ARRIVE
WEALTH MANAGEMENT

# MONTHLY MARKET UPDATE

July 2026

## MONTHLY HIGHLIGHTS

- **Global markets softened in July** as weakness in US technology shares weighed on investor sentiment, while renewed geopolitical tensions and higher oil prices added to inflation concerns. Despite the more cautious backdrop, resilient economic conditions continued to support broader equity markets outside the US. Government bond yields also rose as markets reassessed the interest rate outlook, weighing on fixed interest returns.
- **Australian shares moved firmly higher,** led by financials and energy. Improving investor confidence supported the banking sector, while higher oil prices lifted energy companies. Healthcare also contributed, whereas technology, industrials and materials weighed on returns. Smaller companies lagged their larger peers, highlighting the relatively narrow nature of the market advance.
- **International share markets eased, although performance varied across regions and sectors.** The US edged lower as technology shares gave back some recent gains, while Europe and Japan posted modest gains. China rebounded strongly after an extended period of weakness, partly offsetting broader weakness across emerging markets. A firmer Australian dollar further reduced returns from unhedged overseas investments for Australian investors.
- **Australian and global fixed interest markets declined modestly** as government bond yields rose in response to persistent inflation concerns and changing interest rate expectations. Higher yields weighed on government bond returns, while credit, or corporate bonds, were mixed. Australian credit proved relatively resilient, while global credit weakened modestly as credit spreads widened, meaning investors demanded greater returns to hold corporate bonds over government bonds.

## Key Market Performance — Trailing Total Returns (%)

| As at 31 July 2026 | 1 mth | 3 mths | 12 mths | 3 yrs p.a. | 5 yrs p.a. | 10 yrs p.a. |
|---|---|---|---|---|---|---|
| **Australian Shares** | | | | | | |
| Australian shares | 2.3 | 4.1 | 6.0 | 10.4 | 8.0 | 9.0 |
| Australian small-cap shares | -3.2 | -3.2 | 1.8 | 7.5 | 2.2 | 5.8 |
| **International Shares** | | | | | | |
| International shares (hedged) | -0.3 | 5.1 | 22.1 | 17.9 | 10.7 | - |
| International shares | -1.3 | 6.9 | 11.9 | 16.7 | 11.9 | 13.2 |
| International small-cap shares | -3.8 | 5.6 | 15.4 | 13.4 | 8.2 | 11.0 |
| **Fixed Interest & Cash** | | | | | | |
| Australian fixed interest | -0.4 | 2.1 | 1.1 | 3.7 | -0.1 | 1.6 |
| International fixed interest (hedged) | -0.9 | 0.2 | 2.1 | 3.4 | -0.5 | 1.2 |
| Cash - bank bills | 0.4 | 1.1 | 3.9 | 4.2 | 3.2 | 2.2 |

# MARKET OBSERVATIONS

Global financial markets are balancing geopolitical tensions, resilient US growth, the rapid expansion of AI and the possibility of interest rates remaining higher for longer. Despite the conflict between the US and Iran and higher oil prices, share markets have remained relatively stable. However, bond yields have risen as investors consider the risk that inflation may stay elevated and central banks may need to keep interest rates higher.

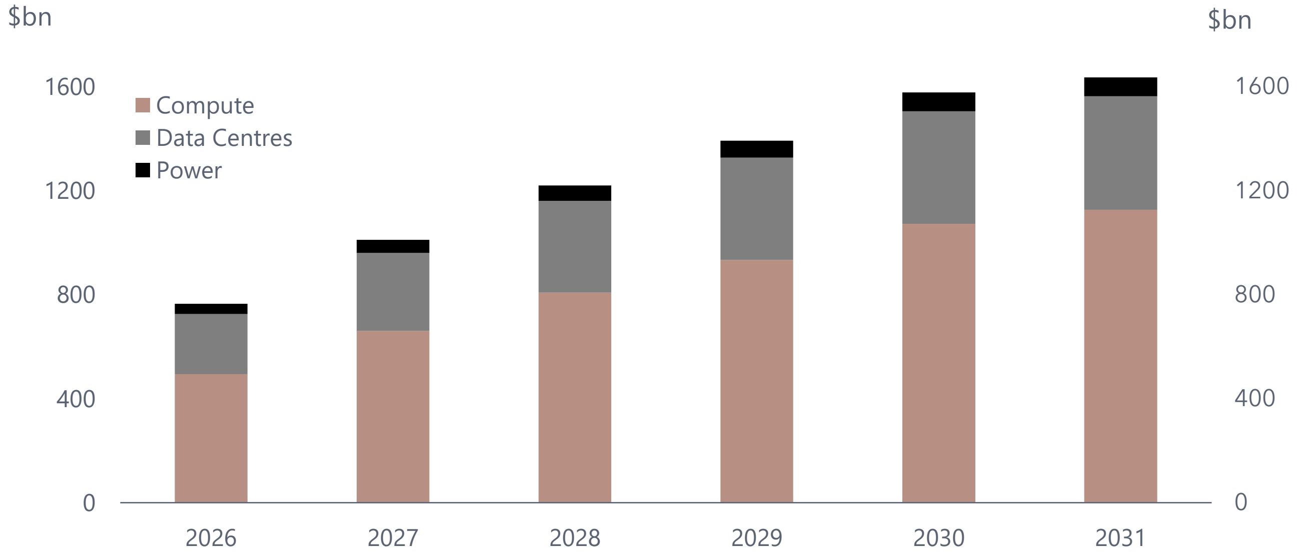
The Australian outlook remains more challenging. Inflation is still above the Reserve Bank of Australia's target, meaning economic growth will likely need to slow before interest rates can begin falling. Higher borrowing costs are already weighing on the housing market, while recent changes to negative gearing and capital gains tax are expected to slow lending and reduce pressure on house prices, creating a more difficult environment for banks and the broader economy.

the biggest companies in the S&P 500 Index earn a significant portion of their revenue overseas and are heavily exposed to technology, particularly AI.

Large technology companies, known as hyperscalers, are investing hundreds of billions of dollars to build AI infrastructure such as data centres and cloud computing networks. That spending quickly becomes revenue for businesses that supply computer chips, networking equipment and other AI technology. At the same time, the hyperscalers spread the cost of these investments over many years, temporarily boosting overall company profits.

This benefit is unlikely to last forever. As the pace of AI investment eventually slows, earnings growth is also expected to slow. How much it slows will depend on whether these AI investments generate enough future revenue to justify their cost.

## FORECAST US COMPANY AI INVESTMENT




Source: Evidentia/Goldmans