MEDICAL & GENERAL
Independent Financial Advisers

MARKET PERSPECTIVES · MONTHLY CLIENT COMMENTARY
30 July 2026

New Leadership, Fragile Peace, and the Question of What Normal Actually Looks Like

A new Prime Minister takes office. A fragile Iran truce breaks down and oil jumps. And beneath a strong first half for markets, the foundations look narrower than the headlines suggest. Here is what it could mean.

BRENT CRUDE	GLOBAL EQUITIES	CENTRAL BANKS
~$91/bbl	**MSCI ACWI**	**All on hold**
30 July · whipsawing on the widening conflict	+11% YTD · nearly half driven by AI (Citi)	Fed 3.5–3.75%, BoE 3.75%, ECB 2.25%

Sources: Bloomberg, CNBC, TradingEconomics, Citi Research, ONS. Figures approximate, as at the dates shown.

A WORD FROM JONATHAN

There is a question worth asking before we look at the markets.

July 2026 brings three stories that are each significant in their own right — and which, together, tell us something about the world we are now investing in.

Britain has a new Prime Minister for the seventh time in ten years. The Iran peace deal, which sent markets surging in June, is proving far harder to finalise than it was to announce. And markets, having recovered sharply from the spring lows, are being watched carefully by some of the world's most experienced investors — not because they have fallen, but precisely because they have not.

Behind all three is a question worth asking directly: **have we, as investors, simply got used to an abnormal world and started calling it normal?** I will come back to it. First, the month in numbers.

UK POLITICS

A New Prime Minister — and an Immediate Dilemma

Andy Burnham arrived in Downing Street on 20 July 2026, becoming Britain's seventh Prime Minister since the Brexit referendum. His uncontested coronation was the cleanest political transition Britain has managed in years, and the gilt market took it largely in its stride. His first significant act was the appointment of his Cabinet, and one choice stands out above all others.

On 11 June 2026, John Healey resigned as Secretary of State for Defence, leaving unresolved his side of the welfare-versus-warfare argument. Now back in the Cabinet as Andy Burnham's Chancellor, he has both ends of that argument to settle. The spending commitments moved the bond market a little, but no more than gilt yields reaching two-month highs. I've been asked how much the Labour leadership change, and then the new Prime Minister, has affected markets — and the honest answer is "not much". The bond market is more sensitive to this than the equity market.

The irony is hard to miss: the man who walked out of the Ministry of Defence over "warfare" must now reconcile it with "welfare" from the Treasury, and this month's NATO summit in Ankara — where the pressure for higher European defence spending was laid bare — has become his problem to fund.

His inheritance is defence. Starmer's outgoing government published the long-delayed Defence Investment Plan in its final days — a £13.5bn commitment against the £28bn the Chief of the Defence Staff had said was the minimum. The headline is £5bn for drones and autonomous weapons, the largest such investment in UK history. But the gap between what was promised and what was needed is lost on no one — least of all the new Chancellor who resigned over it.

The defence question connects to a broader fiscal puzzle. Burnham wants to spend more on defence than Starmer's plan allowed, but on taking office he re-committed to the existing fiscal rules — day-to-day spending met by tax revenues, net debt falling as a share of GDP by the end of the forecast — while signalling there could be "flexibility" within them. His first announced move was populist in flavour: a cut to VAT on domestic electricity bills, funded by scrapping the previous government's digital ID scheme. That leaves the familiar routes to more defence funding: war bonds, conventional borrowing within the rules, or tax rises. None is straightforward — and Andy Haldane, Burnham's own economic adviser, has already warned against using capital gains tax as a revenue cash cow, citing the volatility of receipts. War bonds, if issued as perpetuals in the historic tradition, technically never need to be repaid; the government simply services the interest in perpetuity. Which is, of course, still debt. The puzzle is real and not yet solved.

The backdrop to every one of these decisions is a sobering set of numbers. Figures released on 21 July showed the government borrowed £16 billion in June — a third less than a year earlier, and slightly below forecast, helped by stronger tax receipts (ONS, 21 July 2026). Encouraging at the margin, but the bigger picture is unchanged: public sector net debt now stands at £2,989.9 billion — within a whisker of £3 trillion — at 94.9% of GDP, close to the annual value of the entire economy and at levels last seen in the early 1960s. Simply servicing that debt costs around £110 billion a year (OBR) — not the largest line in the budget, which remains welfare, but more than the government spends on defence, and a sum that buys nothing new. That scale is precisely why the bond market is so sensitive: when a government owes this much, even a small rise in the rate lenders demand adds billions to the annual cost.

