Blackfriars Multi-Asset MPS Insights: July 2026

July 2026 saw global markets become more volatile as investors balanced strong second-quarter corporate earnings and continued AI investment against renewed geopolitical tensions, higher oil prices and uncertainty ahead of the Federal Reserve's July policy meeting. Middle East tensions briefly pushed energy prices higher before easing later in the month as renewed US-Iran diplomatic engagement triggered a sharp decline in crude oil. Equity-market leadership broadened, with financials, industrials and defensive sectors outperforming while large-cap technology shares came under pressure amid concerns over AI valuations and capital spending.
Global equities delivered mixed returns across developed and emerging markets, while government bond yields remained elevated as investors increasingly priced the possibility of further policy tightening.
Investment-grade and high-yield credit remained resilient despite modest spread widening, supported by healthy corporate fundamentals. Brent crude traded above June levels for much of the month before falling sharply towards US$82–84 per barrel in the final week as geopolitical tensions eased and concerns over global energy supplies diminished.
The global macroeconomic backdrop remained resilient but increasingly uncertain. US economic activity continued to outperform expectations, while inflation eased only gradually, reinforcing expectations that the Federal Reserve would maintain a restrictive policy stance. The ECB remained cautious following June's rate increase, while investors focused on monetary policy, corporate earnings and the sustainability of AI-driven investment as the key drivers of markets during the second half of the year.

Blackfriars Asset Management Limited: is the manager, with a team of cross-asset portfolio managers led by Anastasia Levashova, PhD, supported by the Investment team & committee.

Learn here more about our investment team.

Anastasia Levashova, PhD
Portfolio Manager,
Blackfriars AM

Growth & Inflation

- Global economic activity remained resilient during July, although uncertainty increased as higher energy prices, trade tensions and persistent inflation weighed on investor sentiment. US economic data continued to outperform expectations, supported by resilient consumer spending, a robust labour market and ongoing business investment in artificial intelligence. In contrast, eurozone growth remained subdued despite tentative signs of improvement in business activity, while UK economic growth continued to soften.
- Inflation remained above central bank targets across most developed markets. The temporary rise in oil prices following renewed Middle East tensions reinforced concerns that inflation could remain persistent, although easing energy prices towards month-end helped moderate inflation expectations. Markets increasingly questioned whether policy rates would need to remain higher for longer.

Central Banks

- **Federal Reserve:** The Federal Reserve did not meet during the period to 28 July and maintained the federal funds target range at 3.50–3.75%. Markets increasingly anticipated a hawkish outcome from the 29 July meeting, as policymakers continued to emphasise upside inflation risks and resilient economic activity.
- **ECB:** The ECB kept its deposit facility rate at 2.25% following June's increase. Policymakers reiterated that future decisions would remain data dependent, while markets increasingly expected another rate increase later in the year as underlying inflation remained elevated.
- **Bank of England:** Bank Rate remained at 3.75%. Policymakers maintained a restrictive stance, citing persistent domestic inflation pressures despite easing energy prices and softer UK growth indicators.

Market Performance

- Equities: Global equity markets delivered mixed returns during July as strong second-quarter earnings were offset by concerns over elevated AI valuations, higher bond yields and geopolitical uncertainty. The S&P 500 traded modestly lower over the period, while European equities outperformed US technology stocks as investors rotated towards more defensive sectors.
- Bonds: Government bond markets weakened as sovereign yields remained near multi-year highs. The US 10-year Treasury yield rose towards 4.6%, while German Bund and UK gilt yields also remained elevated as investors priced the possibility of further policy tightening.
- Credit: Corporate credit remained relatively resilient despite modest spread widening. Investment-grade and high-yield markets continued to benefit from healthy corporate balance sheets, although higher government bond yields reduced total returns.
- Commodities: Brent crude oil remained volatile, rising sharply during renewed Middle East tensions before falling back below US$100 per barrel as diplomatic efforts resumed. Gold benefited from safe-haven demand during periods of heightened geopolitical uncertainty, while industrial metals remained supported by continued investment in electrification, power infrastructure and AI-related data centres.

