Crystal Wealth Partners Market Commentary – June 2026

Please find our commentary on investment markets to 30th June 2026.

June proved a turning point in the story that had dominated markets since late February. Oil prices, which began falling in May, dropped sharply over the month as the ceasefire between the United States and Iran held and the Strait of Hormuz progressively reopened to commercial shipping. By month end, crude had unwound almost all of the war premium built up since the conflict began, returning close to pre-conflict levels. This was good news for the inflation outlook, but two further developments made June a more complicated month for investors than the simple relief rally many had expected.

The first was a hawkish turn at the US Federal Reserve, where new Chair Kevin Warsh held his first meeting in the role. Rather than signal the rate cuts some had expected on his appointment, overall the Fed projected a possible rate increase later in the year, reflecting concern that inflation, while past its peak, remained well above target. The second was a sharp global sell-off in technology and artificial intelligence stocks, the very shares that had led markets higher for most of the year, as investors looked for evidence that heavy AI capital spending would start delivering returns. Together, these two forces drove a clear split within equity markets. The more traditional, value-oriented Dow Jones climbed to a record high, while the technology-heavy Nasdaq fell and Hong Kong's tech-weighted Hang Seng suffered a steep decline.

Beyond the headline conflict, June brought a broader unwinding of the geopolitical risk premium that had inflated safe haven assets. Gold, a standout performer through much of the crisis, fell sharply as a fading war premium, rising real bond yields and a stronger US dollar removed the support that had driven it to record highs earlier in the year.

The improving energy backdrop had a mixed effect across markets. For most developed economies, particularly energy importers such as Japan and much of Europe, lower oil prices were a clear positive, easing inflation pressures and supporting growth. The picture was more nuanced for Australia. Lower oil helped bring domestic bond yields down and eased the near-term inflation threat, but it also weighed on the energy and resources sectors that matter so much to the local market, while a surging US dollar drove the Australian dollar sharply lower over the month. The result was another modest gain for the ASX.

Central banks were unusually active during the month. Beyond the Federal Reserve, the European Central Bank raised rates for the first time in two years in response to the energy-driven inflation shock, the Bank of Japan lifted its policy rate to its highest level since the 1990s, and the Bank of England held steady while flagging continued caution. In Australia, the RBA paused after three consecutive increases, holding the cash rate at 4.35% while making clear its tightening bias remained firmly in place.

Overall, the global economy appears to be less negatively impacted by the Middle East war than first feared, encouraging investor exuberance again (and heightened market risks). However, for sentiment around the current domestic market (and economic outlook) to improve, it likely requires expectation of future RBA rate cuts, and this could happen if housing market weakness continues.

US Markets

US equity markets were mixed in June, with a sharp divergence between the technology sector and the rest of the market. The Dow Jones Industrial Average rose a solid 2.52% to a new record high above 52,000, supported by rotation into value and cyclical stocks and by the addition of Alphabet (Google) to the index late in the month. In contrast, the technology-heavy Nasdaq Composite fell 2.81% and the S&P 500 declined 1.07%, as a global sell-off in artificial intelligence and semiconductor stocks weighed on the growth end of the market. Over three and twelve months the US indices remain firmly positive, with the Nasdaq up 21.41% over three months and 28.69% over the year, a reminder of how far these markets had run before June's pullback.

The most significant institutional development was Kevin Warsh's first meeting as Federal Reserve Chair, held mid-month. The Fed held the federal funds rate steady at 3.50% to 3.75% in a unanimous decision, a notable change after a run of closely contested votes under the previous Chair, including an unusually divided decision in May. The accompanying projections, however, took a distinctly hawkish turn. The median projection from committee members shifted to imply a possible rate increase later in 2026, with most officials viewing the risks to inflation as tilted to the upside. Warsh, who had been widely expected to favour rate cuts, instead endorsed a committee leaning towards further tightening, and made an immediate stylistic mark with a shorter policy statement and a clear emphasis on restoring price stability. Markets read the meeting as hawkish, sending the US dollar higher and short-term bond yields up.

The inflation data reinforced the Fed's caution. May CPI, released in June, rose to 4.2% year-on-year, the highest in three years, driven overwhelmingly by energy prices that were still elevated during May, before the June oil collapse. Core inflation, which strips out food and energy, told a more reassuring story, rising just 2.9% year-on-year, with core goods prices falling for the first time in over a year. This distinction matters: it confirms the inflation problem is overwhelmingly an energy story rather than a broad-based one, and with oil falling sharply in June, most economists expect headline inflation to have peaked and to begin declining in the months ahead. The May employment report added to the case for patience, with 172,000 jobs added and unemployment steady at 4.3%.