For investors, the signal to watch — as with any new administration — is the gilt market, not the headlines. **Gilt yields are the market's honest assessment of fiscal credibility.** So far the reaction has been measured: yields ticked up to two-month highs on the prospect of higher borrowing under Burnham, but no more than that. The bond market, as ever, is watching more closely than the equity market.

NATO & DEFENCE

Ankara, Trump, and the Question of Who Pays

The NATO summit in Ankara on 7–8 July came at a delicate moment for the UK — mid-transition, with Dan Jarvis representing the country as caretaker Defence Secretary. Three questions dominated: whether allies are turning last year's spending pledges into real capability, the future of US troops in Europe, and the alliance's response to Iran. On the second, the US has now confirmed a phased withdrawal of warplanes, destroyers and submarines from NATO countries — the clearest signal yet that Washington intends Europe to shoulder more of its own defence.

The UK's position bears scrutiny. NATO's own data puts UK defence spending at 2.31% of GDP in 2025 — below the alliance average of 2.77%, and below even the Europe-and-Canada average once the US is excluded. The UK ranks 12th of 32 members; Poland leads at 4.48% (NATO/Statista, 2025). The sharper point: even the 2.7% by 2030 that John Healey has argued for would still sit below today's alliance average. The UK could hit its new target and remain a relative laggard within NATO.

⚠ The defence spending gap

The UK held the second-largest defence budget in NATO for many years, until Germany overtook it in 2024 (IFS). A large absolute budget and a modest share of GDP can coexist — and it is the share, not the total, that the alliance is watching.

The direction of travel was underlined twice at the summit. NATO chose Sweden's Saab over America's Boeing for a surveillance fleet worth around $4.5 billion — days after Canada picked Germany's ThyssenKrupp for the largest defence procurement in its history. Both illustrate a real, structural theme: Western rearmament is translating into multi-decade order books, and European suppliers are increasingly winning work that once went automatically to American firms. A note of realism, though, for anyone tempted to chase it: the major European defence manufacturers have already re-rated dramatically, several rising many times over in two years. The theme is genuine and long-lasting; the easy repricing of the obvious beneficiaries has largely happened. That is often how markets work — by the time a trend dominates the headlines, much of the gain is behind it.

The politics beneath the summit were as revealing as the contracts. Secretary General Mark Rutte made his case to a foul-tempered Trump with a chart he labelled "The Trump Trillion" — $1.2 trillion of additional European and Canadian defence spending since 2017. Trump was unmoved: "We don't need their money — we don't need anything," he said. "I just want loyalty." The exchange captured the dynamic — Europe spending far more, yet still unable to satisfy a US administration that has reframed the relationship from money to allegiance. His irritation extended to individuals: he branded Spain, whose Prime Minister Pedro Sánchez had criticised the Iran war and refused US aircraft access to Spanish bases, a "terrible partner" and "wasted cause", and called for trade with Spain to be cut off. Tellingly, some new European projects are to be funded through an EU scheme raising up to $170 billion on the capital markets — the continent's rearmament financed largely by borrowing, adding to the wave of new bond supply discussed later. And some of the "new" contracts trumpeted at Ankara had in fact been agreed months earlier: there was an element of theatre to it. Nor was the theatre confined to the podium — the host, President Erdoğan, sent each visiting leader home with an engraved Turkish-made revolver and live ammunition, a parting gift that doubled as an advertisement for Turkey's fast-growing defence-export industry, and left several leaders with an awkward customs problem on arrival.

The combative mood did not stay at the summit. On 20 July — a day after appearing alongside Canadian Prime Minister Mark Carney at the World Cup final — President Trump signed proclamations imposing 50% tariffs on a range of Canadian goods, from wine to dairy to cement, effective within 30 days unless Canada drops trade barriers Washington deems discriminatory (White House, 20 July 2026). Energy, potash, critical minerals and fish are exempt. For investors, the specific products matter less than the pattern: trade policy remains a live and unpredictable source of volatility, and the administration's willingness to target even its closest allies and trading partners is a reminder that tariff risk has not gone away — it has simply moved down the list of headlines while the Middle East dominated them.

