Circular July 2026

Middle East Updated again, finally?

Oil prices have reduced dramatically. West Texas Intermediate crude was down 9% on the week standing at $70 a barrel, down from year highs of $117. Brent crude was down 11% on the week.

Both oil benchmarks have lost about 20% this month, as it appeared a peace deal would fully re-open the flow of oil and gas from the Gulf. But recent developments renewed doubts after US forces struck Iranian targets. Investors are still trading in the belief that peace, however ragged and unreliable, remains on the table.

Central Banks, inflation and the policy bind

The energy shock has upended the monetary policy landscape. Heading into 2026, markets had priced multiple rate cuts across developed economies. That expectation has been comprehensively reversed. The European Central Bank signaled that it was 'moving away from the baseline' increasing rates by 0.25% in June – with a majority of economists now expecting a further hike this year. The Bank of England held rates in June, but several committee members leaned hawkish, and gilt yields have risen aggressively – the 10-year yield has exceeded 5%, its highest since the global financial crisis. The Federal Reserve, meanwhile, remains on hold, though its bias has shifted decisively away from easing, with dissenting voices now audible within the committee.

The weather

Despite looking like another unelected PM in the UK, the Brits as always are most interested in the weather. Across much of the UK and Europe, temperatures soared above 30C.

The weather doesn't just affect how comfortable we are when we're trying to work or sleep. It can have important economic and political impacts too.

El Niño, one of the most powerful naturally occurring climate patterns on Earth, has returned this year. Experts have warned it could develop into one of the strongest on record as it builds during the rest of 2026. The effect can be to disrupt rainfall, harvests and food supply chains around the world. A strong El Niño can bring droughts in some regions, floods in others and have a serious knock-on effect on crops such as rice, corn and wheat. Increases in such crop prices can fuel inflation.

Tech

Technology stocks fell amid supply shortages, rising costs and future profitability, as well as uncertainty linked to a possible delay to OpenAI's planned stock market debut (a leading artificial intelligence company behind tools like ChatGPT). Overall, the sector is still having an excellent year.

Billions are still being spent on its infrastructure while investors impatiently await the rewards once AI capabilities can be fully monetized in the coming years. The sell-off has been broad-based, sweeping up memory-chip makers, semiconductors and hyperscalers alike.

Outlook

The outlook remains positive, but near-term markets are being shaped by central bank decisions, economic data, and company performance. Easing geopolitical tensions have reduced inflation risks, although tougher signals from the US Federal Reserve are tightening conditions and could cause volatility in the near term.

No matter what happens on a week-to-week basis, the importance of maintaining a well-diversified long-term investment approach, rather than reacting to short-term market swings, continues to be key. By staying committed to carefully considered plans, investors can navigate through periods of volatility and uncertainty.

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