World markets review — Second quarter 2026

Equities

Global equities rebounded sharply amid solid corporate earnings, strength in semiconductor stocks and easing geopolitical tensions. Emerging markets powered gains, particularly South Korea and Taiwan. Among developed markets, the U.S. delivered the highest returns, while Japan and Europe also advanced. Overall, the MSCI All Country World Index (ACWI) climbed 15%.

The information technology sector posted the strongest gains, as semiconductor and other artificial intelligence (AI)-related companies benefited from expectations for continued spending on data centers and computing infrastructure. Nearly all sectors rose. Energy was a notable laggard, reversing its strong gains from the first quarter as oil prices retreated from multiyear highs.

Equity index returns (%)	Jun 2026		2Q 2026		YTD 2026	
	U.S. dollar	Local currency	U.S. dollar	Local currency	U.S. dollar	Local currency
S&P 500	–1.0	–1.0	15.2	15.2	10.2	10.2
MSCI ACWI	–0.8	–0.1	14.9	15.1	11.2	12.2
MSCI ACWI ex USA	–0.6	1.4	14.5	15.1	13.7	16.2
MSCI World	–0.7	–0.1	13.8	14.0	9.7	10.4
MSCI Emerging Markets	–1.4	–0.1	24.1	24.1	23.8	26.8
MSCI EAFE	0.1	2.4	10.8	11.5	9.4	11.7
MSCI Europe	0.9	3.2	10.9	11.4	7.8	10.3
MSCI Pacific	–1.1	1.1	10.9	12.3	12.9	15.0

Source: RIMES. Returns are cumulative.

Fixed income

Bond markets delivered modest gains as investors balanced resilient economic activity against persistent inflation pressures. The U.S. Federal Reserve held interest rates steady at its April and June meetings, but signaled rate hikes were possible later in the year. Meanwhile, the European Central Bank and Bank of Japan each raised policy rates by 25 basis points, citing elevated inflation risks.

In foreign exchange markets, the U.S. dollar strengthened against most currencies, including the Japanese yen, Swiss franc and euro. The ICE U.S. Dollar Index rose 1.2% for the quarter, its fourth consecutive quarterly gain.

Fixed income index returns (%)	Jun 2026	2Q 2026	YTD 2026
Bloomberg U.S. Aggregate	0.2	0.7	0.6
Bloomberg Global Aggregate	–0.7	0.9	–0.2
Bloomberg U.S. Corp IG	0.2	1.4	0.9
Bloomberg U.S. Corp HY	0.3	2.5	2.0
JPM EMBI Global Diversified	0.7	4.6	3.3
JPM GBI-EM Global Diversified	0.2	3.9	1.5

Exchange rates (% change vs. USD)	Jun 2026	2Q 2026	YTD 2026
Euro	–2.0	–0.8	–2.7
Japanese yen	–2.1	–2.1	–3.6
British pound	–1.5	0.6	–1.3
Canadian dollar	–2.9	–1.6	–3.4
Australian dollar	–3.7	1.2	3.9
Swiss franc	–3.1	–0.4	–1.8

Source: RIMES. Cumulative returns in USD.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

North America

U.S. stocks soared, boosted primarily by persistent demand for AI infrastructure and strong corporate earnings. Technology stocks headlined as most sectors added to returns, while energy and utilities detracted. Overall, the S&P 500 Index rose 15%, marking its highest quarterly gain since the second quarter of 2020 as the index reached repeated all-time highs throughout the period.

Kevin Warsh was sworn in as the 17th Chair of the Federal Reserve in May, succeeding Jerome Powell after being nominated by U.S. President Donald J. Trump earlier in the year. Despite the change in leadership, the Federal Open Market Committee voted unanimously for interest rates to remain unchanged in June, the fourth straight meeting where rates held steady. Warsh later implied that easing inflation is a top priority, indicating a potential reversal from his prior alignment with Trump on significant rate cuts.

