



# Market Flash: Markets face mixed signals

26 June 2026

- **Despite persistent points of contention between Iran and the United States, the reopening of the Strait of Hormuz and the lifting of sanctions on Iranian oil have brought crude oil prices back to their pre-war levels.**
- **The US economy continues to show strong momentum, whilst the eurozone is seeing a slight rebound in economic indicators, which nevertheless remain consistent with a weak economic climate.**
- **The fall in oil prices has contributed to a decline in US interest rates, though this has not boosted equities, which have been weighed down by a sell-off in technology stocks.**

Despite fresh tensions, US-Iran talks began in Switzerland over the weekend. The Strait of Hormuz reopened and Washington waived sanctions on Iran's oil. There are still some sticking points - over the control of the Strait and Iran's nuclear programme - but oil prices continued to fall back and gradually return to pre-conflict levels.

Advanced PMIs, as well as an upward revision in first quarter growth, confirmed that the US economy was on form. In the eurozone, indicators rebounded slightly thanks to easing geopolitical tensions but still reflected a degraded economic picture. Composite PMI rose from 48.5 to 49.5 and services from 47.7 to 48.9.

May's PCE inflation in the US came in at 4.1%, or in line with expectations. The rise is partly due to oil prices from the Middle East conflict so the pressure should logically diminish in coming weeks. Underlying PCE inflation was 3.4% due to services ex-shelter while goods prices fell back a little.

The data, coupled with falling oil prices, helped US interest rates fall over the week. But the move lower failed to lift equities which were hit by a sell-off in those tech stocks which had risen the most. Volatility in Asian indices, and especially South Korea's Kospi, was high this week.

In the UK, the focus shifted to the political arena. PM Keir Starmer resigned and Andy Burnham, fresh from a resounding win in a by-election, is the favourite to replace him. But the direction of the new government's budget policy is still uncertain.

We continue to favour equities, and especially in the US, where economic fundamentals are robust and earnings prospects upbeat. With central banks turning more hawkish, we are currently neutral on duration. We have gone back to negative on the US dollar following its rebound in recent days.

## European equities

Trading was once again active on European markets as the first second quarter results started to trickle in and ahead of IPOs in the defence and space sectors. However, investors continued to favour AI, energy and electrification, areas which now account for two-thirds of returns in the STOXX Europe 600 since the beginning of this year. These themes now represent 24% of the index, up from 19%.



European PMIs came in slightly better than expected and up from the previous month but at 49.5 are still on contraction territory. In France, manufacturing moved back above 50 while services surprised on the upside while staying below 50.

Strategic operations dominated company news. Food-products giant **Danone** continued to grow in health nutrition by acquiring Australia's MADE Group. And in M&A deals, **Segro** rejected a bid from Prologis at a 25% premium. **easyJet** turned down Castlelake's fourth bid but left the door open for further talks. **Sanofi's** new head of R&D spent 15 years at Roche. **Allianz** (insurance) warned on a rise in repayments for ships damaged during the US-Iran conflict. In defence, Berlin is considering awarding the order for six F126 frigates to **TKMS** rather than **Rheinmetall** as initially announced. **TKMS's** offer is cheaper and promises shorter delivery times.

In the first second-quarter results, **OVHcloud's** figures were in line with expectations. Growth remains strong in the public cloud business. Sales at **Trigano's** camping car business were weaker than expected but the group's strong cash position could help it speed up its share buyback programme.

## US equities

Wall Street had a mixed week. The S&P 500 shed 1.91% and the Nasdaq plunged 4.37% but the Russell 2000 ended the period 0.94% higher. This divide reflected a rotation out of tech mega caps and into domestic and cyclical plays against a backdrop of profit taking after the semiconductor rally, expectations of a more hawkish Fed and inflationary risk from energy and AI capex.

