Equity Trustees

June 2026

MONTHLY SUMMARY

MARKET SUMMARY

Easing geopolitical concerns and resilient economic growth led to a broadening in equity market performance beyond US mega-cap technology stocks. Commodities were led down by oil leading to large dispersion between sectors. Central banks remain on hold or are hiking rates influenced by higher inflation and a solid macro backdrop.

Equity market performance – US equities underperformed

- Global equities (MSCI World Ex Australia) fell 0.7% in USD terms but rose 3.14% in $A terms. US equities (-1.1%) dragged down the index, while Japan (+5.6%) and Europe (+3.3%) outperformed.
    - The equal-weighted S&P 500 outperformed the cap-weighted index, highlighting broader market participation beyond mega-cap technology stocks.
- Australian equities (ASX 200) returned 0.67% during June. Large caps outperformed small caps.

Sector performance – Within the ASX200 Industrials outperformed Resources, while the Mag-7 fell in the US

- Within the ASX200, Healthcare, Consumer Staples and Consumer Discretionary sectors drove returns as investors rotated into defensives and domestic growth exposures while commodity-related sectors lagged as commodity prices weakened.
    - A-REITs generated a solid positive return of 1.7% in June, benefiting from lower bond yields and improved sentiment towards interest-rate-sensitive sectors. Residential REITs rebounded 13%.
    - The top five contributors to the ASX200 were Wesfarmers, CSL, Aristocrat Leisure, Woolworths and Macquarie Group. The bottom five contributors were BHP, Fortescue Ltd, Rio Tinto, Woodside Energy and PLS Group.
- In the US, Semis (SOX +11.1%) and memory (DRAM +16.7%) were the standouts, while the Mag 7 were all lower.
    - Otherwise, Industrials, healthcare and Financials outperformed while Communication Services, Energy and Consumer discretionary underperformed.
    - The Big Tech selloff was also in part tabbed to use as a source of funds first for the Space X IPO. Alphabet also announced an $85B equity offering, while Anthropic and OpenAI both filed for IPO's.
    - Worries about 'tokenmaxxing' and companies pushing back on rising AI spend (adding to AI return on investment concerns) as well as cheaper Chinese models, and government oversight of AI releases weighed on the big Tech stocks.
    - The Mag 7 collectively shed more than $2T of value over the month, its worst performance in more than a year.

Bond markets – Most bond markets rallied, ex the US where more hawkish tone saw front-end yields rise

- Australian bond market returns were positive as investors responded to increasing economic headwinds.
- Australian bond yields declined during June, with the 10-year government bond yield falling 11bps to 4.72%, supporting valuation-sensitive sectors.
- In the US the yield curve flattened. US 2-year bond yields rose 16bps, 10-year bond yields rose 3bps (to 4.47%) and 30-year bond yields fell 5bps.

Global economic news – Easing geopolitical concerns helped

- Improving Middle East conditions and easing geopolitical concerns contributed to a sharp decline in oil prices and a broader fall in commodity markets. The US and Iran signed a ceasefire this month, reopening the Strait of Hormuz and starting a 60-day window for further talks,
- Global growth remained resilient, with Global PMI readings remaining in expansionary territory.
- The US Federal Reserve held rates steady at 3.75% In his first meeting as Fed Chair, Kevin Warsh struck a decidedly hawkish tone, stressing price stability.

- US payrolls remain strong and manufacturing data has improved. US Headline CPI rose to 4.2% year-on-year.
- Attention remained focused on AI-led investment spending, particularly data centres and digital infrastructure, which continued to underpin global capital expenditure trends.
- The US Dollar strengthened against most major currencies as markets priced in a less accommodative rate outlook.

Australian economic news – Higher rates and budget changes softening the outlook

- The RBA left the cash rate unchanged at 4.35%, although markets continued to debate the possibility of further tightening given persistent inflation pressures. Underlying inflation remained sticky, with trimmed mean inflation around 3.6% year-on-year.
- Australia's labour market remained resilient, with unemployment falling to 4.4% and household spending exceeding expectations. Consumer confidence remains soft.
- Business investment, particularly data-centre related spending, continued to provide an important offset to softer housing activity and moderating consumer demand.
- The budget changes around CGT and negative gearing will weigh on housing prices and bank credit growth.
- The Australian dollar fell 3.7% against the US Dollar to 69.19c.

Commodity performance – broadbased sell-off led by oil

- Easing geopolitical concerns (Oil) and a stronger USD weighed on commodities.
- Commodity markets weakened materially, with Brent crude oil falling around 20%, gold declining 12% (worst month since June 2013) and iron ore down ~6%.
- Industrial metals were also weaker, including aluminium (-19%) and nickel (-15%), reflecting softer sentiment and easing geopolitical risk. Lithium fell 17% on increasing supply concerns.

Earnings revisions – remain positiive

- ASX 200 forward earnings estimates improved modestly during June, reversing some of the weakness experienced in the prior month. ASX200 consensus earnings growth remains robust at 12.9% for FY26/FY27e.
    - Energy, Materials and Information Technology recorded the strongest earnings upgrades despite weaker share-price performance from commodity-related sectors.
    - Healthcare and Industrials experienced downgrades even as their share prices strongly outperformed, reflecting valuation re-ratings rather than earnings momentum.
- Global earnings expectations rose in June, with the one-year forward consensus estimates for the MSCI ACWI rising by 2.0%. Earnings expectations for the US Nasdaq rose 5.1%.