



## FALLING OIL PRICES HELP BONDS BUT INVESTORS APPEAR NERVOUS OF BIG TECH VALUATIONS

This week saw the price of oil return to its pre-conflict level as Brent crude hit \$72 a barrel. The price is still above the \$67 average seen in January and February, reflecting the run-up in the days before fighting began. With many countries planning to increase production, prices should fall further. Oil's decline is already shifting expectations for interest rates. Rate hikes in Europe and the UK now look less likely, and government bonds have gained as a result. The picture in the US is different. There, strong economic growth and rising wages remain a concern, and markets are adjusting to Fed chair Kevin Warsh's stated intention to bring inflation under control. This has pushed up the dollar and weighed on gold.

Global tech stocks had a difficult week. Higher US interest rates are usually a headwind for growth stocks, this week's declines owed more to valuations and sustainability of recent breakneck growth. Despite Micron's stunning strong sales growth, investors appear nervous about valuations and big price rises from Apple and Microsoft – due to scarcity of semiconductors – added to concerns.

### THE MARKETS THIS WEEK

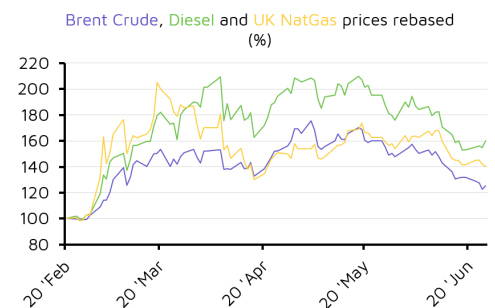
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
+0.84%	-2.02%	-3.10%	-0.20%	-5.25%	-0.09%	-0.13%	-8.76%	-2.98%	-4.73%	-0.17%



#### ENERGY: OIL FALLS BACK TO EARTH AS THE GULF REOPENS

Brent crude fell to \$72.40 a barrel on Thursday, dropping below its pre-war close for the first time since hostilities with Iran began in late February. This is now 40% below April's \$126 peak. With 31 tankers leaving the Gulf on Wednesday alone and 20m barrels reportedly clearing the Strait of Hormuz in a single day, markets are firmly pricing in a return to normality. Jet fuel has fallen nearly 50% from its April peak to around \$957 a tonne in north-west Europe, offering significant relief to airlines. British Airways and Air France say they have sufficient supply for the full summer season.

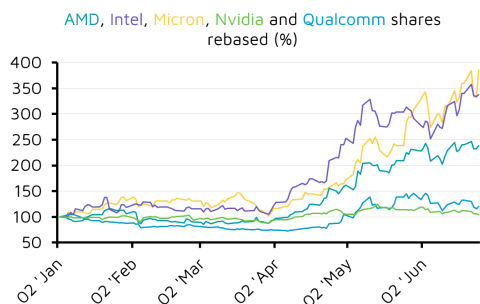
On shipping, confidence is building quickly. War insurance premiums have more than halved in under a week, falling from around 5% of vessel value to roughly 2%, with 172 ships transiting the strait since 18 June. Disruption nonetheless lingers. More than 1,200 vessels carrying \$125bn in goods remain stranded, and the US-Iran accord leaves open the possibility of transit fees once the initial 60-day free-passage period expires.



#### TECH: MICRON'S STUNNING SALES STEADY TECH STOCKS

US memory chipmaker Micron's dramatic sales growth easily beat expectations and helped steady investor nerves after some selling in technology stocks. AI-driven demand for memory chips saw Micron's quarterly revenue jump by almost 350% to \$41bn. A forecast of sales worth \$50bn in its fourth quarter helped its share price rise 19%. Qualcomm, another US chipmaker, added to the positive tone, issuing strong long-term guidance for sales to AI data centres that lifted its shares 13% mid-week.

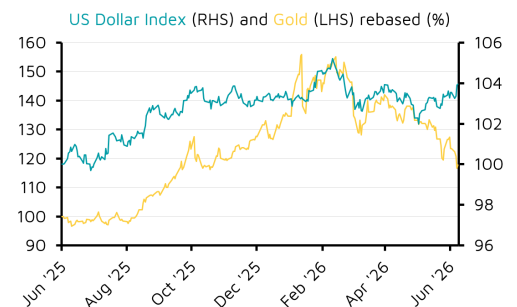
Concern about high valuations, including SpaceX after its huge IPO, and fears that higher US interest rates will curb growth sent tech stocks reeling at the start of the week. However, Micron and Qualcomm's strong results helped other US chipmakers such as Nvidia, AMD and Intel recover. The biggest moves came outside the US. South Korea's SK Hynix soared after it confirmed plans for a US listing, while Japan's Kioxia also rose. But volatility returned late in the week and many global indices closed down for the week.



#### US: RATE OUTLOOK BOOSTS THE DOLLAR BUT GOLD LOSSES LUSTER

Steady job creation in the US, persistent inflation, and a more aggressive tone from the Federal Reserve have pushed up the US dollar. The Fed's preferred inflation gauge, the Core PCE Price Index, showed prices rising at an annual rate of 4.1% in May, up from 3.8%, and new chair Kevin Warsh has signalled that tackling inflation will be a near-term priority. In response, markets have been pricing in a higher probability of rate rises over the coming months. This has seen the US dollar steadily rise in recent weeks. In contrast, lower inflation in the EU has led markets to conclude that the European Central Bank is less likely to follow suit.

Meanwhile, gold has lost ground. A strong rally in 2025 lifted the metal above \$5,200 an ounce in January, but it has fallen steadily since. This week gold fell below \$4,000 for the first time since November 2025 as the stronger dollar and potential for US rate rises reduced its appeal to investors.



Data sourced from FE Analytics and FRED.

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