Regional Market Overview

United States

- US equities experienced increased volatility as investors balanced strong corporate earnings against rising Treasury yields and concerns over AI-related capital expenditure. Large-cap technology underperformed broader markets, while financials, industrials and consumer staples proved more resilient. Treasury yields rose during the month and credit markets remained broadly stable despite modest spread widening.

Eurozone

- European equities outperformed most developed markets, supported by easing energy prices and improving business confidence. Economic growth remained subdued, although private-sector activity showed tentative signs of stabilisation. German Bund yields remained close to their highest levels in more than a decade.

United Kingdom

- UK equities delivered modest returns as defensive sectors outperformed. The Bank of England maintained its cautious policy stance, while gilt yields remained elevated amid persistent inflation concerns and expectations that interest rates would remain restrictive.

Japan

- Japanese equities remained comparatively resilient, supported by continued corporate earnings growth and a weak yen. Exporters, particularly semiconductor and industrial companies, continued to benefit from global AI-related investment despite increased market volatility.

China, Asia ex-Japan and Emerging Markets

- Chinese equities remained under pressure from weak domestic demand and ongoing property-sector challenges. Broader Asia ex-Japan delivered mixed returns as Taiwan and South Korea experienced increased volatility following profit-taking in semiconductor stocks. Emerging markets also produced mixed performance, with commodity exporters benefiting from firmer energy prices early in the month before sentiment improved as geopolitical tensions eased.

Asset-Class & Instrument-Level Market Overview:

July 2026 saw global markets become more volatile as investors balanced strong second-quarter corporate earnings and continued investment in artificial intelligence against renewed geopolitical tensions, higher energy prices and uncertainty ahead of the Federal Reserve's July policy meeting. Equity-market leadership broadened further beyond the largest technology companies, with financials, industrials and defensive sectors outperforming as investors rotated into more attractively valued areas of the market. Renewed tensions in the Middle East temporarily lifted oil prices, although easing geopolitical risks and renewed US-Iran diplomatic engagement contributed to a sharp decline in crude prices towards the end of the month. The MSCI World Index remained broadly flat, while global government and corporate bonds delivered mixed returns.

The macroeconomic backdrop remained resilient but increasingly uncertain. US economic activity continued to outperform expectations, supported by resilient employment and consumer spending, while inflation eased only gradually and remained above central bank targets. The Federal Reserve maintained the federal funds target range at 3.50%–3.75%, reinforcing its data-dependent approach, while the ECB kept policy unchanged following June's rate increase. Growth remained subdued across much of Europe, although easing energy prices towards month-end helped moderate inflation expectations.

Government Bonds

Global government bonds delivered mixed returns during July as renewed geopolitical uncertainty and expectations of higher-for-longer interest rates kept sovereign yields elevated. US Treasury yields moved higher during much of the month before stabilising towards the end of the period, while European government bonds were supported by falling oil prices and easing inflation expectations.

The US 10-year Treasury yield traded around 4.5%, while German Bund and UK gilt yields remained close to recent highs despite modest declines late in the month. Japanese government bonds continued to face pressure as investors anticipated further gradual monetary policy normalisation by the Bank of Japan.

Corporate Credit

Corporate credit remained resilient during July despite modest spread widening. Investment-grade and high-yield bonds continued to benefit from healthy corporate balance sheets, resilient earnings and relatively low default expectations, although higher government bond yields limited total returns.

Credit spreads remained close to historically tight levels, reinforcing the importance of issuer selection. Investor demand for income-generating assets remained supportive, particularly within higher-quality investment-grade markets, while high-yield bonds continued to benefit from attractive all-in yields.

Global Fixed Income

Global fixed-income markets produced mixed returns during July as higher sovereign yields offset continued income generation from corporate credit. European government bonds outperformed US Treasuries during periods of easing energy prices, while currency movements continued to influence relative returns across hedged and unhedged strategies.

