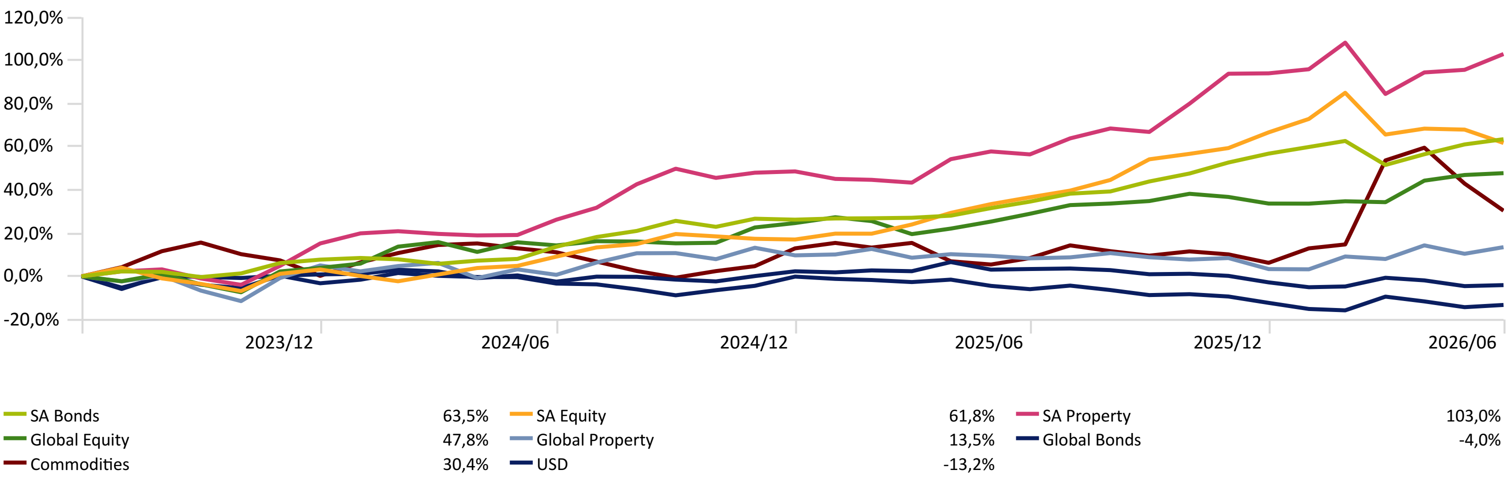
MARKET WATCH As of 2026/06/30

Renaissance Wealth Management

ASSET CLASS RETURNS in ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
SA Bonds	1,5	7,9	4,2	21,5	17,8
SA Equity	-3,7	-2,4	-3,0	18,4	17,4
SA Property	3,7	10,0	4,6	29,7	26,6
Global Bonds	0,5	-3,4	-1,3	-7,2	-1,4
Global Equity	0,6	10,0	10,5	14,6	13,9
Global Property	2,8	5,1	9,8	4,8	4,3
Commodities	-8,8	-15,1	22,7	20,3	9,3
USD	1,2	-4,3	-1,1	-7,8	-4,6

3 YEAR CUMULATIVE RETURNS in ZAR



CALENDAR YEAR RETURNS in ZAR

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
Best	SA Bonds 15,4	SA Equity 21,0	USD 16,2	Glb Equity 22,8	Glb Equity 22,2	Commodities 52,5	Commodities 34,3	Glb Equity 30,5	SA Property 29,0	SA Equity 42,4	Commodities 22,7
	SA Property 10,2	SA Property 17,2	Glb Bonds 14,8	Glb Property 20,6	Glb Bonds 14,7	Glb Property 41,3	USD 6,6	Glb Property 19,3	Glb Equity 20,0	SA Property 30,6	Glb Equity 10,5
	SA Equity 2,6	Glb Equity 12,3	Glb Property 10,7	Commodities 14,3	SA Bonds 8,7	SA Property 36,9	SA Bonds 4,3	Glb Bonds 13,6	SA Bonds 17,2	SA Bonds 24,2	Glb Property 10,5
	Commodities -1,7	SA Bonds 10,2	SA Bonds 7,7	SA Equity 12,0	SA Equity 7,0	SA Equity 29,2	SA Equity 3,6	SA Property 10,1	SA Equity 13,4	Glb Equity 7,2	SA Property 4,6
	Glb Equity -4,3	Glb Property -1,0	Glb Equity 4,4	SA Bonds 10,3	USD 5,0	Glb Equity 28,4	SA Property 0,5	SA Bonds 9,7	Commodities 12,7	Glb Property -4,6	SA Bonds 4,2
	Glb Property -6,7	Glb Bonds -2,8	Commodities 0,1	Glb Bonds 3,9	Glb Property -3,3	USD 8,7	Glb Bonds -10,7	SA Equity 9,3	Glb Property 5,7	Glb Bonds -5,0	USD -1,1
	Glb Bonds -9,9	Commodities -4,2	SA Equity -8,5	SA Property 1,9	Commodities -19,9	SA Bonds 8,4	Glb Equity -13,0	USD 7,5	USD 3,2	Commodities -5,9	Glb Bonds -1,3
Worst	USD -11,7	USD -9,5	SA Property -25,3	USD -2,8	SA Property -34,5	Glb Bonds 3,5	Glb Property -20,9	Commodities 2,9	Glb Bonds 1,4	USD -12,2	SA Equity -3,0

CURRENCIES VS. ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
EUR	-0,8	-5,0	-3,7	-10,2	-3,1
USD	1,2	-4,3	-1,1	-7,8	-4,6
GBP	-0,4	-3,6	-2,4	-10,7	-3,2
JPY	-0,9	-6,3	-4,6	-18,0	-8,3

Currency performance in ZAR - a positive number represents ZAR weakness, while a negative number represents ZAR strength

