



INVESTMENT INSIGHTS

JULY 2026

Mackay Private Wealth

OVERVIEW

GLOBAL MOMENTUM CAPS A SOLID FINANCIAL YEAR, AUSTRALIA LAGS

Global markets extended their rally through June, continuing the recovery from the March sell-off and reinforcing strong risk appetite. This capped a solid Financial Year 2026 for global equities, returning 15%, led by Emerging Markets (+36%) and US equities (+15%). While volatility emerged at times, it proved short-lived as long-term growth drivers reasserted themselves.

Artificial intelligence (AI) was a defining theme, evolving from a technology story into a broader investment cycle, supporting capital spending, productivity and earnings across multiple industries.

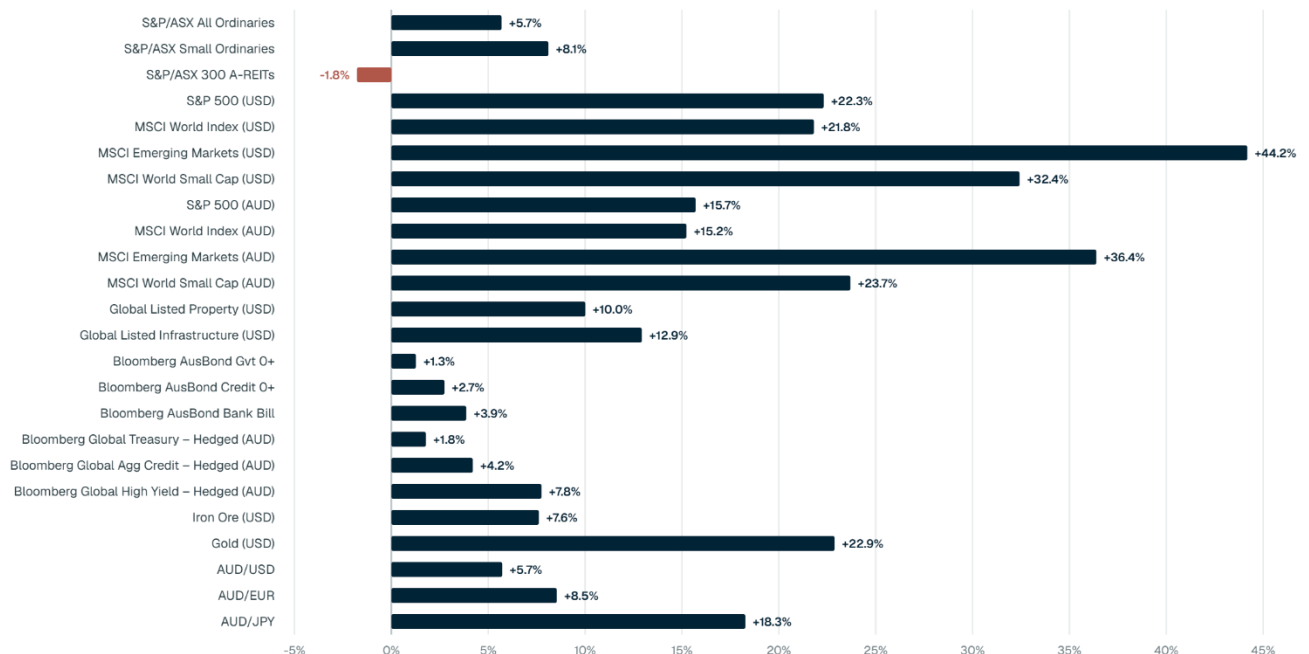
Australia remained a notable outlier. The local market returned 6%, lagging global peers amid higher interest rates, persistent inflation and pressure on financials and consumer sectors. Returns were also highly concentrated, with BHP accounting for 85% of total market performance, helping drive the resources sector to almost 50% for the year. By comparison, the financial sector returned just 1%.

Higher interest rates also shaped returns across asset classes. Equities outperformed bonds, with fixed rate bonds delivering low single-digit returns, while floating-rate credit benefited. A stronger AUD weighed on global investment returns for Australian investors, partly reflecting interest rate differentials.

The macro backdrop remains complex. Inflation has moderated but remains above target, policy settings are still restrictive, and geopolitical risks persist. The MPW Advisory Board meets later this month to review the outlook and portfolio positioning for the second half of 2026.

Market Returns

Total returns by asset class, Financial Year 2026 (%)



Source: Bloomberg, Mackay Private Wealth. Returns in local currency unless AUD noted.

