Crystal Wealth Partners Market Commentary – July 2026

Please find our commentary on investment markets to 31th July 2026.

July brought an unwelcome reversal of recent momentum. The ceasefire between the United States and Iran, which had underpinned the solid recovery in markets through April and May and the sharp decline in oil prices through June, broke down early in the month. After attacks on commercial ships transiting the Strait of Hormuz, the United States launched retaliatory strikes on Iranian targets. Speaking at the NATO summit in Turkey, President Trump declared the ceasefire over and dismissed further negotiation with Tehran. The naval blockade was reimposed, the sanctions relief granted under the June agreement was reversed, and oil rose more than 20% over the month as a fresh risk premium returned to energy markets. Prices remained well below the peaks reached at the height of the conflict earlier in the year, however, suggesting markets are treating this as a serious setback rather than a return to the worst case scenario.

The second major theme in July was a deepening of the global technology and artificial intelligence unwind that began in June. What had started as a healthy pullback became more pronounced, with semiconductor and AI-related stocks declining across the United States, Japan, South Korea and Taiwan. The moves owed less to any single piece of bad news than to a broad reassessment of stretched valuations, growing concern about the funding demands of enormous capital spending programs, and intensifying competition in parts of the memory chip market. Even companies reporting record profits saw their shares sold, a sign that expectations had simply run ahead of results. The selling was amplified in markets such as Japan and South Korea, where a small number of large technology companies account for an outsized share of the index.

The result was an unusual set of monthly returns. Hong Kong, which had been the worst major market in June, was by far the best in July, rising more than 13% as international capital returned to offshore Chinese equities and a significant boom in new listings and IPO activity signalled renewed confidence. Japan, which had led the world for much of the year, was the weakest, falling more than 8% as its technology-heavy benchmark bore the brunt of the semiconductor sell-off and entered a technical correction from its late June record. The UK, with its defensive composition and heavy energy weighting, quietly outperformed as oil rallied. These abrupt shifts in leadership reinforce the point That leadership in markets can change quickly, and diversification remains the most reliable protection.

Amid the geopolitical noise, the inflation news was encouraging on both sides of the Pacific. Data released in the United States and Australia during the month surprised to the downside, largely reflecting the earlier fall in fuel costs. That improvement predates oil's July rebound, and the renewed conflict now poses a risk to recent readings. For now, though, the data has shifted the conversation, with markets moving to price an end to further rate rises in both economies and easing pressure on central banks that had been leaning towards further tightening. We cover what this means for the Federal Reserve and the RBA in the sections below.

Central banks largely held their ground through the month, though not without internal debate. Both the Federal Reserve and the Reserve Bank of Australia enter August in a holding pattern, and the interplay between the Middle East, the oil price and the inflation data will determine whether this improving rate outlook survives the months ahead.

US Markets

US equity markets were broadly flat in July, masking considerable movement beneath the surface. The S&P 500 slipped 0.13% and the Dow Jones edged up 0.32%, while the Nasdaq 100 fell 3.20% as the technology sell-off continued. The divergence between the technology sector and the rest of the market that emerged in June extended through July, with semiconductor stocks particularly weak. The Philadelphia Semiconductor Index fell into a technical bear market during the month, more than 20% below its late June peak, and Nvidia lost its position as the world's most valuable company to Apple following a heavy fall late in the month. Even strong results could not stem the selling. Taiwan Semiconductor reported record quarterly profits yet saw its shares decline, as investors treated its higher spending guidance as evidence that capital expenditure across the sector may be peaking without a corresponding payoff in profitability.

The inflation data was the clear bright spot. June CPI, released mid-month, fell 0.4% for the month, the largest monthly decline in more than six years, taking the annual rate down to 3.5% against expectations of 3.8%. Core inflation also eased, with the annual rate slipping to 2.6%. This improvement stemmed largely from the fall in fuel prices through June, and it confirmed the view that the inflation surge earlier in the year was an energy story rather than a broad-based effect. An important caveat is that the data predates the July rebound in oil, and the renewed conflict means the improving trend cannot yet be taken for granted. Nonetheless, the softer reading eased the pressure for a near-term rate increase.

The Federal Reserve held the federal funds rate steady at 3.50% to 3.75% at its meeting on 28 and 29 July, its fifth consecutive hold. The decision was not unanimous, with three committee members dissenting in favour of an increase, reflecting concern among more inflation-focused members of the committee that price pressures remain above target. Chairman Warsh continued to reshape the institution's communication style, delivering another notably short statement with no forward guidance about future moves. Commentators described a September increase as finely balanced, dependent on the next two inflation reports and, critically, on developments in the Middle East.

Markets continue to price no rate cuts in 2026, and a further increase remains possible if the rebound in oil prices feeds through to ongoing inflation.

Bond markets reflected the renewed inflation risk, with the US 10-year Treasury yield rising 7.30% in yield terms over the month, one of the largest monthly increases of the year. The combination of resurgent oil prices, a central bank leaning towards tighter policy, and heavy government issuance kept upward pressure on yields even as the equity market faltered. Higher yields were themselves a headwind for growth-oriented technology stocks, which are especially sensitive to rising rates, reinforcing the rotation toward value and defensive names that has been underway since June.

