AMR Financial Market Review

Summer Report July 2026

AMR
FINANCIAL MANAGEMENT

Review – Equities & Bonds

Markets in the last six months have been overshadowed by the US war on Iran that began in late February. The immediate effect was a sharp spike in oil and gas prices and falls in equity markets after the Iranians effectively closed key Gulf shipping route the Strait of Hormuz through which, aside from oil and gas, other key raw materials such as fertilizer and aluminium are transported. Bond markets sold off on related inflationary fears.

However, markets 'looked through' the crisis, expecting a relatively quick conclusion and oil prices subsided while equity markets pushed back up to all-time highs with excitement surrounding the AI build-out returning to centre stage and sending microchip-related company share prices into parabolic rises, benefiting US, Asian and Emerging Market equity indices. In contrast, database, information and software stocks found themselves under pressure after launches of various AI model 'plug-ins', with investors extrapolating technological progress to the extent that the business models of companies which charge for access to their platforms might be under threat.

Despite the political disruption of a new British prime minister, UK equities proved relatively defensive, with over £69bn of bids in the last six months for UK listed companies including Schroders, Beazley, Segro, Tate & Lyle and Easyjet demonstrating the relative value identified by acquirers.

Later on in June, markets cheered the extension of the US/Iran ceasefire around a Memorandum of Understanding. Valuations of technology stocks came into focus after the initial public offering of SpaceX on a price/sales ratio of nearly one hundred times.

Outlook

"It's not the despair, I can stand the despair. It's the hope!" Michael Frayn, Clockwise, 1986

As in prior periods, markets have climbed a 'wall of worry' and continued to perform well despite the war in the Middle East and disruption to the oil market caused by the closure of key Gulf waterway the Strait of Hormuz. We have noted that markets seem to be looking through significant geopolitical developments in a shorter and shorter timescale, and rather than wait for a cycle of economic deterioration and evidence of recovery are quickly pricing in the recovery. This makes timing markets, ie trying to sell at highs and buy at lows, particularly challenging, meaning that the old adage "it's time in the markets, not timing the markets" is apt.

In the case of the US/Iran conflict, this has been partly predicated on the assumption that Trump did not favour a protracted war, meaning the disruption to the oil market would be temporary. It was expected the Iranian leadership would quickly buckle under US military might, that a co-operative new government could be installed and global oil markets would be able to return to normal. However, despite the Memorandum of Understanding and supposed ceasefire, as we write we are moving toward the sixth month of the conflict with little sign of a long-

Key Indicators

Equity Market Indices (Income Withdrawn, Local Currency)	*30/06/26*	*31/12/25*	*% change six months*	*30/06/25*	*% change one year*
UK – FTSE 100	10497.12	9931.38	+ 5.7	8760.96	+ 19.8
UK – FTSE ALL Share	5635.05	5350.38	+ 5.3	4772.78	+ 18.1
UK – FTSE Mid 250	23013.45	22470.38	+ 2.4	21626.26	+ 6.4
UK FT Small Cap	7919.94	7537.89	+ 5.1	7185.64	+ 10.2
USA – Dow Jones	52319.20	48063.29	+ 8.9	44094.77	+ 18.7
USA – S&P 500	7499.36	6845.50	+ 9.6	6204.95	+ 20.9
USA – Nasdaq	26213.72	23241.99	+ 12.8	20369.73	+ 28.7
Japan – Nikkei 225	70062.32	50339.48	+ 39.2	40487.39	+ 73.0
Europe – FT Europe ex UK	347.47	318.21	+ 9.2	292.10	+ 19.0
Asia – FT Asia Pacific ex Japan (£)	1031.29	841.64	+ 22.5	732.65	+ 40.8
Emerging – FT Emerging (£)	844.61	773.42	+ 9.2	682.27	+ 23.8
Global – FT AW World (£)	823.87	736.98	+ 11.8	654.39	+ 25.9
Currencies					
£ / $	1.3257	1.3445	– 1.4	1.3721	– 3.4
£ / Euro	1.1612	1.1458	+ 1.3	1.1657	– 0.4
£ / Yen	215.57	210.85	+ 2.2	197.82	+ 9.0

Sources: FE Analytics, LSEG with FTSE Russell indices. Returns in local currency unless otherwise stated, income withdrawn.

term settlement. Traffic through the Strait of Hormuz remains practically at a standstill.

In terms of the economic impact, markets and press reporting have fixated on the price of crude oil which has remained remarkably contained, retreating sharply from the initial price spike and leading many to treat this as evidence that the economic consequences have not been as bad as initially feared. We see some risk of complacency here as there are a number of technical factors that have kept the oil price lower. Firstly, there was a co-ordinated release of four hundred million barrels of crude oil from nations' strategic reserves, as well as participants being able to draw on oil in storage or reroute supplies to higher bidders. Secondly, Chinese and Asian demand for oil has been rather lower than expected due partly to economic weakness. Thirdly, oil markets have been wrong-footed by President Trump's messaging on action against Iran, leading to sharp oil price swings and thus making traders unwilling to take long-term positions.