* *Annualised*

SECTORAL RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
JSE ALSI TR	-3,7	-2,4	-3,0	18,4	17,4
Basic Materials	-16,0	-18,8	-12,6	42,4	21,8
Consumer Goods	4,2	3,9	3,8	4,9	12,6
Consumer Services	7,2	10,9	-2,3	-3,1	5,3
Financials	2,6	8,0	7,8	28,5	24,2
Health Care	5,4	12,0	22,3	29,5	1,9
Industrials	0,8	4,8	3,7	0,9	5,4
Technology	-3,2	-4,2	-25,5	-24,5	6,9
Telecommunication	4,0	16,3	29,6	49,4	20,9

ALSI Contributors YTD (Approximate)

	Weight	Return	Contribution
MTN Group Ltd	4,0	37,8	1,3
Capitec Bank Holdings Ltd	4,3	15,7	0,7
Standard Bank Group Ltd	4,7	14,3	0,6
Firstrand Ltd	5,3	10,4	0,6
Anglo American PLC	2,6	17,4	0,4
Sasol, Ltd.	1,2	52,2	0,4
Anheuser-Busch InBev SA/NV	1,3	29,3	0,3
BHP Group Ltd	1,0	36,7	0,3
Glencore PLC	1,4	24,7	0,2
Discovery Ltd	1,5	16,6	0,2

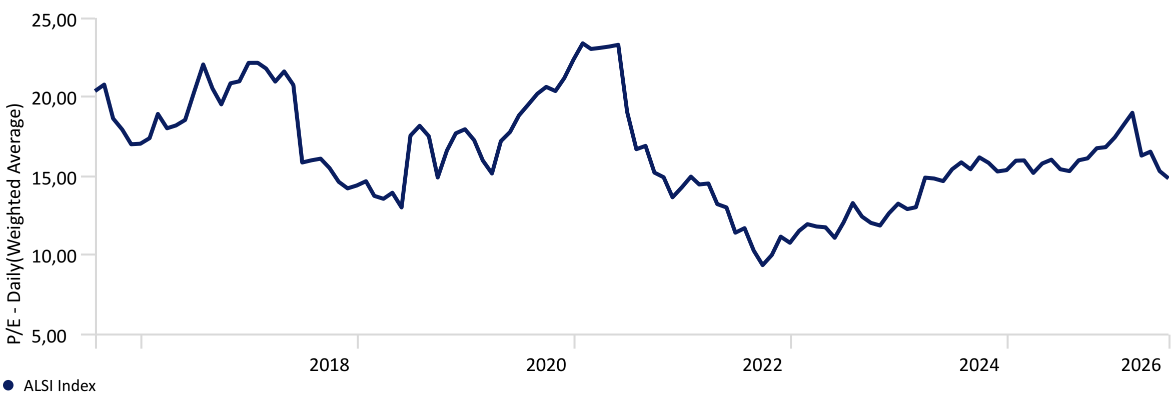
ALSI Detractors YTD (Approximate)

	Weight	Return	Contribution
Naspers Ltd Class N	8,1	-25,7	-2,5
Gold Fields Ltd	7,7	-21,9	-1,6
Prosus NV Ordinary Shares - Class N	2,2	-30,8	-0,9
Sibanye Stillwater Ltd Ordinary Shares	1,9	-41,0	-0,8
Impala Platinum Holdings Ltd	2,4	-33,2	-0,8
Valterra Platinum Ltd	4,0	-19,0	-0,7
Harmony Gold Mining Co Ltd	2,0	-24,4	-0,5
Northam Platinum Holdings Ltd	1,4	-28,6	-0,4
Clicks Group Ltd	0,8	-31,2	-0,3
Pepkor Holdings Ltd	1,0	-14,7	-0,2

Current ALSI Metrics

P/E	11,3
P/B	1,6
P/EBITDA	7,0
P/Cash Flow	7,2
P/S	1,9
Debt/Capital	30,0

Historical P/E



MARKET CAP RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
Small Caps	2,3	6,2	3,8	23,8	23,3
Mid Caps	-2,1	-4,8	-5,9	12,0	16,4
Top 40	-4,5	-3,2	-3,9	18,6	16,9

STYLE BASED RETURNS

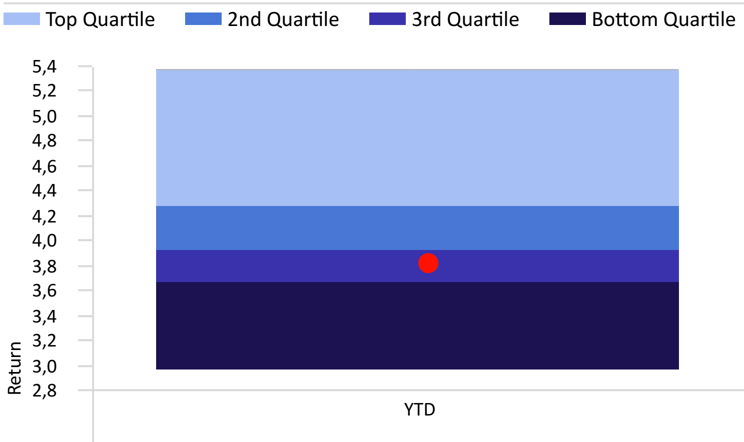
	1 Month	3 Months	YTD	1 Year	*3 Years
JSE Growth	-3,7	-3,4	-6,6	11,6	17,4
JSE Value	-3,7	-1,3	1,0	26,0	16,7

