn analysts had forecast — each figure a substantial beat (SEC Form 8-K, 24 June 2026). Shares jumped 14.6% in after-hours trading. The bar was raised — and this time cleared by a considerable margin. The honest question remains whether this reflects a sustainable earnings trajectory or the concentrated benefit of a supply-constrained market that Micron itself acknowledges cannot expand fast enough to meet demand.

One further note: Ruffer's investment team flagged in June that agricultural commodities are underpricing geopolitical risk — fertiliser supply constraints from the conflict could put upward pressure on food prices in H2, compounding the energy inflation already discussed.

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KOSPI & TAIEX — Asia's New Giants — Volatile

When I sat my financial planning exams in 1995, we learned about equal-weighted and market-capitalisation-weighted indices. What I am certain of is that neither the KOSPI nor the TAIEX appeared anywhere in the syllabus. Thirty years on, they are among the most closely watched indices in the world — and one of the more striking illustrations of how profoundly the investment landscape has changed over the course of a career. The KOSPI hit a record 9,385 on 19 June — up 174% in a year — before falling 7.6% as Iran deal optimism faded. The TAIEX has risen over 50% in twelve months. Samsung and SK Hynix make up 42% of the KOSPI; TSMC alone accounts for over 40% of the TAIEX (CNBC, May 2026). These are effectively AI semiconductor proxies — extraordinarily powerful, and extraordinarily concentrated.

UK Gilts & Fixed Income — Watch closely

10-year gilt yields hit ~5.10% in May — near 18-year highs — before falling to 4.74% on 25 June, a two-month low. For investors deploying new capital, today's yields represent a meaningfully better income opportunity than anything available for most of the past decade.

US Fed Direction — Caution

Chair Warsh struck a decisively hawkish tone at June's meeting. The easing bias has gone; 9 of 18 officials expect at least one hike. A US rate hike would tighten global financial conditions and could weigh on equity valuations, particularly in rate-sensitive sectors. Watch the September meeting.

✓ ON PRICING POWER AND REAL RETURNS

With UK inflation expected to rise again in H2 and US inflation at 4.2%, the real return matters more than the headline number. Companies with genuine pricing power — the ability to raise prices ahead of inflation and protect their margins — have historically been the most effective long-term defence. Quality businesses in diversified portfolios are where that evidence is strongest.

MY ASSESSMENT

Uncertain times — and why your disposition as an investor matters more than any forecast.

Where things stand — June 2026

The Iran deal is the most significant positive development for markets this year. UK inflation is falling, however unevenly. Investors who stayed put through the spring volatility have been rewarded — again, and in line with every comparable episode in modern market history.

The risks are real and worth naming: the deal is not final, the US Fed is hawkish, political continuity in the UK is stretched, and inflation could rise again in H2. None of that changes the fundamental case for patient, diversified investing. The question I always return to when clients feel anxious is: what is the alternative? Cash loses real value in an inflationary world. A diversified portfolio of quality businesses, held patiently and reviewed regularly, has proved its worth through every significant disruption I have observed.

The glass-half-full investor I refer to is not someone making an optimistic prediction about

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markets. They are someone with the right temperament — who does not confuse short-term noise with permanent loss, who stays invested when the headlines are difficult, and who has historically, as a result, done better. Comfort and good outcomes are not the same thing.

✓ ASSET ALLOCATION

Generally speaking, it is worth periodically reviewing whether what you own still reflects where you are now — your timeframe, your circumstances, and your risk appetite — rather than where you were when you last reviewed.

⚠ MORTGAGES AND FIXED-RATE RENEWALS

Swap rates have eased since the Iran deal and better inflation data. For those with fixed-rate deals expiring in the coming months, the timing of any renewal is worth considering carefully.

i APRIL 2027 — PENSIONS AND IHT

From April 2027, unspent defined contribution pension pots will fall within the taxable estate for inheritance tax purposes. For those with meaningful DC pension savings, this is a change worth understanding well in advance of the deadline.



Key Dates — Looking Ahead

24 June 2026	Rutte meets Trump at the White House. NATO Secretary General seeking to ease alliance tensions ahead of the Ankara summit, with \$1 trillion in allied defence spending as his opening argument.
7–8 July 2026	NATO summit, Ankara. Defence spending commitments, US troop deployments in Europe, Ukraine support, and the alliance's response to Iran all on the agenda.
Est. 18–19 July	Andy Burnham expected as PM (Eurasia Group). Watch gilt yields in his first week as the clearest market signal of confidence in his fiscal approach.
60-day window	US-Iran final deal. Nuclear terms, sanctions, and frozen Iranian funds remain to be agreed. Completion is the critical catalyst for full energy price normalisation.
30 July 2026	Bank of England rate decision. Will weigh July CPI and the political transition. A hold at 3.75% is the central expectation; a rise to 4% remains possible.
April 2027	DC pensions and IHT. Unspent pension pots fall within the taxable estate. For those with meaningful DC pension savings, this is a change worth understanding well in advance.

Data sources: Bloomberg, Bank of England, ONS, Bureau of Labor Statistics (US CPI May 2026), Reuters, Eurasia Group, Retirement Planning Group (19 June 2026), PGIM 2026 Mid-Year Outlook, Met Office, Science Media Centre, AFP, SEC Form 8-K (Micron Technology, 24 June 2026), Trading Economics, CNBC, Yahoo Finance, Wikipedia (US-Iran negotiations), NATO/Statista (2025). Expert commentary: Prof Lucélia Rodrigues, University of Nottingham / Science Media Centre, 22 June 2026. Political commentary: BBC News, 25 June 2026; Eurasia Group. All market figures approximate and as at dates shown.

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