Infrastructure debt continued to provide stable, income-driven performance, supported by contracted cash flows, essential-service assets and sustained institutional demand for long-duration investments with defensive characteristics.

Equities

Global equity markets delivered mixed returns during July as investors rotated away from the largest AI-related technology companies towards financials, industrials, healthcare and other defensive sectors. Strong second-quarter corporate earnings continued to support equity valuations, although concerns surrounding AI-related capital expenditure and elevated valuations weighed on parts of the technology sector.

US equities underperformed many international markets during the period, while European equities proved relatively resilient. Japanese equities remained supported by a weaker yen and improving corporate profitability, whereas broader Asian markets experienced more volatile performance amid profit-taking across semiconductor stocks.

Real Assets and Commodities

Commodity markets remained volatile during July as geopolitical developments continued to dominate energy markets. Brent crude traded above June levels for much of the month before falling sharply towards US$82–84 per barrel during the final week as renewed US-Iran diplomatic engagement reduced concerns over prolonged disruptions to global energy supplies.

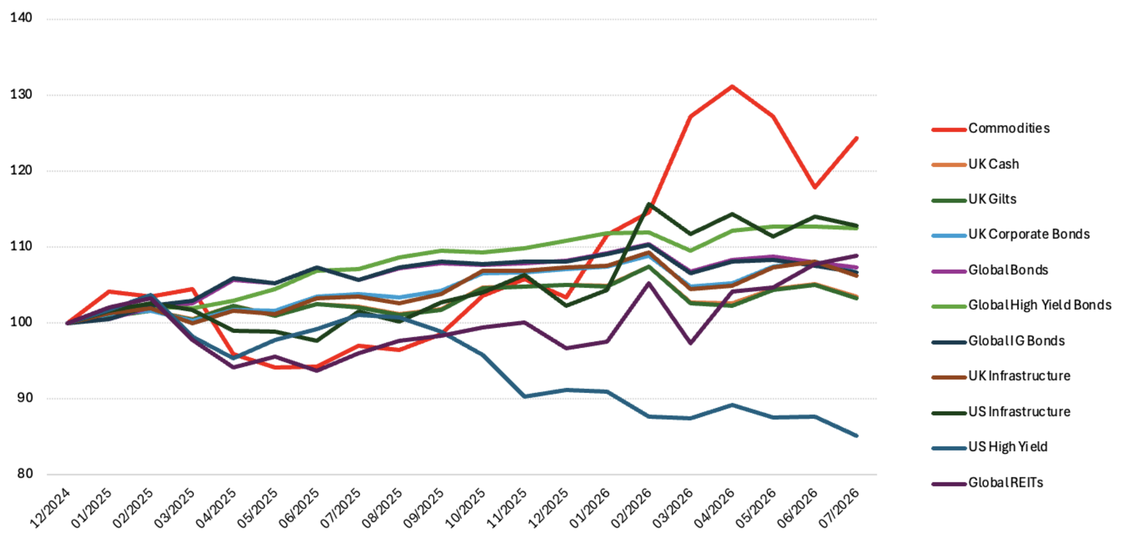
Gold benefited intermittently from safe-haven demand during periods of heightened geopolitical uncertainty, while industrial metals remained supported by long-term structural demand linked to electrification, power-grid investment, data centres and AI infrastructure. Listed and private infrastructure assets continued to benefit from sustained investment in digital networks, renewable energy and electricity transmission, while lower fuel prices towards month-end supported selected transport infrastructure assets.

