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The Point MONTHLY MARKET UPDATE

July 2026

Rising oil prices set the tone for markets in July as renewed conflict between the United States and Iran cut vessel crossings through the Strait of Hormuz by about 95%. Energy shares gained strongly in Australia and overseas, while Australian shares returned 2.1%, outperforming hedged international shares. Locally, inflation eased more than expected, although it remained above the RBA's target range.

RBA CASH RATE	AUS INFLATION	BRENT OIL	AUS HOUSE PRICES
4.35%	3.8%	US$88	7.3%
Unchanged since June	Below the 4.0% expected	Rose 21% as Hormuz closed	Up on the year, down in Q2

How asset classes performed

	Month	12 Mth
International Property (H)	+2.4%	+18.5%
Australian Shares	+2.1%	+5.8%
International Shares (H)	+0.3%	+20.5%
Australian Property	0.0%	−5.0%
Australian Bonds	−0.5%	+0.6%
Emerging Market Debt (UH)	−1.1%	−0.1%
International Credit (H)	−1.1%	+3.2%
Australian Small Caps	−3.2%	+1.8%
Emerging Markets (UH)	−4.4%	+25.1%

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

What happened

Australia

Australian shares returned 2.1% in July, outperforming hedged international shares, which gained 0.3%. Energy rose 11.6% as oil prices increased, while financials gained 7.6% amid a rotation towards defensive shares and expectations that interest rates had peaked. Information technology fell 3.7% on concerns about AI related competition.

Headline CPI declined 0.1% in June, against an expected 0.2% rise, as cheaper petrol lowered transport costs. Annual inflation eased to 3.8%, while trimmed mean inflation held at 3.6%; both remained above the RBA's 2-3% target.

Unemployment remained at 4.4% as employment increased by 76,300. House prices fell 0.7% over the June quarter but remained 7.3% higher annually. Government bond yields rose, while the Australian dollar gained 1.4% to end July at US$0.70.

Global

US-Iran hostilities escalated in July after Iran attacked shipping in the Strait of Hormuz and announced its closure, prompting retaliatory US strikes. Iran subsequently attacked several Gulf states, while both countries confirmed the ceasefire had ended.

Hedged international shares gained 0.3%, masking a 15.6 point gap between energy and information technology. Energy rose 13.0% and financials gained 4.7%, while information technology fell 2.6%. Emerging-market shares declined 4.4% unhedged, as higher oil prices and weakness in Asian markets, particularly Korea, weighed on returns.

The United States introduced tariffs of 10.0-12.5% across 60 trading partners and imposed a 50% tariff on approximately US$18 billion of Canadian goods. The Federal Reserve, European Central Bank and Bank of England held rates, while the Reserve Bank of New Zealand raised its cash rate to 2.50%.

How we see it

Markets remain focused on inflation, deficits, housing and geopolitics, but the clearest message from reporting season is that investment, not macroeconomics, is driving growth. Companies globally continue to spend on AI, technology, infrastructure and industrial capacity, with this investment translating into stronger earnings than expected.

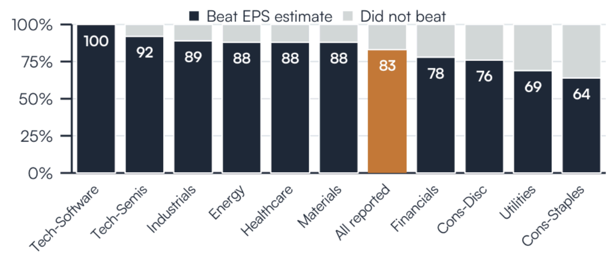
The recent US earnings season was among the strongest in years: 83% of S&P 500 companies beat profit expectations, while median earnings grew by around 14% over the year. Importantly, strength broadened beyond a small group of mega-cap technology companies. Software and semiconductors led, but industrials, healthcare, energy and financials also performed well. The sharpest divide was between companies benefiting from capital spending and those more reliant on consumer demand.

This trend extends beyond the US. Despite subdued economic headlines in Europe and China, infrastructure spending, industrial policy and supply-chain investment are supporting selected sectors. Australia is also proving more resilient than headlines suggest, with employment, exports and business activity holding up as inflation becomes less of a headwind.

We remain constructive on equities, infrastructure, commodities and selected credit. Volatility may increase, but with investment and earnings supportive, market pullbacks are more likely to create opportunities than mark the end of the cycle.

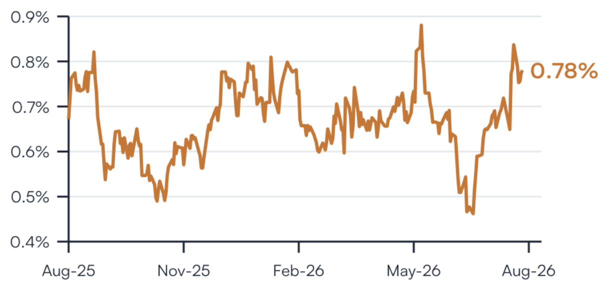
Charts of the month

Beat rates ran highest in tech and the sectors building AI capacity



Source: Bloomberg.

Investors still want more to lend long, even as inflation cools



Source: Bloomberg.

What we are watching

- **AI adoption trends.** We watch enterprise adoption of AI and track demand relative to commissioned compute capacity.
- **US inflation and the Fed.** Whether moderating inflation allows policymakers to maintain credibility without derailing growth.
- **Bond markets and term premia.** Elevated long-term bond yields remain a key risk for asset valuations, despite stronger earnings growth outlooks.