GEOPOLITICS

Strait Talking

~$91	"Over"	~20%
Brent crude / bbl · 30 July	**Trump on the Iran deal · 8 July**	**Global oil supply via the Strait of Hormuz**
+8% in a day on renewed strikes	Following fresh US–Iran strikes	Why the price is so sensitive to this conflict

The Memorandum of Understanding signed at the Palace of Versailles on 17–18 June was the most significant diplomatic development of 2026. Markets responded at once — the S&P 500 hit an all-time high, Brent fell nearly 5% in a day — and by early July oil had drifted down to around $73, close to its pre-war level. Citi, the most bearish of the major banks, was forecasting Brent at $60 by year-end on the assumption that shipping flows would normalise.

Then, on 8 July, it unravelled. After Iranian attacks on three ships in the Strait of Hormuz, the US struck Iran and reimposed oil sanctions; Iran's Revolutionary Guard retaliated against American targets in Bahrain and Kuwait. Asked at the NATO summit whether the deal was dead, Trump replied: "To me, I think it's over," adding that negotiators could "keep talking if they want" but it was "a waste of time." What followed through July has been not a straight line but a series of sharp swings, as hope of a pause repeatedly gave way to renewed fighting. In the final week of the month a brief lull sent oil back toward the low $80s — only for Iran's Revolutionary Guard to launch ballistic missiles at US forces and a base in Jordan, shattering the pause; Brent leapt almost 8% in a day, back above $90. Trump warned Iran "is going to get a beating."

Just as troubling for markets, the conflict is drawing in more of the region. Iran-backed militias in Iraq have launched drones at Saudi oil facilities on successive days; US forces in Jordan have been targeted; and the Houthis in Yemen have threatened shipping in the Red Sea. What began as a single chokepoint — the Strait of Hormuz, through which roughly a fifth of the world's oil passes — now involves several fronts at once. That widening is the single biggest reason the oil price has found a floor and keeps jumping on each new flare-up.

The direct bill is mounting, too. On 21 July, US Defense Secretary Pete Hegseth told the Senate the war had cost the Pentagon $37.5 billion so far, and asked Congress for a further $67.1 billion (Reuters, 21 July 2026). Striking as those figures are, they capture only the narrow military bill. The wider cost — to global growth, through higher energy prices, disrupted shipping, and the inflation they feed — is an order of magnitude larger and falls on economies, businesses and households far from the conflict. One Harvard economist has estimated the eventual all-in cost could exceed $1 trillion. It is a reminder that the price of a distant war is rarely confined to the combatants.

This is a live, fast-moving situation — it may well have shifted again by the time you read this — but the episode carries a lesson that outlasts the day's headlines. The oil market had, in effect, priced in a successful deal: the downside was largely in the price, the upside risk of a breakdown was not. That asymmetry has now played out almost to the letter — a reminder of why single-outcome forecasts, in either direction, deserve caution.

⚠ What this could mean for investors

The distinction that matters now is between a spike and a lasting shift: with a genuine breakdown in negotiations, the oil supply problem moves from acute to chronic — a one-off jolt becomes a persistent drag. A sustained return to higher oil prices would feed back into inflation and rate expectations just as they had begun to ease — the "peace dividend" markets had started to bank. There is a crumb of balance for UK investors: the FTSE 100's heavy weighting in energy majors means a higher oil price, unwelcome at the pump, is not uniformly bad news for a UK-tilted portfolio. It is the clearest illustration this year of why diversification — across sectors, geographies and asset classes — is a practical defence against exactly this kind of unpredictable event.

Strong markets, narrow foundations — and why that is useful to understand

It is worth pausing on what is driving the recovery — because the picture is more concentrated than the headline returns suggest, and that concentration is genuinely useful to understand.

Begin with the AI earnings at the heart of it. Micron's results were an unambiguous beat, with guidance confirming that hyperscaler demand for high-bandwidth memory is not slowing (SEC Form 8-K, 24 June 2026). Yet strong results no longer guarantee a rising share price. Samsung reported a nineteen-fold jump in quarterly profit on 7 July — and its shares fell 6%, the recovery already priced in. Bloomberg captures the pattern: Samsung has beaten profit forecasts in 16 quarters since 2019, yet its shares fell on 10 of them. The earnings are real; so is the concentration risk.

What happened to a single stock in July then happened to the whole sector. Through the month, AI and semiconductor shares fell sharply even as the companies kept reporting record results: the semiconductor sector shed more than $1 trillion in market value in a matter of weeks, the main US chip index fell around 17%, and even Nvidia — the standard-bearer of the whole theme — slipped some 8%. The trigger was not weak demand. TSMC beat expectations and raised its guidance; Micron reported record margins; the largest cloud companies are still on track to spend roughly $725 billion on AI infrastructure this year, up more than three-quarters on last. Rather, after a run in which the chip index had more than doubled in a year, investors simply began to question whether prices had raced too far ahead of even a very strong reality.