Asset-Class & Instrument-Level Performance*:

Asset Class	1m	3m	YTD	6m	1y	5y
UK Cash	-1.50%	0.90%	-1.40%	-1.30%	1.30%	-22.70%
UK Gilts	-1.70%	0.90%	-1.70%	-1.60%	1.10%	-24.90%
UK Corporate Bonds	-1.20%	1.40%	-0.40%	-0.60%	2.80%	-5.80%
Global Bonds	-0.50%	-0.90%	-0.70%	-1.70%	1.60%	-9.20%
Global High Yield Bon	-0.20%	0.30%	1.50%	0.60%	5.00%	17.70%
Global IG Bonds	-0.80%	-1.30%	-1.30%	-2.20%	0.90%	-11.20%
UK Infrastructure	-1.80%	1.20%	-1.00%	-1.30%	2.60%	-12.40%
US Infrastructure	-1.10%	-1.30%	10.30%	8.00%	11.10%	25.80%
US High Yield	-3.00%	-4.60%	-6.70%	-6.40%	-15.80%	-5.30%
Global REITs	1.00%	4.50%	12.60%	11.50%	13.30%	-1.60%
Commodities	5.50%	-5.20%	20.30%	11.40%	28.20%	41.60%

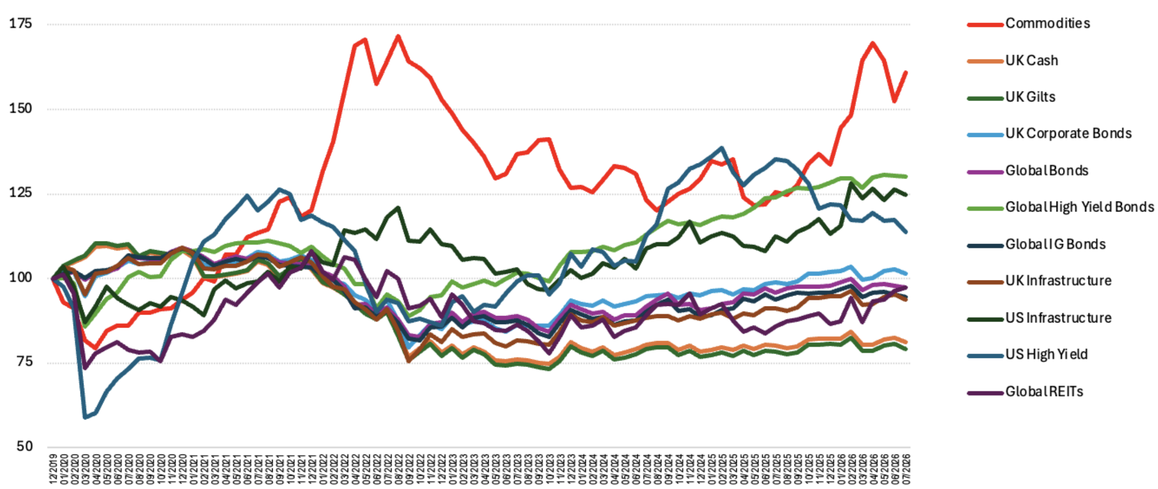
Source: Blackfriars AM, Bloomberg. Data as of 31/07/2026. All in GBP.

UK & Global Money Markets, Debt, Infra, REIT, Commodity Performance (01/2025 - 07/2026, GBP)



Source: Blackfriars AM, Bloomberg. Data as of 31/07/2026. All in GBP.

UK & Global Money Markets, Debt, Infra, REIT, Commodity Performance (01/2020 - 07/2026, GBP)

