



MARKET UPDATE

June 2026

The Minster Partnership

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After a positive first few weeks in 2026, global markets have shown volatility and resilience since the US and Iran war began. The volatility is driven by the geopolitical landscape, fragile ceasefire and continued closure of the Strait of Hormuz while the resilience comes from global markets increasingly showing a willingness to look past the geopolitical volatility, focusing on the strength of corporate earnings and the ongoing AI (Artificial Intelligence) investment cycle.

The Strait of Hormuz remains a critical waterway for global energy supplies and the war has highlighted this. The Strait carries around a fifth of global seaborne oil and liquefied gas shipments. As a result of the closure, energy prices have risen sharply since the war began as the supply of oil disruption escalates and continues.

The disruption in the supply of oil has led to oil prices rising and remaining volatile as they react to events as they happen, particularly over headlines associated with a potential peace agreement which have been ongoing, and the effect of this has already been seen at petrol pump prices in the UK, US and globally since the conflict began. As with previous conflicts which involve oil supply, such as the Russia and Ukraine conflict which remains ongoing, we are likely to see inflation drifting higher which is then likely to limit central banks' ability to reduce interest rates in the near term despite previous expectations of rate cuts in the next year, especially in major western economies.

The UK economy remains in focus where any increase in interest rates would lead to higher borrowing costs at a time when the UK is also suffering from a political crisis. Crucial to the outlook for the UK is inflation and despite global concerns on inflation, the recent UK CPI (Consumer Price Index) release showed inflation fell to 2.8% in the year to April 2026, down from 3.3% in the year to March 2026. However, while this provided the Bank of England with some breathing space, this is likely to be a temporary reprieve as the US and Iran war continues.

Overall global market volatility is in line with previous geopolitical stress events, particularly those involving escalating oil, with a sharp initial reaction followed by periods of volatility and stabilisation as investors assess the ongoing situation. Aside

from a material widening of the conflict, history shows us that recovery is often seen in the weeks and months that follow.

With markets likely to remain volatile, this is best navigated by holding a suitably diversified portfolio. Volatility is always the price paid for the prospect of higher long-term returns and past performance, while never guaranteed in the future, demonstrates the importance of remaining invested in times of turbulence.

Despite the continued uncertainty and geopolitical events of recent years, historical performance across all periods remains attractive for most investors. The acceptance of risk has provided superior returns to both cash and inflation over the medium and longer term, demonstrating how investor patience can be rewarded over time.