There have been tangible economic effects such as falls in consumer and business confidence manifesting in subdued orders and employment plans, as well as rapidly rising prices of raw materials used by companies and this has led central banks to start worrying once again about inflation and the need to raise interest rates. Indeed, the European Central Bank increased interest rates in what was seen as early precautionary action. Companies are reporting disruptions within their supply chains. While the price of crude oil has stayed relatively low, prices of related products that we actually buy such as jet fuel, diesel and naphtha (used in the manufacture of plastic) have remained high and supplies are becoming increasingly difficult to secure, particularly following the ban on diesel exports by Russia. Oil refining capacity is also strained, with refineries across the Gulf partially or completely closed down following drone attacks. On the other hand, inflation and wage growth have remained relatively subdued, and economic growth rates intact. It is fair to say that the market has so far been proven more correct than economic forecasters, but we still believe it is right to maintain a degree of caution on economic prospects and thus a balance of growth and defensive holdings.

Concurrently, the Artificial Intelligence related build-out is continuing apace. The large 'hyperscalers', which include companies such as Alphabet (the parent company of Google), Microsoft, Amazon and Meta (the parent company of social media platforms Facebook, WhatsApp and Instagram) have guided that they will spend $800bn this year developing their AI and data capability, with spending expected to increase for the next few years. Whilst much of this spending will be to the benefit of microchip and computer hardware manufacturers, there will also be requirements for data centre building which in turn will need raw materials, land and tradespeople. Data centres have significant power requirements, so power grids will need to be extended and reconfigured as well as a need for additional power generation at a time when capacity is already stretched. This activity needs to be financed; while the large US companies have extraordinary cashflows, even they have had to go to the capital markets for funding. In turn this has generated additional revenues for investment banks. In summary, parts of the global economy that are oriented toward the AI build-out are performing strongly, while other parts are weaker, and this includes considerable numbers of the lower-paid which is affecting consumer spending. This is presenting a challenge for central banks, who need to balance the policy required for the conflicting growth rates of key parts of the economy.

We believe that this supports a 'higher for longer' stance on interest rates, where central banks will be keen to not let any inflationary pressure become embedded, but also keen to avoid a deterioration in unemployment and economic growth, and thus broadly keep rates where they are. With yield levels attractive, this should make for a supportive environment for bonds.

We are optimistic about prospects for markets as the benefits of AI begin to accrue to a broadening range of companies

After an exceptionally strong period of performance of technology-oriented shares, investors are focused on the valuation and whether there is scope for disappointment. There is no doubt that some companies' shares are on stretched valuations, but we are very early in the Artificial Intelligence story. Companies and individuals have only just begun to adopt it, and we see it as a multi-year opportunity that will remain a key influence on economies. We expect there will be volatile periods and thus, as always, we believe that a well-diversified portfolio remains appropriate; we are optimistic about prospects for markets as the benefits of AI begin to accrue to a broadening range of companies.

Diversification in Focus

Regional equity valuations remain uneven, with US markets and by implication Global Equity indices still concentrated in higher-priced technology stocks, whereas the UK, Europe, and emerging markets offer more attractive valuations. While this highlights potential opportunities, valuations alone are not reliable predictors of short-term performance—making diversification essential.

Avoiding concentration

Periods of dominance by a single region or sector can tempt investors to follow recent winners. However, this can leave portfolios exposed if sentiment shifts. Diversification mitigates this by spreading investments across multiple return drivers, reducing volatility while maintaining long-term growth potential.

Building a multi-dimensional portfolio

Effective diversification combines assets that behave differently across economic environments:

- *Geographic breadth*: Allocating across regions captures varied growth drivers and economic opportunities.
- *Sector and style:* Blending growth with value, quality, and defensive approaches avoids over-reliance on a single style and improves resilience.
- *Asset class blend*: Including fixed income, real assets, and alternatives alongside equities helps stabilise returns. Government bonds can cushion downturns, while infrastructure and real assets can offer inflation protection.

Positioned for changing markets

While there may be times a diversified portfolio will underperform a strong thematically-driven index, market leadership rarely persists. The best-performing regions and asset classes in one period are often replaced in the next as economic conditions and interest rates evolve. Predicting these shifts consistently is difficult, so a diversified portfolio ensures exposure to future winners while limiting downside risk. Ultimately, while valuations highlight opportunity, diversification provides the discipline needed for consistent long-term outcomes.

World stock market rankings

	2019	2020	2021	2022	2023	2024	2025	H1 2026	Overall
1	S&P 500	Nikkei 225	S&P 500	FTSE All Share	S&P 500	S&P 500	Europe ex UK	Nikkei 225	S&P 500
2	Nikkei 225	Asia ex Japan	FTSE All Share	Asia ex Japan	Nikkei 225	Emerging	FTSE All Share	Asia Pacific ex Japan	Nikkei 225
3	Europe ex UK	S&P 500	Europe ex UK	Emerging	Europe ex UK	Asia ex Japan	Asia ex Japan	S&P 500	Europe ex UK
4	FTSE All Share	Emerging	Emerging	S&P 500	FTSE All Share	Nikkei 225	Nikkei 225	Emerging	Asia ex Japan
5	Emerging	Europe ex UK	Asia ex Japan	Nikkei 225	Emerging	FTSE All Share	Emerging	Europe ex UK	FTSE All Share
6	Asia ex Japan	FTSE All Share	Nikkei 225	Europe ex UK	Asia ex Japan	Europe ex UK	S&P 500	FTSE All Share	Emerging

Sources: FE Analytics, LSEG FTSE Russell Indices. Based on Total Returns in Sterling.

AMR News

Damon Shaw joins AMR

We are delighted to announce that Damon Shaw has joined the team. Damon brings over 30 years of experience across the financial services industry. He began his career at Prudential before holding key advisory roles with major life insurance companies and high-street banks. For the past decade, he has operated as an Independent Financial Adviser, delivering bespoke advice to clients. We extend Damon a warm welcome to AMR.