IT slumped 4.40% after the bullish AI and semiconductor trend came unstuck but the sector rebounded at the end of the period. **Micron** breathed new life into the HBM and premium memory theme after beating expectations. Expectations that supply might be an issue after 2027 also played a part. **Qualcomm** outperformed on reinforced ambitions in data centres and hyperscalers. **IBM** rose after unveiling new generation chips. In contrast, **Alphabet** was hit by top AI talents moving to **Anthropic**, and **Apple** from memory cost worries and hardware price rises. Trading in AI infrastructure plays like **Super Micro-Computer** remained highly volatile.

Industry and materials gained 2.06% and 0.17%, respectively, on rises in cyclicals and investment stocks. Autos and suppliers like GM (+1.4%) and companies exposed to infrastructure, data centres, rail and logistics outperformed thanks to a persistently robust economy and expectations of high capex. In materials, **Commercial Metals** jumped 4% on the outlook for improved margins while some metals and energy stocks remained sensitive to shipping developments in the Strait of Hormuz.

Consumer discretionary tanked 4.20% on falls in the most cyclical segments. Travel and leisure saw profit taking. Carnival lost 4.9% on higher logistical costs from the Middle East conflict and a shift in guidance. Autos remained under pressure. **Polestar** shed 5% on news it was quitting the US market.

Communication services (-5.69%) led sector losses. **Alphabet** and **Netflix** declined on a rotation out of the most crowded growth themes, increased competition and caution on content and advertising. Streaming and digital media stocks remained volatile, swinging between M&A speculation and profit taking.

Healthcare stood out with a 4.59% gain on strength in biotech, medtech and pharma. **Apogee Therapeutics** soared 46.7% after being acquired by **AbbVie**. **Natera** gained on Japan approving its Signatera test for colon cancer.

Financials edged 0.11% higher. Major US banks rose on dividend hike hopes after the Fed stress tests and strong capital markets activity, notably in tech and AI deals. But **Jefferies** cratered 9.2% after a results miss. Private credit remained under surveillance on liquidity worries and redemption caps in some funds.



Defensives like utilities (+3.04%) and real estate (+2.49%) were underpinned by falling long-term interest rates and the search for yield. Inflows targeted property companies exposed to residential housing and data centres. Energy (+1.15%) traded in line with oil prices and geopolitical risk with see-saw movements in majors and E&P companies.

## Emerging markets

The MSCI EM was down 1.66% in USD as of Thursday. Brazil was up by 0.57%. China, Mexico, Taiwan, Korea and India were down by 3.70%, 2.16%, 1.33%, 0.33% and 0.16% respectively.

In **China**, the PBOC left the 1- and 5-year LPRs unchanged at 3% and 3.50% for a 13th straight month, or in line with expectations. The cumulative fiscal deficit narrowed by 4.1% YoY in the first five months to RMB 3.16trn - the first contraction in over two years - even as May retail sales fell 0.6% YoY. Beijing rolled out 15 measures to stabilise and expand foreign investment (inbound FDI -8.6% Jan-May, but May +5.9%). Smartphone sell-out is down 8% YTD. **Tencent** began testing the WeChat-integrated "Xiaowei" AI assistant plus DeepSeek-powered "Dayuan" for WeCom. **Trip.com** beat on first-quarter revenue, up 17% YoY, but missed on EPS (5.73 vs. 6.09) and guidance on second-quarter growth was just 3-8% vs. -20% consensus. **NetEase** will convert its HK secondary listing to dual-primary status ahead of market expectations.

In **South Korea**, May CPI was +3.2% YoY (the fastest since March 2024) and PPI surged 8.5% YoY (fastest since July 2022). **SK Hynix** filed to raise around \$30bn via Nasdaq ADRs with a listing targeted for July 10. Samsung is reportedly set to unveil a close to \$650bn 10-year domestic investment plan, the largest in Korean history. **Apple** and **XBox** confirmed price hikes, due to sharp memory prices increase.

In **Taiwan**, May industrial output rose by a softer-than-expected 11.78% YoY vs. estimates of +13.20%. The central bank held rates at 2% for a ninth straight quarter but turned hawkish with a fourth-quarter hike now widely expected. **TSMC** confirmed advanced-node price hikes (3nm reportedly +15% in the second half).