World Markets

Japan's Nikkei 225 fell 8.14% in July, its first monthly decline in four months and the weakest result among major markets, ending the strong run that had taken the index to a record above 72,000 in late June. The benchmark entered a technical correction during the month, falling more than 10% from its peak, and the decline was described by local commentators as a momentum crash, where the same buying that had propelled prices higher abruptly reversed into selling. The losses were heavily concentrated in the semiconductor and artificial intelligence names that had driven the rally, with memory chip maker Kioxia falling almost 50% for the month, and equipment and materials suppliers declining substantially alongside it. The sell-off was compounded by contagion from South Korea, where trading was automatically halted during its own steep falls, and by renewed Middle East tensions lifting oil prices, a particular negative for energy-dependent Japan.

It is worth keeping the move in perspective. Even after July's fall, the Nikkei remains up 8.56% over three months and well higher over the past year, and the broader Topix index fell considerably less than the headline benchmark, confirming that the damage was concentrated in a narrow group of expensive technology names rather than reflecting a deterioration in the wider Japanese economy or corporate earnings. A strong result from Advantest sparked a notable rebound on the final trading day of the month, hinting that value is beginning to re-emerge, but the episode is a reminder of the concentration risk that had built up in one of the world's best-performing markets.

Germany's DAX rose 2.53% in July, a solid outcome in a turbulent month, and is now up 5.50% over three months. The index benefited from its comparatively light exposure to the semiconductor names at the centre of the global sell-off, and from the defensive, industrial and financial character of its largest constituents. The renewed rise in energy prices is an unwelcome development for Germany's energy-intensive industrial base, and the European Central Bank remains caught between inflationary pressure from oil and a fragile growth backdrop. Nonetheless, European equities broadly demonstrated in July that being less exposed to the artificial intelligence theme can be an advantage when that theme comes under pressure.

The FTSE 100 was among the stronger developed markets in July, rising 3.53%. The index's traditional characteristics served it well in the month's conditions. Its heavy weighting to energy companies meant the rise in oil prices was a direct benefit, with Shell and BP rallying, while its defensive, value-oriented composition and minimal exposure to the technology sell-off provided further insulation. The Bank of England held rates steady, continuing to balance above-target inflation against a soft domestic economy.

The divergence within Chinese markets in July was striking, running in the opposite direction to June. Hong Kong's Hang Seng rose 13.13%, its largest monthly gain in almost two years, while, in contrast, the mainland Shanghai Composite fell 6.40%. Hong Kong's rally reflected a combination of factors: international capital returning to offshore Chinese equities after a long period of underweight positioning, a booming listing and IPO pipeline that has made Hong Kong's equity capital market the busiest it has been in five years, bargain hunting in large internet platforms such as Alibaba and Tencent after June's steep falls, and a boost to sentiment from the soft US inflation data mid-month. The listing of a major AI infrastructure company raising over HK$50 billion, one of Asia's largest floats of the year, underlined the renewed appetite, and strength in HSBC and the high-dividend banks provided additional support.

The mainland market told a different story. Shanghai fell as the renewed US-Iran escalation weighed on sentiment, broader semiconductor weakness hit the mainland's sizeable chip sector, and the familiar domestic pressures of a weak property market and subdued consumer spending persisted. The contrast between the two markets is instructive. Hong Kong's rally was substantially a story of international capital flows and valuation recovery in the large platforms, while the mainland's decline reflected the domestic economy's continuing challenges. Both things can be true at once, and the gap between the two markets over June and July, in both directions, has been a notable feature of the year.

Australia

Australian equity markets had a solid month against the turbulent global backdrop, with the S&P/ASX 200 rising 2.26% and the All Ordinaries gaining 1.68%. The local market benefited from the same rotations that supported the UK, as the rise in oil prices lifted the energy sector, with Woodside, Santos and the coal producers posting solid gains, while the banks remained well supported and the market's relatively light weighting to the technology names under pressure globally proved an advantage. The soft inflation data late in the month provided a further boost, as investors began to price the end of the RBA's tightening cycle.

There was no RBA board meeting in July, leaving the cash rate at 4.35% ahead of the August mid-month decision. The major event of the month was the June quarter inflation data released on 29 July, and for the first time this year, the news moved decisively in the right direction. Headline inflation for the June quarter eased to 3.9% year-on-year, down from the two-year high of 4.1% in the March quarter, while the year-on-year June reading fell to 3.8%, a four-month low and below expectations of 4.0%. Most importantly, the trimmed mean measure, the RBA's preferred gauge of underlying inflation, came in at 3.6% year-on-year, below expectations and no longer rising. The improvement stemmed from the decline in fuel prices through June, with transport costs nearly flat over the month after months of significant increases. Housing and services inflation remained firm, a reminder that the underlying picture is not yet resolved, but the overall message was that the energy-driven inflation surge appears to have peaked (subject to geopolitical factors).