** Annualised*

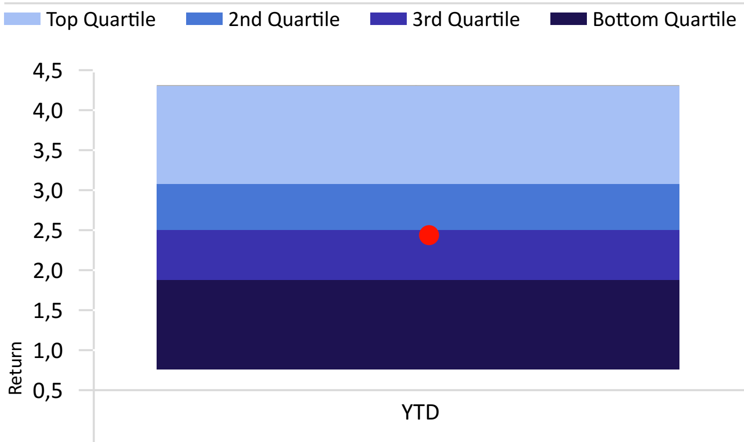
CATEGORY AVERAGES in ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
(ASISA) SA MA Inc	1,0	3,3	3,8	10,7	10,3
(ASISA) SA MA Low EQ	0,1	3,5	2,5	12,0	11,7
(ASISA) SA MA Med EQ	-0,7	3,1	1,8	12,5	12,2
(ASISA) SA MA High EQ	-1,2	2,8	1,3	12,3	12,6
(ASISA) SA EQ General	-3,1	-0,4	-1,4	15,2	14,5
(ASISA) SA RE General	3,2	9,9	4,3	27,0	24,3
(ASISA) Glb MA Low EQ	1,3	-0,3	1,0	-1,3	2,9
(ASISA) Glb MA Flex	0,0	4,8	3,3	4,2	6,4
(ASISA) Glb MA High EQ	0,3	5,3	3,2	5,0	7,6
(ASISA) Glb EQ General	-0,2	8,2	4,2	6,4	9,9

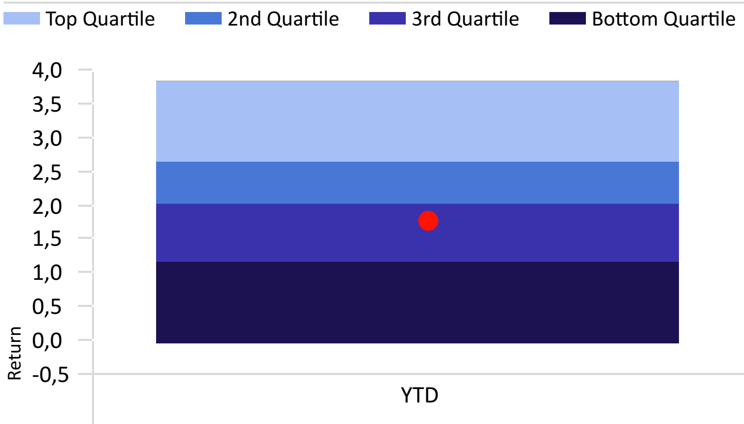
SA MA INCOME



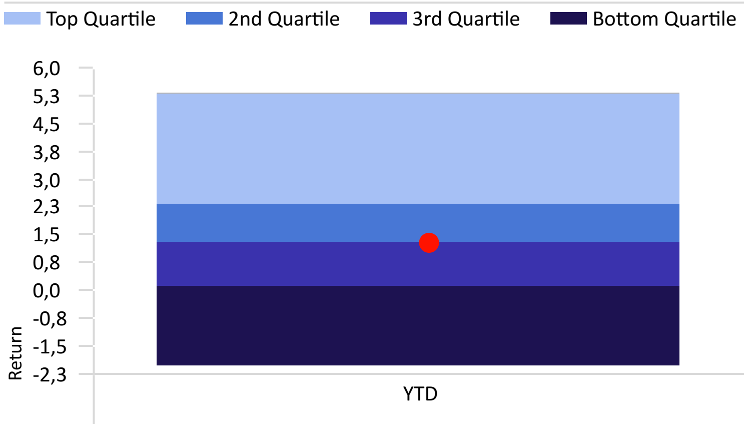
SA MA LOW EQUITY



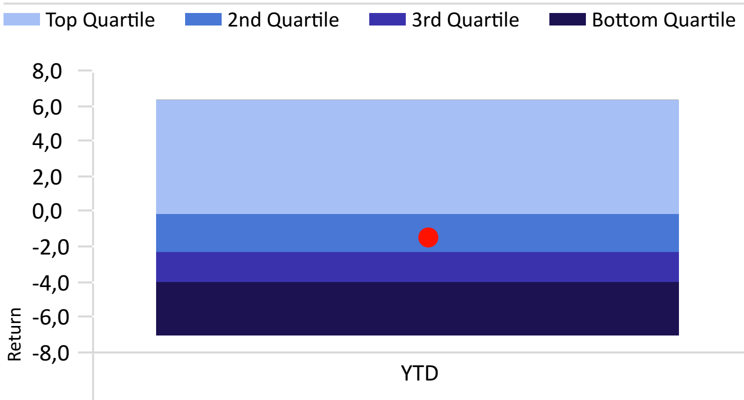
SA MA MED EQUITY



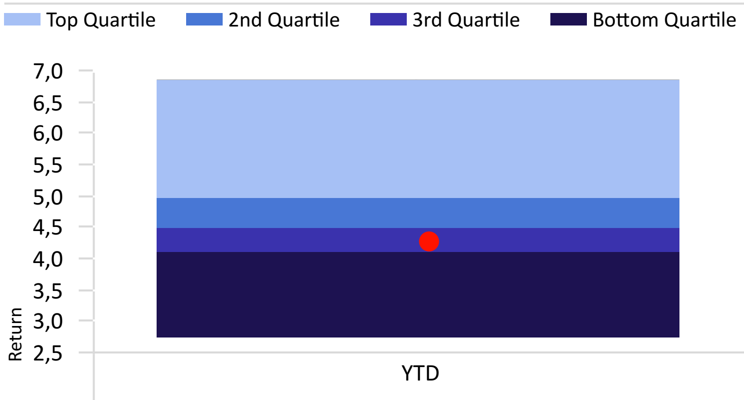
SA MA HIGH EQUITY



SA EQUITY GENERAL



SA RE GENERAL



** Annualised*

LOCAL COMMENTARY

South African investors closed out the first half of 2026 against an unusually fluid geopolitical backdrop. What began the month as a tense standoff between military escalation and fragile diplomacy in the Middle East ended June with oil prices back at pre-war levels and markets pricing in a durable, if imperfect, peace. At home, a resilient but shallow economic recovery, a renewed uptick in inflation, and simmering domestic political risk kept local asset returns mixed.