Late in the month a more specific worry surfaced: "circular financing". Nvidia is reported to be working on deals worth more than $750 billion — a $500 billion-plus partnership with South Korea's SK Group, and talks to backstop as much as $250 billion of financing for OpenAI. The concern is that the chipmaker is increasingly helping to fund the very customers who then buy its chips — money that flows out and returns as revenue. Nvidia's shares fell around 5% on the reports, briefly ceding the title of world's most valuable company to Apple. Supporters counter that this is a "virtuous circle" that locks in scarce supply to meet genuine demand. Both may prove partly right — but it is a useful reminder that the AI boom now rests on an intricate web of interlocking commitments, and that markets have begun, sensibly, to ask harder questions about it. Once again the point holds: when a theme is priced for perfection, even record results — and vast new deals — can send shares down.

For most of 2026 the market's gains came from a startlingly narrow base: earlier in the year the top ten stocks alone made up more than a third of the entire S&P 500 — a level of concentration not seen in two decades — and a single theme, AI infrastructure spending, drove the bulk of the index's return. The striking development of recent weeks is how sharply that has broadened. The Russell 2000 index of smaller US companies is up around 18% for the year — on course for its best showing since 2003 — while the S&P 500 has risen roughly 8% and the "Magnificent Seven" mega-caps less than 5%. On several days this month, small-caps have risen even as the technology giants fell. Tired of paying 25 to 30 times earnings for the largest names, investors have rotated into cheaper, cash-generative "real economy" businesses — energy, industrials, consumer staples — many trading nearer 11 to 17 times earnings, with energy among the strongest US sectors this year, helped by the oil price and the free cash flow of firms such as Exxon and Chevron (Morningstar / 24/7 Wall St, July 2026).

This broadening is, on the whole, healthy: a market carried by five hundred companies rests on firmer foundations than one carried by seven. But it is worth a note of caution. Analysis from HSBC shows that, within the small-cap rally, it is often the *unprofitable* companies that have risen fastest — the opposite of the usual pattern, in which earnings underpin value. That has the fingerprints of a "risk-on" mood as much as a considered rotation into quality, and it is a reminder that broadening and discipline are not the same thing. For a diversified investor the message is nonetheless reassuring: the market's fortunes are no longer tied quite so tightly to a handful of stocks.

Goldman's own Risk Appetite Indicator is at its highest since 2021 — yet its conclusion is not to reduce equity exposure. Average forward returns from comparable episodes are positive (6.8% at twelve months) but below historical averages. In plain terms: markets can keep climbing, but the easy gains may already have been made (Goldman Sachs Global Research, May 2026).

There is a certain irony worth noting here. The same Goldman Sachs whose research team counsels caution reported, as a bank, the best quarter in its history on 14 July — earnings per share of $20.98, nearly double a year earlier — while JPMorgan's profits rose 41% year-on-year (company results, 14 July 2026). The strength has crossed the Atlantic: European banks are reporting a strong second quarter this month, with Goldman forecasting an 11% rise in pre-tax profits across the sector and Santander posting first-half profit up 15% to €7.3 billion. The EURO STOXX banks index has doubled in two years, to its highest since the 2007–08 financial crisis. Wall Street's giants — and increasingly Europe's — have been among the biggest beneficiaries of precisely the volatility this letter describes: turbulent markets generate trading and advisory fees. It is a useful reminder that one investor's uncertainty is another's opportunity — and that a banking sector better capitalised and more profitable than at almost any point since 2008 is itself a source of stability worth weighing against the cautions.

Jeremy Grantham — who called the Japan bubble in 1989, the dot-com crash in 2000, and the housing crisis in 2007 — offered a longer view in a Morningstar interview on 30 June. Even transformative technologies overshoot before the genuine winners emerge: Amazon fell 92% in the dot-com bust before reshaping global commerce. His expectation, consistent with history, is that non-US equities will outperform US equities over the coming decade (Morningstar, 30 June 2026).

For a well-diversified portfolio, none of this is cause for anxiety. It is a reason to understand what you own — and to recognise that the AI-driven concentration in global indices means a diversified portfolio will inevitably look different from the headline US return in any given month. That is not underperformance. That is diversification doing its job.

RATES & THE ECONOMY

Are Rates Actually High — or Have We Simply Forgotten What Normal Looks Like?

This is the question I promised to return to. And the honest answer, with the benefit of thirty years in finance — including time at Reuters and Royal Bank of Scotland — is that we have forgotten.