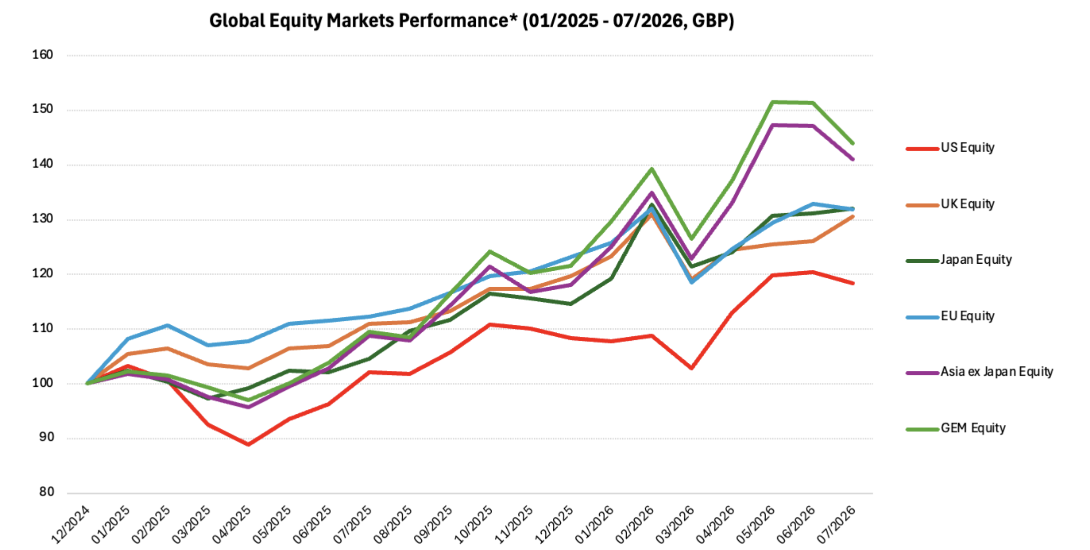


Source: Blackfriars AM, Bloomberg. Data as of 31/07/2026. All in GBP.

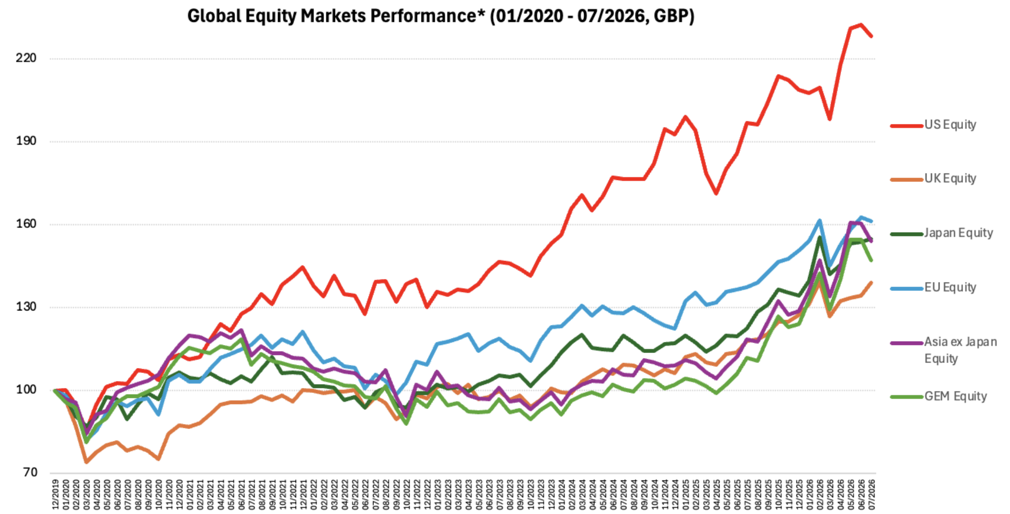
Asset-Class & Instrument-Level Performance*:

Asset Class	1m	3m	YTD	6m	1y	5y
US Equity	3.60%	4.90%	9.10%	5.90%	17.70%	44.80%
UK Equity	-1.70%	4.80%	9.30%	9.90%	16.00%	75.90%
Japan Equity	0.70%	6.40%	15.20%	10.80%	26.30%	49.70%
EU Equity	-0.80%	5.80%	7.00%	4.80%	17.50%	38.30%
Asia ex Japan Equity	-4.10%	6.00%	19.50%	12.80%	29.80%	36.60%
GEM Equity	-4.80%	5.00%	18.50%	11.00%	31.60%	34.60%

**Source: Blackfriars AM, Bloomberg. Data as of 31/07/2026. All in GBP.*



**Source: Blackfriars AM, Bloomberg. Data as of 31/07/2026. All in GBP.*



**Source: Blackfriars AM, Bloomberg. Data as of 31/07/2026. All in GBP.*