Geopolitics: From War Footing to a Fragile Truce

The month's dominant theme was the whipsawing path of the US-Iran conflict. Early June saw simultaneous escalation and negotiation — Iran and Israel exchanged fresh attacks and Hezbollah rejected a broader ceasefire, even as Brent traded close to $95-100/barrel and Trump-Netanyahu tensions became increasingly public over concerns that continued Israeli operations could derail a settlement.

The turning point came on 17 June, when the US and Iran signed a memorandum of understanding covering 14 broad commitments, including toll-free shipping through the Strait of Hormuz for 60 days and a framework for further talks on sanctions and Iran's nuclear programme. Diplomats framed this as a starting point rather than a comprehensive settlement, but markets moved quickly to price in the benefits of peace. By month-end the US had lifted its blockade and issued a 60-day licence allowing Iran to resume oil exports, with tanker traffic through the Strait recovering.

The result was a dramatic reversal in energy markets: Brent fell 23.4% in June alone, ending near $73/barrel and effectively erasing the entire conflict premium. For SA motorists, this means meaningful relief at the pumps from 1 July — petrol down roughly R1.50/litre and diesel by R2.70-R3.10/litre — even as the temporary fuel levy relief introduced during the conflict lapses.

With the oil shock fading, markets quickly found a new worry: stretched AI/semiconductor valuations triggered renewed global equity volatility late in the month, alongside a hawkish debut from new Fed Chair Kevin Warsh. The Fed held rates steady but signalled a higher bar for easing (markets now price >80% odds of a September hike), while US headline CPI hit a three-year high of 4.2% y/y in May and core PCE reached a 31-month high of 3.4% y/y — reinforcing a "higher-for-longer" narrative that strengthened the dollar into month-end.

Global and SA Market Performance

Global equities dipped modestly in June (MSCI Global Equity -0.7% USD), with tech-heavy indices leading declines even as the Nikkei (+5.7%) and Euro Stoxx (+4.6%) outperformed. The S&P 500 fell 1.0% and the Nasdaq 2.8%, weighed by late-month AI valuation jitters and the hawkish Fed tone.

South African equities had a difficult month, with the All Share down 3.7%. Damage was concentrated in resources (-16.4%), a fourth consecutive monthly decline as platinum (-18.9%) and gold (-11.3%) sold off alongside the broader commodity rout — coal, iron ore and Brent all fell double digits. This masked a strong rebound in domestically-focused sectors: retailers (+6.9%) and banks (+3.0%) both advanced, alongside consumer discretionary (+7.2%), suggesting some rotation toward rand-hedged, domestically defensive plays as sentiment stabilised.

Local bonds were a bright spot, returning 1.5% and more than recouping their March sell-off, as the 10-year yield fell 15bps from its year-to-date peak of 9.40%. SA bonds outperformed both developed (0.6%) and emerging market (0.8%) peers, supported by the largest single-month net foreign buying (R24bn) since 2017. Listed property also delivered a strong month (+3.8%), led by Fairvest (+8.8%) and Vukile (+7.0%). The rand weakened modestly against the dollar (-1.0%) as a firmer greenback offset the positive terms-of-trade impact of lower oil, though it remained one of the better-performing EM currencies.

The Domestic Economic Picture

1Q26 GDP beat expectations, expanding 0.5% q/q (2.1% y/y), supported by agriculture (+3.9%) alongside finance, trade and mining. The composition disappointed, though: household consumption slowed to just 0.1% q/q, fixed investment contracted 1.1%, and manufacturing remained a drag — growth was driven more by a 2.6% decline in imports than genuine domestic demand.

Momentum has clearly cooled since. Business confidence fell sharply in 2Q26 (to 39 from 47), and consumer confidence dropped to -19 from a 15-month high of -7 — its worst reading since the 2025 VAT-hike scare — driven primarily by the conflict and associated fuel-price shock. Both the Absa Manufacturing PMI (50.8, from 52.6) and S&P Global PMI (49.6, its first contraction in five months) point to slowing activity into the second half. Encouragingly, this data pre-dates the oil-price collapse and peace agreement, so sentiment may recover in coming readings.

Headline inflation rose to 4.5% y/y in May (from 4.0%) but came in below the 4.7-5.2% consensus range, driven by a spike in transport inflation (9.4%) tied to a 28.7% y/y jump in fuel prices, partly offset by food inflation easing to 1.6% y/y. With Brent back at pre-war levels, producer inflation (7.8% y/y in May) likely peaked, and the BER has since revised its full-year inflation forecast lower. The SARB nonetheless remains in a cautious, higher-for-longer posture; the BER's current base case leans toward a July hold, provided oil and the rand stay stable.

Domestic Political Risk

Domestic politics added a further layer of uncertainty. President Ramaphosa's impeachment process (linked to the Phala Phala scandal) continues in Parliament, with a legal challenge to the review panel's findings set for early September — two months before the 4 November local government elections. Anti-immigration protests culminated in a 30 June deadline for undocumented migrants to leave the country; security services remain on alert for unrest echoing July 2021. GNU tensions also resurfaced after DA leader Geordin Hill-Lewis's unilateral Cabinet reshuffle announcement, labelled by the ANC as executive overreach.

