Allianz Global Investors

06/2026

Market Snapshot

Equity Snapshot

United States

US equities eased in June. Stocks were pressured early on amid renewed missile and drone strikes in the Gulf. Meanwhile, President Donald Trump's efforts to prevent the Israeli military campaign in southern Lebanon from derailing a potential peace deal between Washington and Tehran were thwarted after Iranian-backed militia Hezbollah rejected the US-brokered truce between Tel Aviv and Beirut. However, the S&P 500 and Nasdaq Composite indices moved higher, and the Dow Jones Industrial Average touched a fresh record high on news of a US-Iran peace deal, with the so-called peace dividend lifting stocks and triggering expectations of a more dovish stance from the Federal Reserve (Fed). US Vice President JD Vance subsequently concluded the first round of direct talks with Iranian officials in the Swiss Alps, agreeing a 60-day roadmap to secure a final deal, including waiving sanctions on Iran. Wall Street moved lower on a hawkish pivot from the Fed, while tech stocks sold off in the run-up to a wave of mega IPOs amid fears that portfolio rebalancing will result in a massive liquidity rotation from richly valued chip stocks into new listings. Tariff tensions were a further headwind as the US threatened higher levies on 60 trading partners, including the EU, the UK and Japan. The new tariffs stem from a probe into goods made by forced labour by the office of the US Trade Representative Jamieson Greer under Section 301 of the US Trade Act of 1974.

US economic data releases were broadly solid. US exports rose by 2.6% in April, hitting a new record of USD 327 billion. US crude oil exports hit a fresh record high of nearly 5.6 million barrels a day in May, helping to narrow the US trade deficit. Labour market releases remained resilient, with non-farm payrolls data showing that the US economy added 172,000 jobs in May – more than double consensus estimates of 85,000 – while the April figure was upwardly revised from 115,000 to 179,000. Similarly, the unemployment rate held steady at 4.3% for the third month in a row. US retail sales rebounded sharply, rising by 6.9% year on year in May after slowing to 0.5% in April. Meanwhile, the University of Michigan Consumer Sentiment Index ticked up to 48.9 in June after touching a historic low of 44.8 in May, while first-quarter GDP was revised up to an annualised 2.1%. Less positively, the Federal Reserve Bank of Atlanta's GDPNow running estimate of annualised economic growth for the second quarter cooled from 3.8% in May to 3.0% in June.
Annual headline inflation rose from 3.8% in April to a three-year high of 4.2% in May, as continued "pain at the pump" pushed consumer prices higher. Meanwhile, producer prices soared from 5.7% to 6.5% over the same period, marking the steepest increase since November 2022. Meanwhile, the Fed's preferred inflation gauge, the core personal consumption expenditures prices index (PCE) – which strips out volatile food and energy costs – held steady at 0.3% in May on a sequential monthly basis, equivalent to an annualised reading of 3.4%. However, with oil prices falling and shipments through the strait picking up

to pre-war levels, markets increasingly viewed the prospect of near-term monetary policy tightening from the Fed as less likely.

Europe

European equities finished higher in June. Markets tracked Wall Street lower early on, as optimism around a breakthrough in US-Iran peace talks faded. Meanwhile, trans-Atlantic tensions resurfaced after the Office of the US Trade Representative concluded its investigation into alleged forced labour enforcement failures and threatened higher tariffs on EU shipments to the US. Market jitters returned after the European Central Bank (ECB) announced the first-rate hike since September 2023. However, the Stoxx 600 Index touched a new record high in the relief rally that followed news of a peace deal between Washington and Tehran and the reopening of the crucial Strait of Hormuz shipping lane. Elsewhere, Kyiv stepped up long-range missile attacks against Russia as well as Russian occupied territory in Ukraine, while European Commission President Ursula von der Leyen announced a fresh package of sanctions against Russia. French President Emmanuel Macron welcomed world leaders to Évian-les-Bains for the annual G7 Summit, with leaders reaffirming their commitment to Ukraine. However, tech stocks caught up in the AI-led sell-off later in the month.

Economic fundamentals for the euro zone were mixed. Annual inflation in the bloc rose from 3.0% in April to 3.2% in May, as the war-led energy price shock kept the headline figure well above the ECB's 2% target. After holding rates steady at 2.0% for seven consecutive meetings, the ECB announced a widely anticipated 25-basis-point hike, bringing the benchmark lending rate to 2.25% in June. While the bank's Governing Council confirmed that it "is not pre-committing to a particular rate path", the ECB's baseline inflation forecasts were revised up, while the economic growth outlook was downgraded. Euro-zone exports increased 5.0% compared with the same time last year, while industrial production rose by 0.1% on a sequential monthly basis in April, equivalent to an annualised increase of 0.3%.

