MARKET VIEWS 05Aug26

PREMIER MITON
ORIGINAL THINKING

Monthly news and views covering July 2026

Multi-manager investment team

IN BRIEF

- Renewed conflict in the Middle East has seen a rebound in the oil price, unsettling markets.
- Stock markets in Asia and Emerging Markets fell as share prices of semiconductor companies, which manufacture computer chips, declined.
- In the UK, new Prime Minister Andy Burnham appears to have made a good initial impression.

For further information on the risks of investment and glossary terms please refer to the end of the document.

The month of July

This summer has proved to be a scorcher, not only for large swathes of holidaymakers in Europe but also for investors generally. Whilst enjoyable, too much of a good thing can create risks. The record-breaking temperatures have led to an increase in reports of wildfires throughout July in areas left parched by the extreme heat and fanned by strong winds. Stock markets have faced their own winds of change, as the exuberance of prior months has given way to declines where investor enthusiasm has been the hottest.

The record-breaking June listing of SpaceX may have frustrated some investors, as the shares slipped below their launch price. We have also seen elevated volatility (larger than usual price movements) in semiconductor companies and hyperscalers (large-scale 'cloud' technology service providers) during July, as investors questioned the durability of current demand levels and whether too much optimism is already reflected in share prices. There have been some sharp drawdowns (falls in value), resulting in some stock prices having entered 'bear market' territory (i.e. suffered losses of more than 20%), although this still pales against the far stronger returns such companies have delivered so far in 2026. Such investor concern has not been confined to just share prices, it has also been evident in the value of bonds (loans made to companies or governments, usually in return for interest payments), reflecting investor concern about the level of borrowing or debt these companies have and the need to borrow more though further bond issuance to fund their significant ongoing spending requirement.

We have been cautioning investors not to get too carried away by the strong returns generated by a small number of companies driving market performance. Although we have far greater diversification, with investments spread across different sectors, regions and asset classes, typical stock market index, we have also been deliberately reducing the areas of greatest risk.

This has seen us reduce Emerging Markets (less developed economies that can carry higher investment risk) and Asian holdings heavily allocated to the popular markets of South Korea and Taiwan that have been buoyed by their semiconductor behemoths. This has helped reduce the impact of the worst of the decline in markets during July.

Alongside this development, there has been a return to an escalation of military action between the US and Iran. The agreement reached in June has been a 'memorandum of misunderstanding', especially regarding the rights and control of the Strait of Hormuz (a strategically important shipping route for global oil supplies). Greater tension has pushed higher oil prices, lifting them from close to $70 per barrel to nearer $90 per barrel as traffic transiting the Strait of Hormuz grinds to a halt once more. With events escalating to the opposite side of Saudi Arabia, where Iranian allies are attacking shipping in the Red Sea attempting to use the Suez Canal (a major trade route between Asia and Europe), ongoing disruption to the supply of goods to Europe becomes real once again.

With the core inflation rate of the Eurozone having eased from 3.2% to 2.8%, the market was relieved to see the European Central Bank (ECB) maintain interest rates at 2.25% after raising them in the previous month. However, pressure will remain on Central Banks over the coming months as events in the Middle East continue to provide pressure to the oil price outlook and its inflationary consequences.

July 20th also saw the expiration of the temporary tariffs imposed by President Trump in February. Stymied by Congress, this flagship foreign policy and trade approach unveiled last year has been unable to become permanent, as tariffs must either be approved by Congress or expire at 150 days. In the event, President Trump has again launched new tariffs, or taxes on imported goods, on sixty countries following the recent expiration of the previous import duties. This continues to provide some uncertainty for future planning beyond the temporary nature of their implementation.

On the same day, the UK also saw the arrival of its seventh Prime Minister in ten years. Having taken office following an uncontested leadership change, Andy Burnham entered Downing Street with a reassuring focus on maintaining fiscal discipline. This is an area of focus for bond markets as the higher cost of borrowing has again depleted the slim headroom available under the government's fiscal rules that the outgoing Chancellor had maintained. With his first few days seeing a drip-feed of announcements for cost-of-living support and new spending pledges, it is likely that he, or his incoming Chancellor John Healey will be required to prove their discipline in keeping UK government borrowing costs in check.

Despite much gloom evident in the news, it is important to recognise that second-quarter company earnings in the US continue to impress. Kick-started by the major US banks, corporate earnings continue to be resilient and exceed analyst estimates. As financial returns have demonstrated this year, the strength of corporate reporting has outweighed some softening of the economic outlook. Robust corporate reporting has challenged the assumption that stock markets would remain more sensitive to unfolding geopolitical events. With conflict escalating, the status of the ceasefire in the Middle East remains unclear, and the blockade of the Strait of Hormuz still poses a major threat to global supply chains.