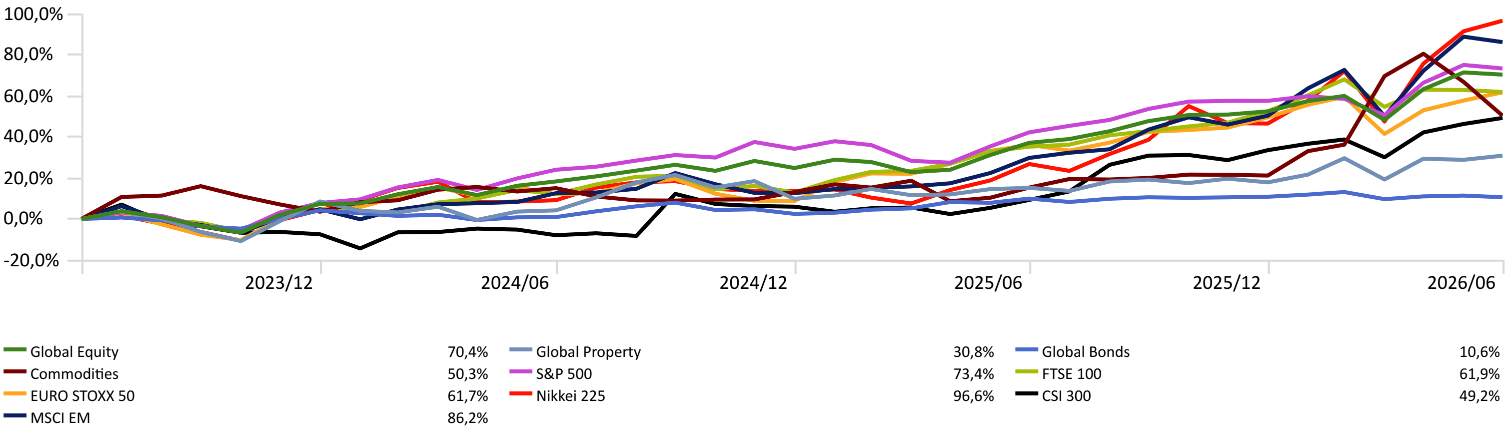
Outlook

The Middle East de-escalation and oil-price collapse materially improve SA's near-term inflation and growth outlook, and June's strong foreign bond inflows signal renewed appetite for local fixed income. Risks remain, however: the US-Iran agreement is a fragile framework rather than a settlement, prospective US tariffs of up to 12.5% on SA exports await a decision following July hearings, and domestic political risk is likely to stay elevated into November.

ASSET CLASS RETURNS in USD

	1 Month	3 Months	YTD	1 Year	*3 Years
Global Equity	-0,6	14,9	11,7	24,2	19,4
Global Property	1,6	9,7	11,0	13,6	9,4
Global Bonds	-0,7	0,9	-0,2	0,6	3,4
Commodities	-9,9	-11,4	24,1	30,4	14,6
S&P 500	-1,0	15,1	10,0	21,9	20,1
FTSE 100	-0,6	4,7	6,2	19,7	17,4
EURO STOXX 50	2,5	14,3	8,2	18,8	17,4
Nikkei 225	2,7	33,3	34,2	55,1	25,3
CSI 300	2,0	14,7	11,8	36,6	14,3
MSCI EM	-1,4	24,1	23,8	43,5	23,0

3 YEAR CUMULATIVE RETURNS in USD



CALENDAR YEAR RETURNS IN USD

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
Best	S&P 500 11,2	MSCI EM 37,3	NASDAQ 100 0,0	NASDAQ 100 39,5	NASDAQ 100 48,9	Glb Property 30,0	FTSE 100 -7,0	NASDAQ 100 55,1	NASDAQ 100 25,9	EU STOXX 40,9	Nikkei 225 34,2
	MSCI EM 11,2	NASDAQ 100 33,0	Glb Bonds -1,2	CSI 300 36,9	CSI 300 38,1	S&P 500 28,2	Glb Bonds -16,2	S&P 500 25,7	S&P 500 24,5	DAX 39,5	MSCI EM 23,8
	NASDAQ 100 7,3	CSI 300 32,3	Glb Property -4,7	S&P 500 30,7	Nikkei 225 24,5	NASDAQ 100 27,5	EU STOXX -17,7	DAX 24,5	CSI 300 14,5	FTSE 100 35,1	NASDAQ 100 20,3
	Glb Property 5,8	EU STOXX 28,1	S&P 500 -4,9	Glb Property 24,1	MSCI EM 18,3	FTSE 100 17,3	DAX -17,7	EU STOXX 22,7	DAX 11,4	MSCI EM 33,6	CSI 300 11,8
	Nikkei 225 5,6	DAX 28,1	Nikkei 225 -7,9	EU STOXX 23,8	S&P 500 17,8	EU STOXX 14,0	S&P 500 -18,5	Nikkei 225 22,6	Nikkei 225 8,8	Nikkei 225 29,0	Glb Property 11,7
	DAX 3,8	Nikkei 225 25,6	FTSE 100 -14,1	DAX 23,2	DAX 12,9	DAX 7,6	Nikkei 225 -19,1	FTSE 100 14,3	FTSE 100 7,7	CSI 300 26,0	S&P 500 10,0
	Glb Bonds 2,1	FTSE 100 22,5	MSCI EM -14,6	FTSE 100 22,0	EU STOXX 9,3	CSI 300 -1,2	MSCI EM -20,1	Glb Property 11,0	MSCI EM 7,5	NASDAQ 100 21,0	EU STOXX 8,8
	EU STOXX 1,1	S&P 500 21,1	EU STOXX -16,9	Nikkei 225 21,9	Glb Bonds 9,2	MSCI EM -2,5	Glb Property -25,8	MSCI EM 9,8	EU STOXX 2,4	S&P 500 17,4	FTSE 100 6,2
	FTSE 100 -0,2	Glb Property 9,4	DAX -22,2	MSCI EM 18,4	Glb Property -7,9	Nikkei 225 -4,4	CSI 300 -26,7	Glb Bonds 5,7	Glb Property 2,4	Glb Property 8,6	Glb Bonds -0,2
Worst	CSI 300 -15,4	Glb Bonds 7,4	CSI 300 -27,7	Glb Bonds 6,8	FTSE 100 -8,8	Glb Bonds -4,7	NASDAQ 100 -32,4	CSI 300 -11,2	Glb Bonds -1,7	Glb Bonds 8,2	DAX -0,6

CURRENCIES vs. USD

	1 Month	3 Months	YTD	1 Year	*3 Years
EUR	-2,0	-0,8	-2,7	-2,6	1,6
GBP	-1,5	0,6	-1,3	-3,1	1,4
JPY	-2,1	-2,1	-3,6	-11,1	-3,8
CNY	-0,2	1,8	3,0	5,6	2,3