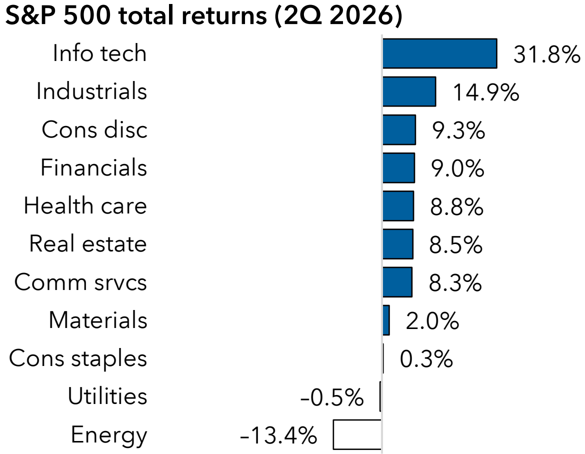
U.S. economic growth picked up in the first quarter, as gross domestic product rose an annualized 2.1%, beating many economists' expectations. Inflation, however, continued to accelerate, with the Consumer Price Index rising 4.2% year-over-year in May, increasing for three consecutive months since February's 2.4% annual increase. This marked the highest inflation rate since April 2023. The unemployment rate held at 4.3% in May for the third consecutive month.

Technology stocks drove returns, as the sector surged 32% behind consistent enthusiasm for AI. Semiconductor manufacturers led the charge as they continued to thrive off the demand for high-bandwidth memory chips. Micron, AMD, Intel and Nvidia were all among the top contributors. Shares of Apple and Google parent Alphabet also contributed after posting strong earnings.

The energy sector fell, as shares of ExxonMobil and Chevron slid amid a drop in global crude oil prices following a partial re-opening of the Strait of Hormuz. Netflix, Palantir and AT&T also detracted.

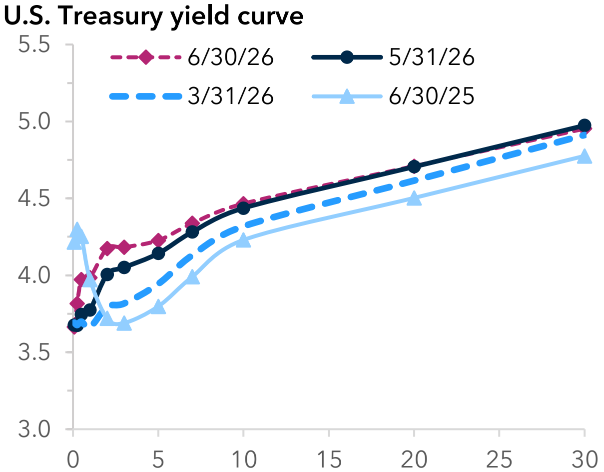
U.S. bonds rose, with the Bloomberg U.S. Aggregate Index returning 0.67%. The yield curve flattened, with two-year Treasury yields rising 38 basis points (bps) to 4.18% and 10-year Treasury yields rising 15 bps to 4.47%. In U.S. credit markets, both investment-grade bonds (rated BBB/Baa and above) and high-yield debt rose. Spreads to Treasuries tightened by 15 bps to 74 bps for investment grade and 47 bps to 270 bps for high yield.

S&P 500 total returns (2Q 2026)



Source: RIMES.

U.S. Treasury yield curve



Source: Bloomberg. The x-axis represents Treasury maturities (years). The y-axis represents the U.S. Treasury yield (%).

Europe

European equities rose as progress toward a U.S.-Iran diplomatic agreement cooled oil prices and eased concerns about energy supply disruptions. Better-than-expected earnings helped sustain the rally, with several technology and industrial companies benefiting from continued investment in AI infrastructure. Overall, the MSCI Europe Index gained 11%.

The European Central Bank (ECB) raised its benchmark interest rate by 25 basis points to 2.25% in June, marking the first increase since 2023. Headline inflation climbed to 3.2% in May, up from 2.6% in March, as higher energy prices resulting from the conflict in the Middle East pushed consumer prices above target. The central bank also revised its 2026 inflation forecast to 3%, with ECB President Christine Lagarde warning that the economic outlook would depend on the intensity and duration of the energy shock, alongside the scale of its indirect and second-round effects.

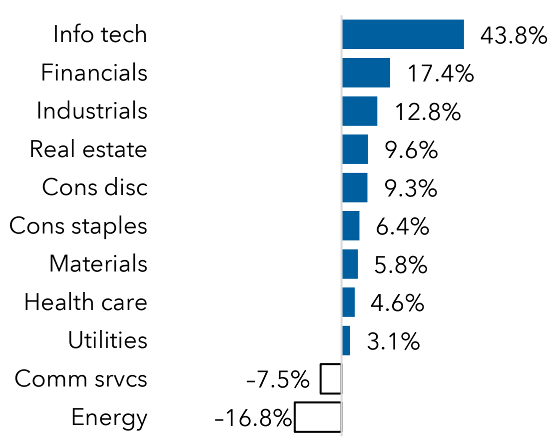
Eurozone private-sector contraction showed signs of easing, with the S&P Global Eurozone Composite Purchasing Managers' Index (PMI) rising from 48.5 in May to 49.5 in June. Year-over-year economic growth slowed to 0.3% in the first quarter of 2026, below the initial 0.8% estimate, as global trade weakened and input costs rose.