Towards the end of the month, other major Central Banks also kept rates on hold. The US Federal Reserve, the US central bank, kept rates at 3.5-3.75%, but with a vote of 9-3 (3 voting for a hike), this had a slightly hawkish slant. Similarly, in the UK, the Monetary Policy Committee, which sets UK interest rates, kept the base rate at 3.75%, but with vote at 6-3, there were also three dissenters favouring a hike. Lastly, the Bank of Japan kept rates at 1%, but gradual rate hikes there are likely.

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Key positioning for the portfolios

The last change to portfolios occurred on 20th May:

- We adjusted our equity investments, allowing us to benefit from company earnings growth while keeping the portfolio well balanced.
- We rebalanced our regional investments, including an increased allocation to Emerging Markets and a reduced allocation to the US and Japan, while leaving the UK allocation unchanged.
- As concerns about inflation pushed bond yields higher, we increased our investment in longer-term government bonds to take advantage of the higher income available and to help support the portfolio if economic growth slows.
- To fund this change, we took profits by selling shorter-term corporate bonds.
- We continue to hold a mix of high-quality corporate bonds, longer-term government bonds and emerging market debt, reflecting our positive view of their longer-term prospects.

Managed Portfolio Investment Team

Glossary

Bonds (or fixed income)
Types of investments that allow investors to loan money to governments and companies, usually in return for a regular fixed level of interest until the bond's maturity date, plus the return of the original value of the bond at the maturity date. The price of bonds will vary, and the investment terms of bonds will also vary.

Equities
Another name for shares (or stock) in a company.

Government bonds
A type of bond, issued by a government. They pay out a regular fixed amount of interest until the bond's maturity date, when the issue value of the bond should also be repaid. In the UK they are called gilts and in the US they are referred to as treasuries.

Index
An index is a method of tracking the performance of a group of shares, bonds, other assets or factors. For example, the FTSE 100 Index is made up of the 100 largest companies on the London Stock Exchange.

Bond Yield
This is calculated by taking the level of interest paid by the bond, divided by the price of the bond, expressed as a percentage. As the price rises, the yield falls and vice versa

Risks

Typically, there is less risk of losing money over the long-term (which we define as over 5 years) from an investment that is considered low risk, although potential returns may also be lower. Investments considered higher risk typically offer greater opportunities for better long-term returns, though the risk of losing money is also likely to be higher.

Forecasts are not reliable indicators of future returns.

Some of the main specific risks that apply to the funds that these portfolios invest in are summarised here. If the funds that are held in the portfolios change, the types of investment risk that the portfolios are exposed to will also change.

Fixed income investments, such as bonds, can be higher risk or lower risk depending on the financial strength of the issuer of the bond, where the bond ranks in the issuer's structure or the length of time until the bond matures.

It is possible that the income due or the repayment value will not be met. They can be particularly affected by changes in central bank interest rates and by inflation.

Equities (company shares) can experience high levels of price fluctuation. Smaller company shares can be riskier than the largest companies, companies in less developed countries (emerging markets) can be risker than those in developed countries and funds focused on a particular country or region can be riskier than funds that are more geographically diverse. These risks can result in bigger movements in the value of the fund. Equities can be affected by changes in central bank interest rates and by inflation.

Derivatives may be used within funds for different reasons, usually to reduce risk, which can be called “hedging”. This can limit gains in certain circumstances as well. Derivatives can also be used to generate income or to increase the risk being taken, which can have positive or negative outcomes. The derivatives used can be options or futures which are types of contracts that are dealt on an exchange or negotiated with a third party. More complex derivatives may also be used. Derivatives can also introduce leverage to a fund, which is similar to borrowing money to invest.

Funds may have holdings in investments such as commodities (raw materials), infrastructure and property as well as other areas such as specialist lending and renewable energy. These investments will be indirect, which means accessing these assets by investing in companies, other funds or similar investment vehicles. These investments can also increase risk and experience sharp price movements. Funds focused on specific sectors or industries, such as property or infrastructure, may carry a higher level of risk and can experience bigger movements in value. Certain investments can be impacted by decisions made by third parties, such as governments or regulators.

There are many other factors that can influence the value of a fund. These include currency movements, changes in the law, regulations or tax, operational systems or third-party failures, or financial market conditions that make it difficult to buy or sell investments for the fund.

Funds that are managed to maintain a specific risk profile, or that invest in other funds that themselves are managed to maintain a specific risk profile, may have their potential growth or income constrained as a result. Applicable for the Premier Miton Blend Portfolios only.

Important Information

This is a marketing communication.

Whilst every effort has been made to ensure the accuracy of the information provided, we regret that we cannot accept responsibility for any omissions or errors.

Reference to any investment should not be considered advice or an investment recommendation.

All data is sourced to Premier Miton unless otherwise stated.

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