KEY MARKET DEVELOPMENTS

Global Equities

Global equities rose +3% in June, with a stronger USD supporting ex-US markets, with Europe and Japan up +5% US equities were flat, as AI-related stocks consolidated on valuation concerns. Global small companies outperformed broader developed markets, with the MSCI World ex Australia Small Cap Index rising +6%.

Australian Equities

The ASX 200 returned +0.7% in June, a third straight monthly gain, closing the FY26 up +6%. Defensives led, with Consumer Staples up +12%, while Resources fell -8% as gold prices fell. Small caps lagged, with the Small Ordinaries down -2.0%.

Bond Markets

Bond markets steadied after a difficult year. The AusBond Composite gained +1.0% and global treasuries +0.5%, though strong US data kept markets pricing hikes rather than cuts.

Commodities

Energy remained the key focus in June, with Oil falling -18.1% as the reopening of Hormuz unwound the war premium. Gold fell -8.3% (AUD) to six-month lows on rising real yields, while copper eased -2.1% after a strong year.

Monetary Policy

Inflation remains above target and the RBA held the cash rate at 4.35% in June, with its minutes retaining a clear tightening bias.

In the US, the Federal Reserve held at 3.50–3.75% at Chair Warsh's first meeting; half of officials now project a 2026 hike.



WHAT'S CAUGHT OUR EYE

A Century in Context

The rally in US equities since late 2022 has been exceptional. Looking across 100 years of market history, periods of this strength are rare.

The key message for investors: don't become accustomed to returns like these.

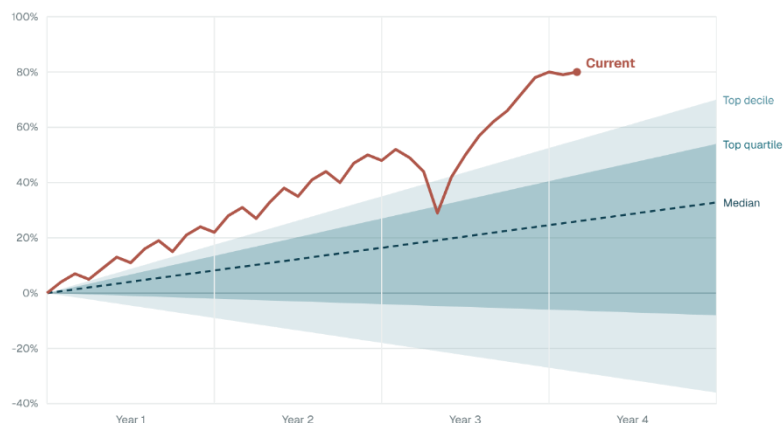
While markets can continue rising, we're operating in rarefied air, and history suggests that recent outperformance is not a reliable guide to future returns.

Staying disciplined and maintaining realistic expectations remains critical.

FIGURE 01

A Century in Context

Current US equity run vs the distribution of all 4-year windows since 1926 (cumulative %)



Source: Robert Shiller / S&P, Mackay Private Wealth. Bands show the historical percentile range of rolling 4-year cumulative returns.

Perception vs Reality Gap

Consumer sentiment is falling despite record highs in markets, employment, and super balances. The disconnect has rarely been wider.

Why? First, markets feel distant. Today's share market leaders, like Nvidia, are not businesses most people interact with, so gains feel abstract.

Second, sentiment reflects mood, not money. Politics, AI anxiety and social media all shape perceptions.

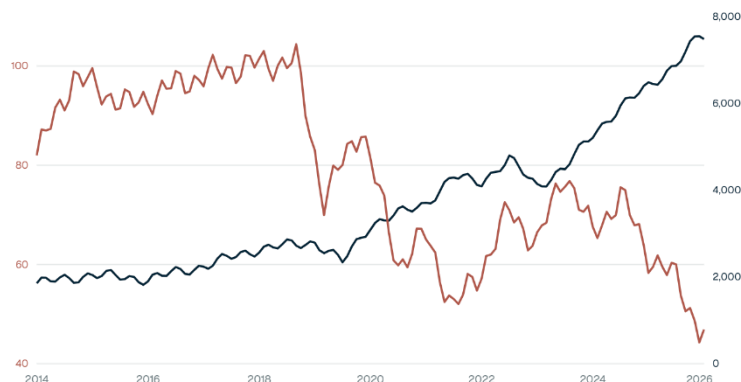
The takeaway: how people feel about the economy is diverging from financial reality. Do not let short-term sentiment override long-term positioning.

FIGURE 02

Perception vs Reality

US consumer sentiment against the S&P 500

— S&P 500 (right axis) — Consumer sentiment (left axis)



Source: University of Michigan, S&P, Monthly, 2014-2026.



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