Information technology stocks posted the biggest gains, rising 44%, driven by strong demand for semiconductors and AI-related technologies. Shares of Infineon Technologies and ASML advanced 113% and 53%, respectively, supported by robust quarterly results and expectations for higher sales. Financial stocks also rallied, up 17%. Shares of HSBC climbed more than 18% after a surge in wealth management fees offset rising credit losses and boosted revenue.

Energy stocks were the worst-performing sector, declining 17% amid falling oil prices. Shares of Shell fell 17% after weaker production volumes and softer energy prices pressured earnings expectations. Communications services dropped 7%, with Deutsche Telekom sliding 24% after its proposed merger with T-Mobile raised concerns over regulatory and shareholder approvals.

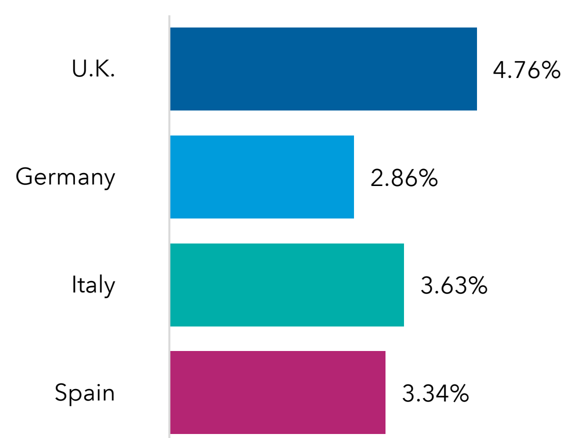
In fixed income markets, European bonds rose modestly despite the ECB's interest rate hike, as investors looked beyond tighter monetary policy amid improving market sentiment. The yield on Germany's benchmark 10-year note fell 14 bps to 2.86%. The same maturity in Italy declined 28 bps to 3.63%. In currency markets, the euro weakened 0.8% against the dollar.

MSCI Europe total returns (2Q 2026)



Source: RIMES. Returns are in USD.

10-year government bond yields



Source: Bloomberg. As of June 30, 2026.

Asia-Pacific

Japanese equities climbed to record highs, supported by solid corporate results and AI-related momentum. The MSCI Japan Index advanced 14%, led by the information technology and financials sectors, while energy and real estate declined the most. The yen weakened to 40-year lows on geopolitical volatility and lingering inflation. Japan's currency fell 2.1% against the U.S. dollar.

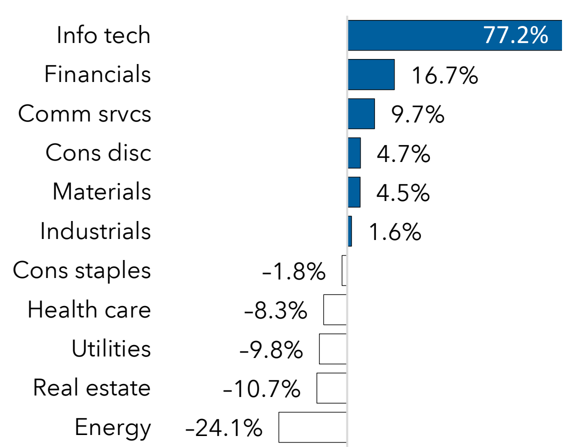
The Bank of Japan (BoJ) raised rates to the highest level since 1995. The central bank hiked its policy rate from 0.75% to 1.0% at its June meeting, continuing its shift toward monetary policy normalization amid persistent price pressures. The hike brought rates to a 31-year high, as policymakers continued to assess evolving inflation risks. Meanwhile, government bond yields remained elevated, but eased slightly in June as the BOJ paused a planned reduction in bond purchases. Core inflation, which excludes fresh food, was 1.4% year-over-year in May, unchanged from April. It was the fourth consecutive month inflation remained below the central bank's 2% target.

Japan's economic growth was revised lower amid geopolitical challenges. The economy expanded an annualized 1.8% in the first quarter, revised down from an initial 2.1% estimate. Economic activity lost momentum on sluggish capital expenditure and uncertainty due to the Middle East conflict. The S&P Global Flash Japan Composite PMI increased to 52.5 in June, from 51.1 in May, reflecting the fastest pace of private sector activity in three months. Exports rose for a ninth consecutive month in May, supported by a weaker yen, higher commodity prices and solid semiconductor shipments, despite supply-chain disruptions linked to the U.S.-Iran conflict. Shares of memory chipmaker Kioxia and electronic-components manufacturer Murata rallied on AI-driven demand for semiconductor memory and electronic components. Conversely, Toyota's shares fell due to margin pressure and tariff-related headwinds.

