ascpoint OCIO

The Point MONTHLY MARKET UPDATE

June 2026

June brought some calm to markets as the United States and Iran reached for a ceasefire, reopening the Strait of Hormuz and easing oil back to around US$72 a barrel, though the truce has since broken down. Beneath the surface, artificial intelligence kept driving markets and fuelling strong activity in capital markets. Australian shares outpaced a flat global market, though weak productivity has been a constraining factor weighing on GDP growth.

RBA CASH RATE	AUS INFLATION	BRENT OIL	GOLD
4.35%	**4.0%**	**US$72**	**US$4,008**
First pause of 2026	YoY; cooling as energy eases	Fell 23% on the ceasefire	Fell 12% as risk returned

How asset classes performed

	Month	12 Mth
Emerging Market Debt (UH)	+4.1%	+2.0%
Emerging Markets (UH)	+2.4%	+35.7%
International Property (H)	+2.0%	+15.5%
Australian Property	+1.7%	−1.8%
Australian Bonds	+0.9%	+0.8%
Australian Shares	+0.6%	+6.2%
International Credit (H)	+0.4%	+4.7%
International Shares (H)	0.0%	+22.7%
Australian Small Caps	−2.0%	+8.1%

Source: Bloomberg, LSEG Datastream. June 2026. Returns in AUD; (H) hedged, (UH) unhedged. Past performance is not a reliable indicator of future performance.

What happened

Australia

Australian shares rose 0.6%, ahead of a flat global market, helped by a lighter technology weighting. Consumer staples led, up 12.6%, as investors turned defensive, while energy fell about 9% as oil dropped.

The Reserve Bank held the cash rate at 4.35%, its first pause of the year, after growth softened to 2.5% over the year and unemployment eased to 4.4%. Inflation cooled to 4.0%, government bonds returned 0.9%, and the Australian dollar fell 3.7% against a firm US dollar.

Global

International shares were flat in hedged terms, masking wide sector dispersion, while emerging markets rose 2.4% for unhedged investors. The month's turning point was the ceasefire between the United States and Iran, which reopened the Strait of Hormuz and eased oil, though it has since proved fragile.

The Federal Reserve left US rates unchanged in Kevin Warsh's first meeting as its new chair, and made clear it will decide on rates one meeting at a time rather than commit to a path. With inflation still near 3.7%, lifted by energy and supply-chain costs, investors no longer expect rate cuts this year. Much of US growth now rests on heavy AI investment, which supports markets but leaves them leaning on a single theme.

How we see it

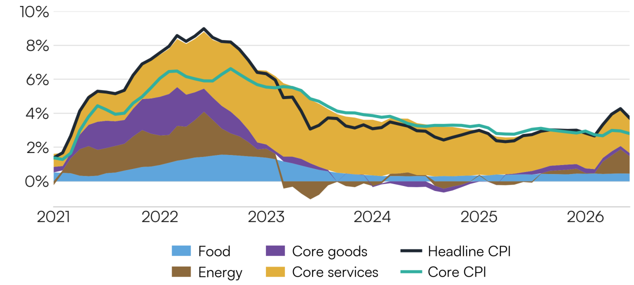
The expansion is intact but slowing and narrowing. Headline growth of 3 to 3.5% is expected to ease to the low 2% range through 2027 as the boost from tariff front-running and pulled-forward investment fades. That leaves growth increasingly skewed towards AI investment rather than the consumer; it supports our productivity-led thesis but is one reason we are reluctant to chase the traditional capex-cycle trades such as banks, small caps and cyclicals. Inflation remains, for us, the critical data point: it has drifted back up, led by energy since March, and sustained disinflation would, in our view, increase confidence that AI-led investment can support a broader expansion.

The build-out is weighing on the free cash flow of the largest technology companies today, and we take the concerns about over-investment seriously; not every project will earn an attractive return. But transformational technologies rarely monetise through their first commercial model, as the internet, cloud and smartphones showed, and we expect today's leaders, with their data and distribution, to capture much of the value as the economics evolve. The greater risk, in our view, is not that AI demand disappoints but that the path from investment to profit is less linear than markets expect.

The Point: we stay invested, favour the capex-cycle beneficiaries over consumer-facing cyclicals, and treat AI volatility as opportunity, not a reason to retreat.

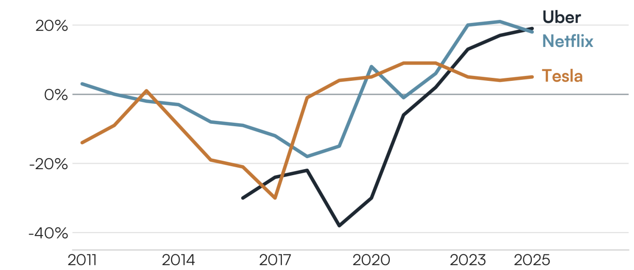
Charts of the month

US inflation is drifting back up, led by energy



Source: BLS, Bloomberg, arcpoint. US CPI year-on-year, contribution by component.

Heavy investment today can mean stronger profits later



Source: Bloomberg, arcpoint. Free cash flow margin, selected companies; illustrative, not a recommendation.

What we are watching

- **AI investment and order books.** Much of today's growth rests on spending on artificial intelligence; we watch companies' order books and capital plans closely, as a slowdown would reach well beyond technology.
- **Inflation and interest rates.** Inflation is easing towards the 2—3% target and central banks are mostly on hold; how quickly it settles, and how the new US Federal Reserve leadership responds, will drive rates and valuations.
- **The RBA and the cycle.** The RBA paused at 4.35% after three rises; softer growth and cooler inflation suggest the peak may be near, which has lifted the appeal of Australian government bonds.