The technology sell-off was the dominant equity market story of the month. Stretched valuations in artificial intelligence stocks, the enormous capital expenditure being committed by the largest technology companies, and growing investor demand for evidence that this spending will generate investment returns, all combined to drive a sharp rotation out of the sector. The Nasdaq suffered several heavy falls through the month, with semiconductor stocks particularly hard hit. Most analysts characterised the move as a healthy recalibration of expectations after an extraordinary run, rather than the bursting of a bubble, but it served as a reminder of the concentration risk that has built up in technology-heavy portfolios. The rotation benefited the more diversified Dow, which reached record levels as investors moved towards value and cyclical names.

US 10-year Treasury yields rose slightly over the month, up 0.31% in yield terms, reflecting the hawkish Fed and stronger economic data. This was a clear contrast to the fall in yields seen in most other markets, where the oil decline dominated. The US dollar strengthened materially on the back of the Fed's hawkish pivot, reaching a new high for the year and putting downward pressure on most other currencies.

World Markets

Japan's Nikkei 225 was again among the strongest performing major markets, rising 5.63% in June and now up an extraordinary 37.21% over three months and 73.05% over the past twelve months, by far the best twelve-month performance of any major index. The Nikkei cleared 70,000 for the first time in its history during the month, supported by the fall in oil prices, which is particularly beneficial for Japan given its near-total dependence on imported energy, and by continued strength in its large technology and semiconductor companies despite the global sell-off in the sector.

The Bank of Japan raised its policy rate by 25 basis points to 1.0% at its June meeting, the highest level since the 1990s. The decision reflected persistent yen weakness, which had pushed the currency towards 160 Yen against the US dollar despite market intervention, creeping domestic inflation, and increased confidence that the reopening of the Strait of Hormuz would reduce the risk of a further energy supply shock. The move confirmed that Japan's long journey towards monetary policy normalisation is continuing. While higher rates are a headwind in theory, the market took the decision in its stride given the strength of corporate earnings and the ongoing weakness of the yen supporting exporters.

Germany's DAX was broadly flat in June, falling 0.43%, though it remains up 10.21% over three months. The index was caught between competing forces. The relief provided by falling energy prices, significant for Germany's energy-intensive industrial base, was offset by the global technology sell-off and a hawkish turn from the European Central Bank. The ECB raised its deposit rate by 25 basis points to 2.25% during the month, its first increase in two years, reversing part of the easing cycle of 2024 and 2025 in response to the energy-driven inflation shock. The central bank raised its inflation forecast and trimmed its growth outlook, underlining the difficult balance it faces between supporting a fragile economy and containing inflation.

The FTSE 100 gained 0.84% in June, a relatively resilient performance that reflected the index's defensive, value-oriented composition and its lower exposure to the technology stocks that struggled elsewhere. The Bank of England held the Bank Rate at 3.75%, with a minority of committee members voting for an increase, as it continued to balance the energy-driven rise in headline inflation against a fragile domestic growth picture. UK inflation remained above target, and the Bank signalled that it expected price pressures to rise further in the second half of the year before easing, keeping it firmly in a cautious, wait-and-see posture.

The most striking divergence of the month was within Chinese markets. Hong Kong's Hang Seng Index fell sharply, down 9.14% for the month and now down 7.69% over three months, making it the weakest major index globally. In contrast, the mainland Shanghai Composite rose 0.63% and remains up 18.87% over the past twelve months. This divergence was largely structural. The Hang Seng is heavily concentrated in Chinese technology and internet companies, with names such as Alibaba and Tencent among its largest constituents, leaving it acutely exposed to the global technology sell-off that defined June.

Several China-specific factors compounded the pressure on Hong Kong-listed stocks. The United States expanded its list of Chinese companies deemed to have military links during the month, adding several major technology and electric vehicle names including Alibaba, Baidu and BYD, which weighed heavily on sentiment. Chinese retail sales also fell for the first time since late 2022, highlighting continued weakness in domestic consumption, while the property sector remained a persistent structural drag. The mainland Shanghai market was considerably more insulated, benefiting from its lighter technology weighting, strength in defensive and policy-favoured sectors, ongoing state support, and continued liquidity provision from the People's Bank of China (which took further easing steps late in the month). The contrast is a useful reminder that China's markets are not a single monolithic bloc and can diverge substantially depending on the sector composition.

Australia

Australian equity markets posted another modest gain in June, with the S&P/ASX 200 rising 0.54% and the All Ordinaries gaining 0.24%. It was a third consecutive monthly rise and capped a positive quarter, though the local market again lagged the strongest global performers. The gain was driven by rotation into the major banks, which benefited from the ‘higher-for-longer’ interest rate environment, while the resources sector struggled into month end as the stronger US dollar and falling commodity prices weighed on the large mining companies. Gold mining stocks and real estate were also soft reflecting pre-existing inflation pressures on the rates outlook.