In **India**, June flash PMIs softened but stayed expansionary - manufacturing to 54.5, services to 57.3 and composite to 57.4 - while May CPI was 3.93%, or below the 4.02% estimate and under the RBI's 4% target. The rupee was Asia's top performer, as oil plunged on the Strait of Hormuz reopening and bond tax cuts drew inflows. India-China ties warmed thanks to a Doval-Wang Yi meeting and a reported ~\$370f **Geely**-backed **Horse Powertrain** investment. **Adani Ports** unveiled an INR1trn five-year capex plan.

In **Mexico**, first-half of June CPI fell 0.11% MoM vs. estimates of +0.05%. Banxico held rates unanimously at 6.50% and signalled it would be "appropriate to maintain" the rate going forward, effectively ending the two-year easing cycle. **Pemex** and **Petrobras** signed an E&P MOU including the Gulf of Mexico. CFE secured a \$500m BCIE credit line for gas-fired projects, and **Sempra** began producing LNG from Costa Azul - Mexico's first West Coast export terminal - supplying 2.5mtpa to **TotalEnergies**.

In **Brazil**, mid-June IPCA-15 rose 0.41% MoM vs. estimates of +0.44% with food the largest contributor. **Petrobras** is resuming shelved projects (a -\$1bn UFN-III fertiliser unit and a \$1.2bn SAF/renewable-diesel biorefinery).

## Corporate debt

Trading this week swung between two very contrasting trends, a gradual de-escalation in the Middle East and a brutal tech stock sell-off. Progress in US-Iran talks drove risk appetite at the beginning of the week. Brent crude fell to \$75, its lowest level since February. But on Tuesday, South Korea's Kospi



index plunged 9%, with trading suspended at one point, and the shock wave hit global tech stocks. Behind the scenes, the dollar hit a year high on expectations the Fed would raise rates.

Elsewhere, yields on Germany's 10-year Bund hit a three-month low of 2.87% on Wednesday, thanks to falling oil prices and a flight to quality, before rising to 2.90% the day after. 10-year US Treasury yields stabilised around 4.39% with the Bund/US spread remaining at -154bp. Implicit interest rate volatility returned to pre- oil crisis levels, a sign that macro and bond investors were generally reassured by events like Kevin Warsh's first FOMC and PCE inflation. Peripheral sovereign spreads saw only small variations with the BTP-Bund at 72bp. The Xover traded at 250bp before tightening to around 247 on Thursday after Micron's upbeat figures. New issuance in Europe hit a record with more than €204.9bn raised so far this month.

The Bloomberg Pan-European High Yield (ex-financials) index closed on Thursday with an OAS spread of 280bp and a yield of 6.18%. The index has returned 0.44% this month. **Bayer AG** was Thursday's best performing stock and **Grupo Antolin Irausa** the worst. On Monday, **Flamingo Lux II SCA** was the best performer with **Thames Water** the worst. In HY new issuance, **Constantia Flexibles** (B2/B-/B+) raised €500m with a senior secured deal at 6.25% due July 2032 and a first call after 2 years. **Zegona Finance**, backed by **Vodafone Spain** (Ba2/BB/BBB-) raised €1.1bn at 4.25% due January 2032 and with a 2-year call. The yield was tighter than the 4.50-4.75% spread initially indicated.

In hybrid bonds, **Clariane SE** raised €333m with a perpetual bond at a floating yield (~8 %) NC 3 years. **CPI Property** launched a buy-in for its Covid-era 4.875% bonds. This followed its recent €550m issue of perpetual bonds at 8.5%, NC (non-callable) 5.5 years and reflects a structural repricing of the segment. In the US, **Castrol** (Stonepeak/BP) sold two 7-year tranches, NC 3 years, \$500m at 6.125% and \$435m at a comparable yield.