Asia

Asia ex-Japan equities gave back some of their earlier gains in June as technology stocks came under pressure towards month-end, offsetting the positive sentiment generated by the de-escalation of tensions in the Middle East. South Korean and Taiwanese equities reached a series of new highs before moderating. Offshore Chinese equities were notably weak, with large-cap internet and e-commerce companies weighed down by persistently soft domestic demand. In contrast, onshore A-shares outperformed for another month, extending a trend that has been evident for much of the past year. Technology and artificial intelligence-related companies remained among the strongest performers.

India delivered positive returns during the month. The market benefited from improving global risk sentiment, easing oil prices following the US-Iran ceasefire, and resilient domestic investor demand, which helped offset continued foreign institutional investor outflows. As a significant net importer of energy, India is a key beneficiary of lower oil prices, which helps to ease concerns around inflationary pressures and the current account deficit.

Bond

Global bonds declined in June despite a sharp fall in oil prices, with Brent crude dropping 20.78% to USD 72.92 by month-end. While lower energy prices helped ease inflation concerns, bond markets were pressured by a more hawkish global monetary policy backdrop. Both the European Central Bank (ECB) and the Bank of Japan (BoJ) raised interest rates during the month, while the US Federal Reserve maintained rates but signaled a cautious stance on further easing. As investors reassessed the outlook for policy rates, government bond yields remained elevated, weighing on global bond returns. Global corporate bonds also posted negative returns, as higher underlying government bond yields more than offset the benefit of carry and relatively resilient credit fundamentals.

Outlook

Markets continue to navigate a complex environment in which structural innovation intersects with a more uncertain macroeconomic and geopolitical backdrop. Global growth has remained resilient but uneven, inflation risks have become more balanced in some regions and more persistent in others, and central banks are likely to remain data-dependent, with the path towards lower policy rates unlikely to be linear. Policy uncertainty, elevated public debt, trade frictions and geopolitical tensions continue to influence energy prices, supply chains, fiscal priorities and investor sentiment.

We believe the long-term structural growth drivers linked to artificial intelligence, automation and digital infrastructure remain firmly intact the AI trade is not over. But we expect the market to become far more selective. Hyperscaler capital spending is critical but perhaps now a hygiene factor; what the market wants to see is proof of AI profitability, and that will likely define many of the winners from here. Sentiment may improve into the late-July earnings season, but if tangible evidence of monetisation is absent, we would expect to see renewed weakness. A consolidation phase across parts of the AI complex would not surprise us and as the next leg requires profits, agentic applications and robotics to step up, there may be a lag.

Near term, reduced macro visibility and elevated volatility should favour agile companies with pricing power, resilient balance sheets and durable free-cash-flow generation. We see good scope for recoveries in quality names as the market broadens and diversifies. This would be an environment very well suited to our strategies. We remain cautious on the "AI losers" trade: software offers diversification and participation in a broadening market, but not all may offer a genuine recovery story. Robotics, healthcare and biotech are coming to the fore with potential momentum, quantum computing is worth watching, and demand remains robust across data infrastructure, electrification, automation, energy efficiency and grid resilience. Defence retains strong mid-term visibility, supported by rising geopolitical risk, higher spending commitments and long-duration procurement pipelines.

In Europe, fiscal expansion and industrial policy remain important catalysts, particularly around defence readiness, energy security, infrastructure, electrification and strategic industrial autonomy. The region still faces cyclical headwinds, such as uneven industrial momentum, energy sensitivity, fiscal constraints and regulatory complexity. That said, defence procurement, selective capital investment and the reshoring of critical capabilities should support companies exposed to automation, semiconductor equipment, electrical infrastructure, power management and AI-enabling technologies.

Against this backdrop, we retain a constructive medium-term view on quality growth. The environment should reward companies that compound earnings through innovation, scale, pricing power and disciplined capital allocation, rather than relying on cyclical recovery or multiple expansion. Valuations appear more balanced in selected areas relative to the durability of earnings, although dispersion remains high.

The second half is likely to be a trickier environment, and potentially no less volatile. But that is a backdrop we would welcome: an unwind of momentum leadership, a broadening of winners, and a return to sensible, fundamentals-based stock selection all play directly to strategies anchored in quality and fundamental strength. The key will be disciplined stock picking, a focus on genuine structural growth, and a preference for companies that can translate thematic exposure into tangible earnings and cash-flow growth.

Source: Allianz Global Investors, as of 30 June 2026 unless otherwise stated.

Issuer:
Hong Kong – Allianz Global Investors Asia Pacific Ltd.