



THE IRAN WAR RESUMES, TO GENERAL INDIFFERENCE

This week the Middle East ceasefire fell apart. Iran attacked tankers in the Strait of Hormuz, the US answered with two days of strikes, and President Trump declared the truce over. Brent crude climbed towards \$80, bonds fell and shares wobbled, yet the moves were modest by February's standards. Markets have filed the flare-up under negotiating tactics, not a return to full war, and by Friday oil was handing gains back.

Investors found plenty to buy regardless. SK Hynix, the Korean chipmaker, raised \$26.5bn in New York on Friday, the largest listing of its kind on record, and Chinese tech firms tapped mainland and Hong Kong investors for billions more. The AI buildout is in rude health whoever is bombing whom. Tokyo got a rare good day just in time for the weekend. After nine sessions of bond losses over Prime Minister Sanae Takaichi's spending plans, the finance minister urged Japan's giant pension funds to buy domestic assets, the yen rose and bonds rebounded by the most in a month. One day does not make a rescue, but it beats a tenth straight loss.

THE MARKETS THIS WEEK

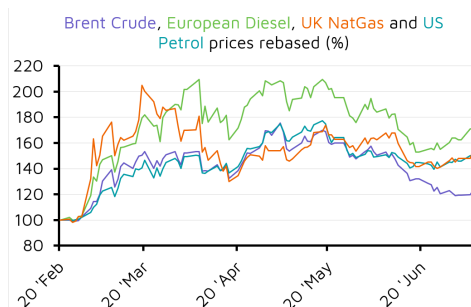
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
-1.47%	+0.39%	-1.67%	-1.32%	+3.53%	+0.05%	+0.12%	+6.42%	-2.31%	+0.64%	+0.41%



ENERGY: OIL'S JUMP REVIVES INFLATION FEARS, BONDS FALL

Volatility returned to markets after President Trump said the ceasefire with Iran was over. Iranian forces attacked ships passing through the Strait of Hormuz, the US bombed Iranian coastal defences in response, and Brent crude jumped 7.6% to \$79.80. Traders moved quickly to reprice the risks around tanker security, insurance costs and Persian Gulf export flows.

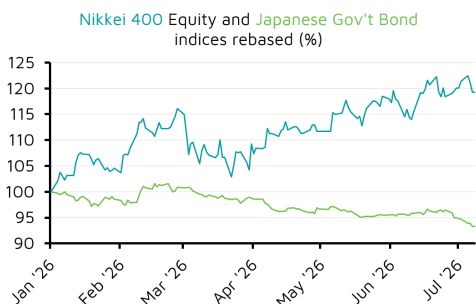
Brent had earlier fallen to \$70 as the supply picture eased. Tanker transits through Hormuz quadrupled over the previous week and Gulf oil exports rose above 10m barrels a day in June. OPEC+ agreed to raise output by 188,000 barrels a day from August, taking 2026's increase to roughly 800,000 barrels a day. Saudi Aramco's sharp \$11-a-barrel price cut for Asia signalled concern over demand. Even so, the renewed threat of higher oil prices pushed government bonds lower, lifting gilt and US Treasury yields to their highest in two months as markets priced in a greater chance of interest rate rises.



JAPAN: TAKAICHI PROMISES GROWTH, THE MARKET SENDS THE BILL

Japanese government bonds have fallen for nine straight sessions, the longest run in 19 years, pushing the ten-year yield to a peak of 2.90%, its highest since 1996. Bond prices move opposite to yields, so this is a sharp sell-off. The trigger was Prime Minister Takaichi's \$2.3tn investment blueprint, which dropped references to fiscal health and urged the Bank of Japan to support growth. Investors read that as loose spending and political pressure on the central bank. Tokyo softened the wording, but surging oil from renewed Gulf hostilities revived inflation fears and kept yields rising.

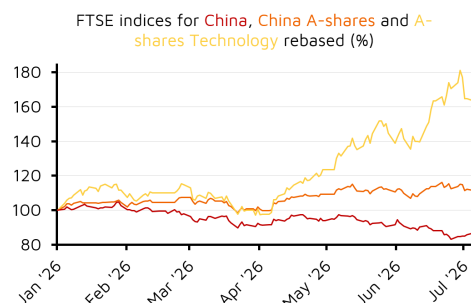
The yen sits near ¥162 to the dollar, a 40-year low, despite roughly \$72bn of official buying this spring. The Ministry of Finance now intervenes without warning to punish speculators betting against the currency, and the Bank of Japan, which raised rates to 1% in June, warns the weak yen is stoking inflation. With US rates still well above Japan's, however, borrowing in yen to lend in dollars stays profitable, so sellers keep the upper hand.



CHINA: TECH FIRMS TURN TO MARKETS TO FINANCE EXPANSION

Chinese tech firms are raising large sums to fund their growth, joining US rivals in tapping a wave of investor enthusiasm. Knowledge Atlas Technology, the company behind one of China's leading AI models, Zhipu AI, raised around \$4bn in a secondary share issue this week. TXCM, a memory chipmaker, aims to raise more than \$4bn when it lists in mainland China next week. Luxshare, a components supplier to Apple, raised more than \$3bn in its Hong Kong listing. State energy giant China Resources has gone further, spinning off its renewables arm as China Resources New Energy. That listing, on the Shenzhen exchange last week, raised over \$3.6bn, and the shares soared 150%.

Investor demand for tech stocks has helped mainland China's large-cap shares outperform the wider market this year. Chinese A shares, the domestic market for large and mid-cap companies, have gained 11.7% year to date, while the broad Chinese index, which includes small caps and overseas-listed firms, is down around 12%.



Data sourced from FE Analytics

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