Currency performance in USD - a positive number represents USD weakness, while a negative number represents USD strength

* *Annualised*

GLOBAL SECTORAL RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI/Financials	3,3	11,2	3,8	14,1	22,8
MSCI ACWI/Health Care	4,8	6,5	1,7	15,3	6,7
MSCI ACWI/Materials	-6,5	0,1	6,6	26,3	11,5
MSCI ACWI/Technology	-1,3	39,1	29,7	50,5	33,5
MSCI ACWI/Industrials	2,3	12,6	15,4	22,9	20,5
MSCI ACWI/Cons Staples	0,8	1,6	5,0	4,2	5,4
MSCI ACWI/Cons Discretionary	-5,1	6,5	-5,1	3,5	9,3
MSCI ACWI/Energy	-6,4	-13,0	16,2	25,7	13,0

MSCI ACWI Contributors YTD (Approximate)

	Weight	Return	Contribution
Micron Technology Inc	0,7	304,6	1,3
Advanced Micro Devices Inc	0,6	171,3	0,8
Intel Corp	0,4	278,4	0,6
Applied Materials Inc	0,4	182,0	0,5
ASML Holding NV	0,7	82,5	0,4
NVIDIA Corp	5,7	7,4	0,4
Lam Research Corp	0,4	153,6	0,4
Apple Inc	5,0	6,6	0,3
Alphabet Inc Class A	2,4	14,3	0,3
KLA Corp	0,3	149,0	0,3

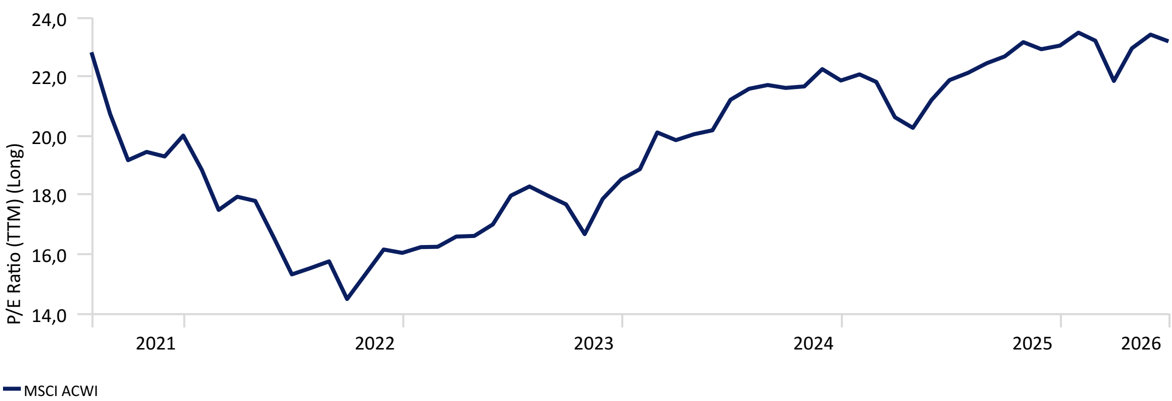
MSCWI ACWI Detractors YTD (Approximate)

	Weight	Return	Contribution
Microsoft Corp	3,7	-22,5	-1,0
Meta Platforms Inc Class A	1,7	-14,5	-0,3
Palantir Technologies Inc Ordinary Shares - Class A	0,4	-34,4	-0,2
Intuit Inc	0,2	-60,4	-0,1
Salesforce Inc	0,2	-40,6	-0,1
Netflix Inc	0,5	-23,8	-0,1
SAP SE	0,3	-36,3	-0,1
Accenture PLC Class A	0,2	-52,9	-0,1
Oracle Corp	0,4	-24,3	-0,1
Tesla Inc	1,4	-6,5	-0,1

Current MSCI AC Metrics

P/E	17,8
P/B	3,0
P/EBITDA	22,0
P/Cash Flow	11,1
P/S	2,8
Debt/Capital	38,7

Historical P/E



MARKET CAP RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI Small Cap	1,0	14,9	16,1	28,8	17,4
MSCI ACWI Mid Cap	0,0	12,0	11,6	19,0	15,9
MSCI ACWI Large Cap	-0,9	15,5	11,2	24,5	20,4

STYLE BASED RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI Value	-0,5	10,6	11,9	23,1	17,5
MSCI ACWI Growth	-1,1	19,8	10,6	23,9	21,7