When I took out my first mortgage in 1994, the rate was around 7%. In the late 1980s, many of my clients were paying close to 15% — almost unimaginable today. What followed was a long, benign decline in rates, but the truly extraordinary chapter began in 2007.

As the financial crisis took hold, central banks cut aggressively. The Federal Reserve slashed rates from 5.25% in September 2007 to an effective 0%–0.25% by December 2008 — over five percentage points in fifteen months. The Bank of England cut from 5.5% in December 2007 to a then-historic 0.5% by March 2009, after the Lehman collapse. What began as an emergency response became the new normal, and rates stayed extraordinarily low for the best part of a decade. Then, in March 2020, the Bank cut further still — to 0.1%, the lowest in its history — in response to Covid. The ECB went further: its deposit rate was negative from 2014 to 2022, effectively charging banks to hold reserves rather than lend them — a deliberate attempt to push money into the real economy by making it costly to do nothing.

That is fifteen years of exceptional monetary conditions. BNP Paribas Asset Management, in their mid-year outlook on 1 July, put it precisely: long-term yields have now settled at levels defined by the trend in nominal GDP growth — higher than during those fifteen years — and central banks are no longer trying to repress them. Today's rates are not aberrantly high. The fifteen years of near-zero rates were the aberration.

Central bankers themselves are notably reluctant to signal what comes next. At the ECB's Sintra forum earlier this month, Christine Lagarde, Andrew Bailey and their US and Canadian counterparts pointedly repudiated the practice of forward guidance — Lagarde's "I have one regret: to have felt bound and compelled by forward guidance" captured the mood. The message for savers and borrowers is that the era of central banks telegraphing their intentions is, for now, over. That reticence was on show again this week. The US Federal Reserve, under its new chair Kevin Warsh, held rates at 3.5–3.75% on 29 July — a fifth consecutive hold — but the decision split the committee 9–3, with three members wanting to raise rates as inflation stays above target. The European Central Bank has held its deposit rate at 2.25%. And today the Bank of England held Bank Rate at 3.75% too, alongside a fresh Monetary Policy Report, with the recent pattern of dissent coming — unusually — from members who would prefer to raise rates rather than cut them, as services inflation runs at 3.7% and the Middle East conflict keeps energy costs elevated. The common thread across all three is a set of central banks unwilling to declare victory over inflation, unwilling to promise what comes next, and — for now — content to hold. For savers and borrowers alike, the practical takeaway is a spell of rate stability, with the next move as likely to be up as down.

For clients, the reframing matters. The 0.1% base rate was not normal; 3.75% is closer to it. The path back toward 0% would need a deliberate choice to suppress yields that no major central bank currently seems minded to make. For savers, that is genuinely good news — fixed-interest income has not been this attractive in over a decade. For borrowers, the message is to plan around a world where mortgage rates are unlikely to return to 2020–2022 levels.

One further observation as Burnham settles in. Sir Nigel Wilson — who ran Legal & General for over a decade, overseeing $1.5 trillion in assets — makes a pointed contribution to the growth debate: the UK has £6 trillion of long-term capital, twice its GDP. The problem is not a shortage of money, but how that capital is allocated (Cambridge Innovation Capital, April 2026). Under a Prime Minister with an explicit growth agenda, that may be the most important economic question of the coming Parliament.

There is a line to hold here, though. Some of this debate — including proposals to nudge pension funds toward UK start-ups and infrastructure — edges toward the idea that where your retirement savings sit should serve national priorities. My own view is straightforward: how you invest your pension should be determined by your goals, your timeframe, and your appetite for risk — not by the government's agenda. The macro debate is interesting; the decisions about your money remain yours.

✓ The silver lining for fixed income

With longer-dated UK gilts yielding around 4.7–4.8% and the US 30-year Treasury above 5%, today's fixed-income yields may offer a meaningfully better income opportunity than for most of the past decade. For anyone deploying new capital or reviewing their allocation, this is a very different environment from the near-zero world of a few years ago — income, rather than only capital growth, is doing real work again.

IN CLOSING

A word to end on.

Much of what fills this month's letter is unresolved — the Iran conflict, the shape of Burnham's fiscal choices, whether the narrow market leadership broadens or breaks. None of it can be predicted with confidence, and none of it needs to be. The value of a diversified, long-term portfolio is precisely that it does not require you to know how the Iran talks conclude, when rates next move, or who ends up in the Cabinet. It is built to weather exactly this kind of uncertainty — where the honest answer to "what happens next?" is that nobody yet knows.