Australian stocks advanced. Consumer discretionary and real estate drove gains, while energy and health care declined the most. Australia's economy expanded at an annual rate of 2.5% during the first quarter, as strong business investment partly offset softness in consumer spending, government expenditure and exports. The Reserve Bank of Australia raised its cash rate by 25 basis points in May to 4.35%, marking a third hike this year. The Australian dollar gained 1.2% against the greenback.

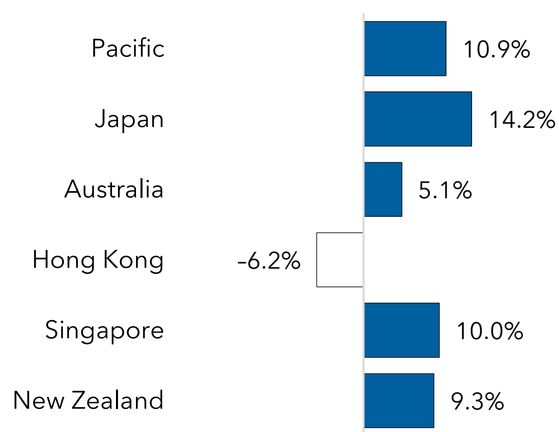
Hong Kong stocks fell. The consumer staples and consumer discretionary sectors led losses, while the industrials sector was the only one that gained. The S&P Global Hong Kong SAR PMI rose to 50.4 in May from 48.6 in April, pointing to a renewed expansion in private-sector activity after two consecutive months of contraction. The city's inflation increased to 2.0% in May, its highest reading in over a year, driven by faster increases in transportation fares and health care services costs.

MSCI Japan total returns (2Q 2026)



Source: RIMES. Returns are in USD.

MSCI Pacific total returns (2Q 2026)



Source: RIMES. Returns are in USD.

Emerging markets

Emerging markets (EM) equities notched strong gains, driven by robust corporate earnings from large semiconductor-related firms and progress in the U.S.-Iran ceasefire talks. South Korean and Taiwanese stocks led the rally while Indian equities also posted double-digit gains. Overall, the MSCI Emerging Markets Index surged 24%, outpacing all major global indices.

Information technology led sector returns, rising 73%. Semiconductor companies including South Korea's SK Hynix and Samsung Electronics, along with Taiwan's TSMC and MediaTek, were among the strongest contributors. The MSCI Korea Index gained 88%, while the MSCI Taiwan Index rallied 49%. In contrast, China's tech giants Alibaba, Tencent and Xiaomi were the largest detractors in the benchmark.

Indian equities advanced 10%, supported by the prospect of a U.S.-Iran peace deal that helped drive a decline in oil prices. India is one of the largest oil importers. However, foreign investors continued to sell Indian equities, tempering gains. In response, the government enacted several measures to attract foreign capital, including lower taxes on stock and bond sales for overseas investors. The Reserve Bank of India held rates steady at 5.25% in June but warned of a 50-basis point increase for fiscal 2027.

Chinese stocks declined 7%, pressured by soft consumer spending and continued weakness in the housing market. Consumer discretionary and consumer staples stocks were the largest detractors. Exports climbed 19.4% year-over-year in May, the fastest increase since February, supported by inventory buildup and sustained demand for semiconductors and artificial intelligence hardware. Meanwhile, industrial production rose 4.1%, marking the slowest expansion since July 2023.

The MSCI LATAM Index fell 4%, with Brazil weighing on the benchmark. Brazilian stocks fell 8% amid declining oil prices and inflation concerns that fueled expectations of a rate hike. Political uncertainty ahead of October's presidential election also hurt sentiment.

Developing market currencies were mixed against the U.S. dollar. South Africa's rand and Mexican peso were among the top gainers, with the Indonesian rupiah and Turkish lira among the largest decliners.