The Reserve Bank of Australia held the cash rate steady at 4.35% at its June meeting, pausing after three consecutive increases in February, March and May. The decision was widely expected, but Governor Bullock was careful to frame it as a pause rather than a pivot, stating plainly that the Bank would raise rates again if required and retaining an explicit tightening bias in its statement. She confirmed no rate cut had been discussed, that inflation remained too high, and that the Bank remained focused on ensuring inflation does not become embedded once the impulse from higher oil prices has passed through. The market read the pause as a sign that the peak in rates may be near, though economists remain divided, with some forecasting a cut later in the year and others expecting at least one more increase.

The inflation data released during the month was mixed. May CPI eased to 4.0% year-on-year, helped by slower growth in fuel prices as the oil decline began to feed through, and the monthly measure fell for the first time since August 2025. However, the underlying trimmed mean measure, the RBA's preferred gauge, actually rose to 3.6%, its highest reading in some time, and services inflation also picked up. This combination of a softer headline number but firmer underlying inflation captures precisely the dilemma facing the RBA, and explains its careful, non-committal messaging. The labour market remained resilient for now, with employment rising and unemployment falling to 4.4% in May, reinforcing the case for the Bank to remain cautious.

Australian government bond yields fell over the month, with the 10-year yield declining 1.73% in yield terms, as the collapse in oil prices eased the inflation outlook and markets pared back expectations of further RBA tightening. This was a marked contrast to the United States, where yields rose on the hawkish Fed, and the divergence in the interest rate outlook between the two countries was a key driver of currency markets. The Australian dollar fell 3.73% against the US dollar over the month, dropping to a three-month low below USD$0.69. The move was overwhelmingly a US dollar story, driven by the Fed's hawkish pivot, and was compounded by the fall in commodity prices, which removed one of the Australian dollar's traditional supports.

Other

Oil was again the dominant commodity story, with WTI crude falling 20.44% for the month, taking its three-month decline to -31.45%, its worst quarter since 2020. The catalyst was the progressive reopening of the Strait of Hormuz following the mid-June agreement between the United States and Iran, which extended the ceasefire and committed to restoring commercial shipping through the waterway. As oil that had been trapped within the Gulf began to flow again, and with OPEC and its partners continuing to unwind earlier production cuts, the war premium that had driven crude above US$120 per barrel at its peak evaporated. By month end, WTI was trading around US$70 per barrel, roughly back to the level seen the day before the conflict began in late February. While the reopening has not been without disruption, and a permanent peace deal remains to be concluded, the market has clearly concluded that the worst of the global energy supply shock is over.

Gold fell heavily in June, down 11.55% for the month and now down 14.01% over three months, though it remains up 21.62% over the past twelve months, a reflection of how far it had risen during the crisis. The sharp decline was driven by the same forces that unwound the war premium elsewhere. The ceasefire removed the acute safe haven demand that had supported gold, while the hawkish Federal Reserve drove real bond yields and the US dollar higher, both of which increase the opportunity cost of holding a non-income-producing asset. Gold fell briefly below USD$4,000 per ounce for the first time in several months. Central bank buying is expected to provide ongoing structural support, and many analysts maintain constructive medium-term views, but June was a stark reminder that gold's gains can unwind quickly once the conditions supporting them change.

Iron ore fell 7.92% for the month and is down 5.81% over three months. The decline reflected weak underlying Chinese demand fundamentals, with steel consumption softening, the property sector remaining depressed, and steel mill margins under pressure. At the same time, seaborne supply increased as major producers lifted shipments to meet their targets, and Chinese port inventories remained at elevated levels. The stronger US dollar, a consequence of the hawkish Fed, added further downward pressure, as commodities priced in US dollars typically weaken when the currency strengthens. The price fall weighed on the major Australian mining companies late in the month and remains a headwind for Australia's export revenues and terms of trade, making the trajectory of Chinese steel demand an important variable to watch in the second half of the year.

Index*	1 Month	3 Months	12 Months
US – Dow Jones	2.52%	12.90%	18.65%
US – Nasdaq (100)	-2.81%	21.41%	28.69%
US – S&P 500	-1.06%	14.87%	20.86%
Germany – DAX	-0.43%	10.21%	4.54%
UK – FTSE 100	0.84%	3.15%	19.82%
Shanghai Composite – SSE	0.63%	5.20%	18.87%
Hong Kong – Hang Seng	-9.14%	-7.69%	-4.95%
Japan – Nikkei 225	5.63%	37.21%	73.05%
S&P/ASX 200	0.54%	3.50%	2.77%
All Ordinaries Index	0.24%	3.48%	2.43%
Gold (USD)	-11.76%	-14.20%	21.35%
Oil (USD) – WTI	-20.44%	-31.45%	6.75%
Iron Ore (USD)	-7.92%	-5.81%	6.07%
Δ 10 Year Aus Gov't Bonds (Yield)	-1.73%	-4.14%	14.47%
Δ 10 Year US Gov't Bonds (Yield)	0.31%	3.62%	5.58%
AUD/USD	-3.73%	0.23%	5.11%

* 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.