* *Annualised*

MARKET WATCH

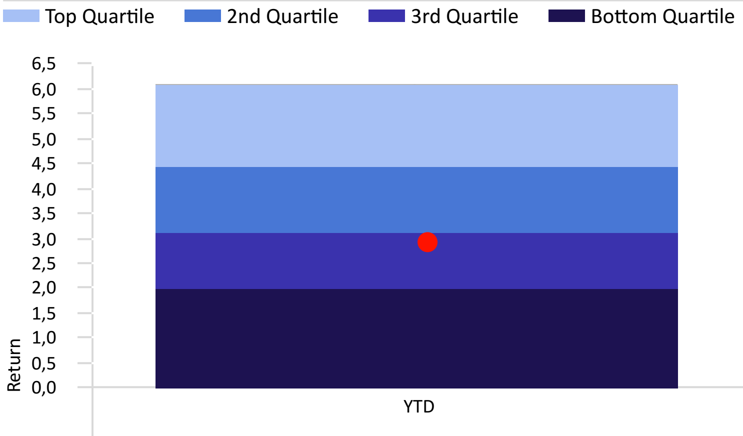
As of 2026/06/30

Renaissance Wealth Management

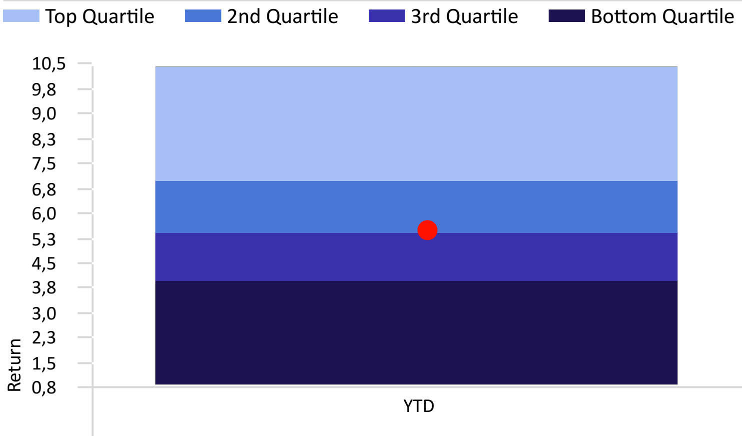
CATEGORY AVERAGES in USD

	1 Month	3 Months	YTD	1 Year	*3 Years
(ASISA) Glb MA Low EQ	0,1	4,2	2,1	7,0	7,9
(ASISA) Glb MA Flex	-1,2	9,4	4,4	12,9	11,5
(ASISA) Glb MA High EQ	-0,9	10,0	4,4	13,8	12,8
(ASISA) Glb EQ General	-1,4	13,0	5,4	15,4	15,2
EAA Fund USD Cautious	-0,1	4,3	2,9	7,6	7,2
EAA Fund USD Moderate	-0,4	7,8	5,5	12,3	10,2
EAA Fund USD Flexible	-0,9	7,5	5,2	12,6	9,9
EAA Fund USD Bond - ST	0,1	0,8	1,0	3,4	4,6
EAA Fund USD Aggressive	-0,5	10,3	6,8	15,6	12,5
EAA Fund USD HY Bond	0,2	2,4	1,5	5,0	7,5

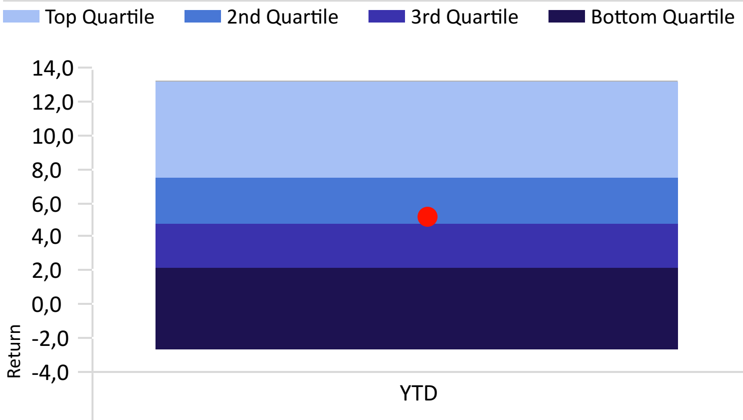
EAA USD CAUTIOUS ALLOCATION



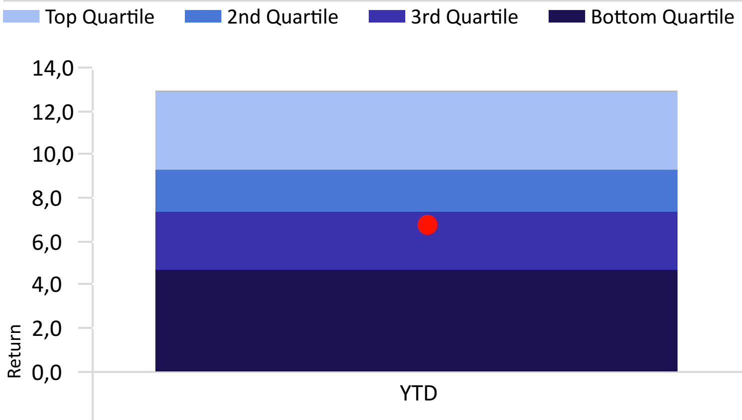
EAA USD MODERATE ALLOCATION



EAA USD FLEXIBLE ALLOCATION



EAA USD AGGRESSIVE ALLOCATION



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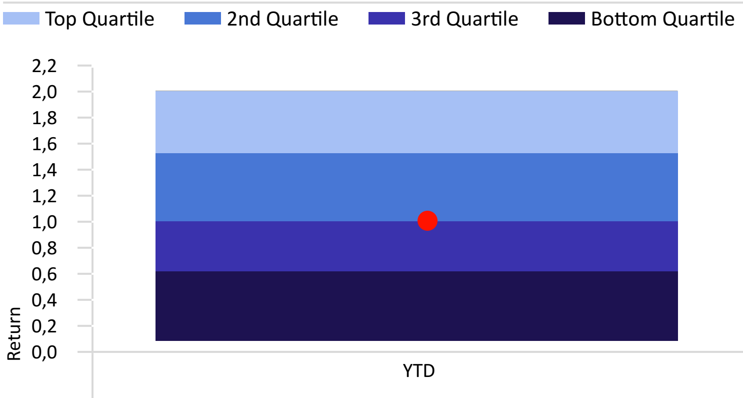

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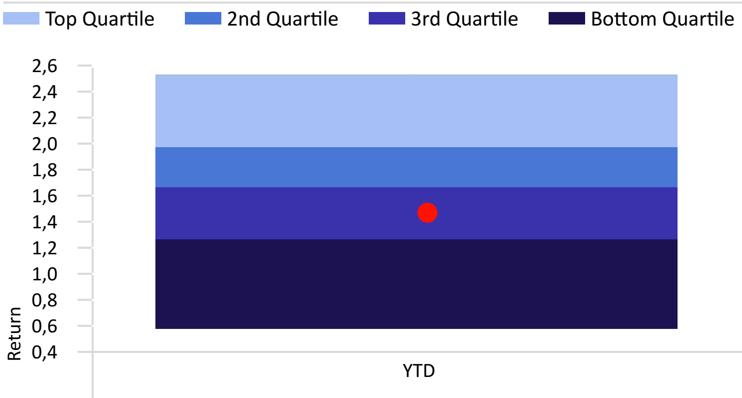

** Annualised*

OFFSHORE COMMENTARY

The second quarter of 2026 was defined by an unusual combination of geopolitical strain and powerful market optimism. The conflict in the Middle East remained a major source of uncertainty, particularly after disruption in the Strait of Hormuz pushed oil prices sharply higher earlier in the quarter. However, as the quarter progressed, signs of de-escalation began to emerge and Brent crude moved materially lower from its April peak near USD 120 per barrel. That shift helped investors look past the immediate energy shock and refocus on earnings momentum, artificial intelligence investment, and the broader resilience of global activity.