Subordinated financial debt was very busy. **Erste Group Bank** raised €750m with an AT1 at 5.875%. **Athora Holding** raised €500m with a Tier 2 bond due in 11.5 years. The order book totalled more than €2.5bn. **Crédit Agricole SA** raised CHF 160m with a Tier 2 issue and **OTP Bank** €1bn with a Tier 2 bond (Ba1/Moody's). UBS is reimbursing its 5.125% AT1 for \$750m. Carnival Corp's spread with IG saw its biggest tightening after S&P raised it to BBB-.



## **GLOSSARY**

- Investment Grade: bonds rated as high quality by rating agencies.
- High Yield: corporate bonds with a higher default risk than investment grade bonds but which pay out higher coupons.
- Senior debt benefits from specific guarantees. Its repayment takes priority over other debts, known as subordinated debt.
- Debt is considered to be subordinated when its redemption depends on the earlier payment of other creditors. To offset the higher risk, subordinated Senior debt has priority over other debt instruments.
- Tier 2 / Tier 3: subordinated debt segment.
- Duration: the average life of a bond discounted for all interest and capital flows.
- The spread is the difference between the actuarial rate of return on a bond and the rate of return on a risk-free loan with the same maturity.
- The so-called "Value" stocks are considered to be undervalued.
- EBITDA: Earnings before Interest, Taxes, Depreciation, and Amortization.
- CTA: quantitative strategy which uses futures to invest in a wide range of financial assets, including equity indices, short-term and long-term interest rates, currencies, and commodities.
- The PMI, for "Purchasing Manager's Index", is an indicator of the economic state of a sector.
- AT1s belong to a family of bank capital securities known as contingent convertibles or "Cocos". Convertible because they can be converted from bonds to shares (or depreciated entirely) and contingent because this conversion only occurs if certain conditions are met, such as the issuing bank's capital strength falling below a predetermined trigger level.
- RT1s: perpetual bond issues with early redemption possible after 10 years. Coupon payments are discretionary and non-cumulative.



## DISCLAIMER

This is a marketing communication.

This document is issued by the Edmond de Rothschild Group. It is not legally binding and is intended solely for information purposes. This document may not be communicated to persons located in jurisdictions in which it would be considered as a recommendation, an offer of products or services or a solicitation, and in which case its communication could be in breach of applicable laws and regulations. This document has not been reviewed or approved by a regulator of any jurisdiction. The figures, comments, opinions and/or analyses contained herein reflect the sentiment of the Edmond de Rothschild Group with respect to market trends based on its expertise, economic analyses and the information in its possession at the date on which this document was drawn up and may change at any time without notice. They may no longer be accurate or relevant at the time of reading, owing notably to the publication date of the document or to changes on the market. This document is intended solely to provide general and introductory information to the readers, and notably should not be used as a basis for any decision to buy, sell or hold an investment. Under no circumstances may the Edmond de Rothschild Group be held liable for any decision to invest, divest or hold an investment taken on the basis of these comments and analyses. The Edmond de Rothschild Group therefore recommends that investors obtain the various regulatory descriptions of each financial product before investing, to analyse the risks involved and form their own opinion independently of the Edmond de Rothschild Group. Investors are advised to seek independent advice from specialist advisors before concluding any transactions based on the information contained in this document, notably in order to ensure the suitability of the investment with their financial and tax situation. Past performance and volatility are not a reliable indicator of future performance and volatility and may vary over time, and may be independently affected by exchange rate fluctuations.

Source of the information: unless otherwise stated, the sources used in the present document are those of the Edmond de Rothschild Group. This document and its content may not be reproduced or used in whole or in part without the permission of the Edmond de Rothschild Group.

Copyright © Edmond de Rothschild Group - All rights reserved

EDMOND DE ROTHSCHILD ASSET MANAGEMENT (FRANCE)

47, rue du Faubourg Saint-Honoré 75401 Paris Cedex 08

Société anonyme governed by an executive board and a supervisory board with capital of 11.033.769 euros

AMF Registration number GP 04000015

332.652.536 R.C.S. Paris