The market reaction was notable. Following the data, every major bank economist shifted to forecasting a peak in the cash rate at 4.35%, with the RBA expected to hold rates at its August meeting and remain on hold for the rest of 2026. Rate cuts remain a story for 2027 at the earliest, given underlying inflation is still well above the 2% to 3% target band, but the removal of further hikes from the outlook is a meaningful positive for households, borrowers and rate-sensitive parts of the market.

Governor Bullock, speaking at the end of the month, emphasised that global developments, particularly the renewed Middle East conflict and its impact on energy prices, remain the key risk to this improving picture. The labour market continued to soften gradually, with unemployment at 4.4%, slightly above the RBA's forecasts, adding to the case for the Bank to remain on hold.

Australian government bond yields rose 4.46% in yield terms over the month, a counterintuitive move given the soft inflation data, but one that reflected the global forces at work: the renewed rise in oil prices, the steep rise in US yields, and the market's recognition that the improving inflation trend is tied to events in the Middle East. The Australian dollar rose 1.50% against the US dollar to finish the month above US$0.70, supported by the improved commodity price backdrop and the relative stability of the domestic outlook. Iron ore softened over the month on continuing weakness in Chinese steel demand, a headwind for the large miners, though the energy and gold sectors provided an effective offset at the index level.

Other

Oil dominated commodity markets for yet another month, this time on the way back up. WTI crude rose 21.83% in July as the ceasefire between the United States and Iran collapsed in the opening days of the month. The sequence echoed the opening of the month described above: attacks on shipping in the Strait of Hormuz, retaliatory US strikes, President Trump declaring the ceasefire over at the NATO summit, the reimposition of the naval blockade, and the reversal of the June sanctions relief. Crude rose from around US$70 per barrel at the start of the month to the mid-US$80s by month-end as a fresh risk premium was priced in. Even after this rise, prices remain roughly 30% below the peaks reached at the height of the conflict earlier in the year, and down 19.42% over three months. The market is pricing a serious and unresolved risk, but not, at this stage, a return to the full supply crisis of March and April. The trajectory from here depends almost entirely on whether shipments can continue moving through the strait and whether diplomacy can be revived.

Gold rose a modest 0.85% for the month. The renewed conflict restored some safe-haven demand after two months of heavy selling, but the rebound was capped by the same forces that drove the earlier decline: elevated bond yields and a firm US dollar, both of which raise the opportunity cost of holding an asset that pays no income, and a Federal Reserve reluctant to ease policy. Gold's behaviour through this crisis has been a useful illustration of the forces that drive the metal. It is not a simple geopolitical hedge; its performance depends on the interplay between fear, real interest rates and the currency, and in the current environment those forces are often pulling in opposite directions.

Iron ore fell 2.20% for the month and is down 8.57% over three months. The decline continued to reflect the fundamental picture in China: soft steel demand, a property sector that remains in structural decline, pressured steel mill margins, and elevated port inventories. The weakness in the mainland Chinese equity market through July echoed the same underlying concerns. For Australia, sustained iron ore softness is a headwind for export revenues, the terms of trade and the major miners, and it partially offsets the benefit the local market receives from stronger energy prices. The outlook for Chinese stimulus, particularly any meaningful support for the property sector, remains the key variable for the iron ore price in the second half of the year.

July was a reminder of how quickly market leadership can turn, from Japan's reversal after months of outperformance to Hong Kong's rebound after a difficult June. For portfolios built around diversification across regions, sectors and asset classes, this kind of rotation is precisely what such structure is designed to manage. Geopolitical shocks and valuation resets are, by their nature, difficult to predict and time. Our approach remains to maintain broad diversification, avoid chasing the most recent performance, and keep a long-term view through periods of volatility. History suggests that investors who stay the course and retain their strategy through episodes like this month are better placed to participate in the recovery that typically follows.

Index*	1 Month	3 Months
US – Dow Jones	0.32%	5.71%
US – Nasdaq (100)	-3.20%	1.93%
US – S&P 500	-0.13%	3.89%
Germany – DAX	2.53%	5.50%
UK – FTSE 100	3.53%	4.71%
Shanghai Composite – SSE	-6.40%	-6.81%
Hong Kong – Hang Seng	13.13%	0.42%
Japan – Nikkei 225	-8.14%	8.56%
S&P/ASX 200	2.26%	3.59%
All Ordinaries Index	1.68%	2.81%
Gold (USD)	0.85%	12.55%
Oil (USD) – WTI	21.83%	-19.42%
Iron Ore (USD)	-2.20%	-8.57%
Δ 10 Year Aus Gov't Bonds (Yield)	4.46%	-2.74%
Δ 10 Year US Gov't Bonds (Yield)	7.30%	8.09%
AUD/USD	1.50%	-2.47%

* Percentage change in local currency unless stated otherwise

If you have any questions in relation to the above, or require any additional portfolio or investment information, please do not hesitate to contact your Adviser to discuss your particular circumstances.