The dominant market story was the renewed strength of the artificial intelligence theme. Investors gained confidence that the AI infrastructure cycle remained intact despite geopolitical instability, with hyperscalers continuing to increase planned capital expenditure on data centres, compute infrastructure, semiconductors, networking and power capacity. Public estimates of 2026 AI and cloud infrastructure spending remain in the high hundreds of billions, with several industry analyses pointing to hyperscaler capex approaching or exceeding USD 700 billion.

Emerging markets were the standout. The asset class rallied 24 percent, its strongest quarterly gain since the second quarter of 2009, driven by the heavy representation of semiconductors and IT hardware in the index. Investors increasingly favoured the "picks and shovels" of the AI boom, particularly companies exposed to memory, advanced chips, electrical equipment, power infrastructure and server supply chains. This also supported growth equities, which outperformed value by 9.6 percentage points, and helped small caps deliver a 15 percent return over the quarter. The rally has increased concentration risks in some international indices, with Taiwan and South Korea now playing an outsized role in emerging market technology exposure.

Bond markets were more subdued. The Bloomberg Global Aggregate Index gained 0.9 percent, but there was no single clear direction in rates as investors weighed lower oil prices against lingering inflation risk, fiscal concerns, and shifting central-bank expectations. Credit markets were more constructive, with spreads tightening as corporate fundamentals remained firm and risk appetite improved.

Asia ex-Japan was the strongest major equity region, returning 28 percent over the quarter. Korea and Taiwan drove the advance, rising 88 percent and 49 percent respectively, as investors crowded into companies most directly exposed to the AI hardware cycle. Demand for high-bandwidth memory, advanced semiconductors, electrical equipment and server infrastructure produced extraordinary gains in the region's largest technology names. SK Hynix and Samsung Electronics were standout performers, with both companies reaching market capitalisations above USD 1 trillion during the quarter. Despite those gains, forward valuations remained comparatively modest because earnings expectations rose so dramatically alongside share prices.

The rally was not uniform across emerging markets. Regions with greater exposure to energy, including parts of the Middle East and Latin America, lagged as oil prices fell sharply from their crisis highs. China also underperformed the broader emerging market index, with weakness in retail and autos offsetting the broader global appetite for AI-linked exposure. This divergence reinforces that the emerging market rally was not a generic risk-on move, but rather a highly concentrated re-pricing of AI supply-chain winners.

Japan also performed strongly. A cheap yen, a steeper yield curve and continued corporate-governance momentum supported exporters and financials, helping the TOPIX rise 14 percent. Currency weakness improved the earnings profile of globally exposed companies, while higher yields provided a better backdrop for banks and insurers. Japan's market continues to benefit from a combination of structural reform, foreign investor interest and improving capital discipline.

In the United States, equities gained 15 percent, helped by one of the strongest earnings seasons in recent years. Around 85 percent of S&P 500 companies beat consensus expectations, the highest share since 2021 and well above the long-term average. The AI build-out continued to support multiple sectors, not just technology. Banks benefited from stronger capital markets activity, industrials saw demand from electrical equipment and infrastructure orders, and the semiconductor ecosystem remained a major driver of earnings growth.

Continental Europe also rallied, returning 14 percent, supported by easing geopolitical risk and resilient economic sentiment. Consumer confidence recovered from April's lows and eurozone manufacturing remained in expansionary territory through the quarter. However, Europe's advance was less AI-driven than the U.S. and Asia, and the region remains more vulnerable to energy price swings because of its import dependence and industrial structure.

UK equities rose 5 percent but lagged other major regions. The UK market's relatively defensive composition and large exposure to energy and commodity-linked sectors became a headwind as oil and precious metals declined. While the market benefited from global risk appetite, it lacked the technology concentration that powered returns elsewhere.

Fixed income markets spent the quarter balancing three competing forces: lower oil prices, lingering inflation risk and uneven central-bank guidance. The decline in energy prices provided relief after April's shock, but policymakers remained cautious because the pass-through from earlier price spikes had not fully disappeared. At the same time, stronger corporate earnings and positive risk sentiment supported credit markets, allowing spread sectors to outperform higher-quality sovereign duration.

UK gilts were among the better-performing sovereign markets, gaining 2.1 percent and more than recovering the prior quarter's losses. The domestic growth outlook weakened, with composite PMIs slipping below 50 and housing data showing renewed softness. Inflation data also helped, with headline CPI coming in below expectations and core inflation falling from 3.1 percent year-on-year to 2.6 percent during the quarter. That reduced the perceived need for additional near-term tightening from the Bank of England. Political uncertainty also rose following the resignation of Prime Minister Keir Starmer, though sterling markets absorbed the news relatively calmly.

In the euro area, the European Central Bank delivered its first rate increase after an 11-month pause, lifting the deposit rate to 2.25 percent. The move was widely expected, and euro government bonds digested it reasonably well. Although headline inflation rose to 3.2 percent and core inflation increased modestly to 2.5 percent, investors looked through some of the energy-driven pressure and focused instead on weaker growth and falling inflation expectations. Peripheral bonds outperformed German Bunds as risk appetite improved and investors showed less preference for safe-haven assets.

U.S. Treasury yields were broadly range-bound. Consumer prices rose sharply in May, driven largely by a jump in gasoline prices, but the subsequent fall in oil prices should reduce pressure in coming months. Importantly, there was limited evidence that the inflation shock was feeding into wages. The labour market remained firm, with unemployment at 4.3 percent, but average hourly earnings growth was contained compared with recent years. The Federal Reserve kept rates unchanged at 3.50 percent to 3.75 percent, and commentary from policymakers remained divided on whether inflation would fade as energy prices normalize or require renewed tightening.