Emerging markets debt (EMD) posted strong returns. EM local-currency government debt gained 3.9% in dollar terms, as measured by the J.P. Morgan GBI-EM Global Diversified Composite Index. U.S. dollar-denominated debt advanced 4.6% in dollar terms, as measured by the J.P. Morgan EMBI Global Diversified Index. South African local-currency bonds advanced amid renewed foreign investor confidence in government policy. Sales of sovereign and corporate bonds picked up, with notable issues from Mexico, Brazil and Turkey.■

2Q 2026 total returns (%)

Equity indexes	(USD)	Fixed income / currency	USD debt (USD)	Local debt (USD)	Local debt (Local)	Exchange rate (vs. USD)
MSCI Emerging Markets	24.1	JPM EMBI Global Div	4.6	---	---	---
MSCI Brazil	–8.2	JPM GBI-EM Global Div	---	3.9	3.3	---
MSCI China	–6.6	Brazil	2.2	3.3	2.4	0.9
MSCI India	10.1	China	0.5	2.8	1.0	1.8
MSCI Mexico	3.0	Indonesia	1.9	-5.3	-0.4	-5.0
MSCI South Africa	–1.9	Malaysia	1.6	0.4	1.1	-0.7
MSCI Korea	87.6	Mexico	3.1	7.2	3.8	3.2
MSCI Saudi Arabia	–3.9	Poland	2.4	2.9	3.8	-0.8
MSCI Taiwan	48.9	South Africa	6.7	12.8	8.0	4.4
MSCI Thailand	8.4	Turkey	4.3	5.5	10.7	-4.7

Source: RIMES. Cumulative returns.

Certain market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

Unless otherwise noted, all returns are in U.S. dollars and assume the reinvestment of dividends. Country stock returns are based on MSCI indexes.

Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch, as an indication of an issuer's creditworthiness.

Bloomberg indexes are unmanaged, and results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **Bloomberg U.S. Aggregate Index** represents the U.S. investment-grade fixed-rate bond market. **Bloomberg Global Aggregate Index** represents the global investment-grade fixed income markets. **Bloomberg U.S. Corporate Investment Grade Index** represents the universe of investment grade, publically issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. The **Bloomberg U.S. Corporate High Yield Bond Index** measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market.

S&P Global purchasing manager indexes (PMIs) track business trends across both manufacturing and service sectors for various countries. The indexes are based on data collected from companies and follow variables such as sales, new orders, employment, inventories and prices. The **S&P Global Eurozone Composite PMI**, **S&P Global Flash Japan Composite PMI**, and **S&P Global Hong Kong SAR PMI** provide similar information about the eurozone, Japan and Hong Kong.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified and related country-specific indexes track total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, eurobonds. **J.P. Morgan Government Bond Index – Emerging Markets (GBI-EM) Global Diversified** and related country-specific indexes cover the universe of regularly traded, liquid fixed-rate, domestic currency emerging market government bonds to which international investors can gain exposure.

MSCI indexes are free-float-adjusted, market-capitalization weighted indexes. Developed market index results reflect dividends net of withholding taxes. Emerging market index results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. Each index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **MSCI All Country World Index (ACWI)** is designed to measure results of more than 40 developed and emerging equity markets. **MSCI All Country World (ACWI) ex USA Index** is designed to measure equity market results in the global developed and emerging markets, excluding the United States. **MSCI EAFE® (Europe, Australasia, Far East) Index** is designed to measure developed equity market results, excluding the United States and Canada. **MSCI Emerging Markets Index** is a free-float-adjusted market-capitalization-weighted index designed to measure equity market results in more than 20 global emerging markets. Individual emerging markets listed herein represent a subset of the MSCI Emerging Markets Index. **MSCI Europe Index** is designed to measure developed equity market results across 15 developed countries in Europe. **MSCI Pacific Index** is designed to measure the equity market performance of the developed markets in the Pacific region. It consists of Japan, Australia, Hong Kong, New Zealand and Singapore. **MSCI World Index** is designed to measure equity market results of developed markets. The index consists of more than 20 developed-market country indexes, including the United States. The **MSCI Japan Index** is designed to measure the performance of the large and mid cap segments of the Japanese market.

S&P 500 Index is a market-capitalization-weighted index based on the results of 500 widely held common stocks. This index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes.

The **Consumer Price Index (CPI)**, reported by the U.S. Bureau of Labor Statistics, measures the change in prices paid by consumers for goods and services.

The **ICE U.S. Dollar Index** is a geometrically averaged calculation that measures the value of the U.S. dollar relative to a basket of foreign currencies: the euro, the yen, the British pound, the Canadian dollar, the Swedish krona and the Swiss franc. The U.S. Dollar Index, together with all rights, title and interest in and related to the U.S. Dollar Index, including all content included therein and all related intellectual property and property rights, is the exclusive property of ICE Data Indices, LLC.

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