Market Commentary 03nd of July 2026

Global equity markets delivered mixed results in June, with regional performance becoming more differentiated after the strong rally seen earlier in the year. While some European and Asian indices continued to advance, US equities paused and emerging markets consolidated recent gains.

The S&P 500 (SPX) declined 1.06% during June, closing at 7,499. The pullback reflected profit-taking in large-cap technology stocks following a strong run earlier in the year. In contrast, European equities extended their gains. The MSCI Euro Index (MSER) rose 4.49%, while the Euro Stoxx 50 advanced 4.59%, supported by improving economic sentiment and resilient corporate earnings. Germany's DAX Index slipped slightly by 0.43% after recent strong performance but remained positive YTD at 2.06%.

The FTSE 100 gained 0.84% to close at 10,497, helped by strength in financials and defensive sectors. Meanwhile, Japan was the standout performer globally, with the Nikkei 225 surging 5.63% in June. Broader global equities were largely stable, with the MSCI AC World Index easing 0.17%, while the MSCI Emerging Markets Index fell 0.34%.

Bond markets produced mixed results during June as investors balanced easing inflation pressures against expectations for future monetary policy. Government and corporate bonds in the US and Europe generally delivered modest gains, while global aggregate bond benchmarks lagged.
The iBoxx USD Treasury Index gained 0.37%, while US corporate bonds advanced 0.19%. European sovereign and corporate bonds also generated positive returns, with the Euro Sovereign Index rising 0.48% and Euro Corporate Bonds gaining 0.44%. UK government and corporate bonds added 0.64% and 0.61%, respectively. However, the Global Aggregate Bond Index fell 0.71%, leaving it marginally negative YTD at -0.21%.

Commodity markets experienced a broad-based correction after strong gains earlier in the year. Energy and precious metals were particularly weak as investors reduced exposure to inflation-sensitive assets. Crude Oil fell sharply for a second consecutive month, declining about 20% to $69.50 per barrel. Despite the correction, oil remains up 21% YTD. Precious metals also came under significant pressure. Gold dropped almost 12% to $4,008/oz, moving into negative territory for the year with a -7.21% YTD return. Silver suffered an even steeper decline of 22%, leaving it down 18% YTD. The broader commodity complex reflected this weakness, with the CRB Commodity Index falling 7%, although it remains up 18% for 2026.

Currency markets were dominated by renewed strength in the US dollar. The Dollar Index (DXY) advanced 2.27% to 101.187, extending its gains for the year to 2.91%. As a result, the Euro weakened 2.03% against the dollar, while Sterling declined 1.44%. The GBP/EUR exchange rate rose 0.62%, reflecting the pound's relative resilience versus the euro.

Digital assets faced heavy selling pressure. Bitcoin recorded one of the weakest performances across major asset classes during June, falling 20% to $58,642. The decline pushed Bitcoin's YTD return to -33%, highlighting continued volatility and investor caution within the cryptocurrency market.

Portfolio Action: Two Decisions, One Discipline: BYD and Rheinmetall

This month we want to walk you through two portfolio decisions we have taken — and at first glance they look like opposites. We have sold our entire position in BYD, a company we have long admired. At the same time, we are holding on to Rheinmetall, even after a sharp fall in its share price.

Both decisions come from the same principle: we follow the facts and fundamentals, not share price and emotional feelings. When the facts behind a company change, we act, however much we liked the story. When the facts hold firm and only the price has fallen, we hold our nerve — and when portfolio conditions allow, we buy more. Below we elaborate on both decisions.

BYD Co. Ltd: Full Exit

We have decided to sell our full position in BYD across all client portfolios.

Why did we buy it in the first place?

- Warren Buffett was an early investor, and he has had a reasonably good track record of good long-term investing. So much of the due diligence was done for us.
- It was (and is) the leading EV maker in China, the world's biggest car market.
- It was (and is) the leading hybrid vehicle maker in China.
- It made (and still makes) its own batteries. Operating on an extreme vertically integrated model that it controls almost every stage of production.
- It employs 120,000 engineers in its R&D department
- It is granted 15-20 new patents every day

Why we held on to it as its shares kept falling?

- It had overtaken Tesla to become the world's largest EV maker.
- Its exports are up 65% in the first 5 months of this year
- It has built car plants in Brazil, Thailand and Uzbekistan, expanding its global footprint
- It is building new plants in Turkey and Indonesia

Why have we decided to sell it?

- Increasing competition in China. BYD sales in China have fallen 20% in the first five months of the year and is facing increasing competition from car giant Geely. Xiaomi, a tech company is stealing BYD's thunder with sharper tech and rapid iteration.
- Safety questions. There are credible reports that some of BYD's driver assistance features do not work as advertised, which weakens the technology story the stock has been built on.
- Data privacy risk. Court documents show BYD can track a vehicle's location, speed, and driving behaviour with very few safeguards. This is becoming a real legal and regulatory problem in Europe and North America.
- Falling margins. Price competition in China's EV market is fierce. BYD has been cutting prices to hold market share, and profits are suffering as a result.
- Blocked international growth: new tariffs in the EU and growing restrictions in North America are closing the doors that BYD was counting on to drive its next phase of growth, albeit strong growth in emerging markets.
- ESG issues. There is documented evidence of poor labour practices and environmental violations at BYD's factories. This matters more to large institutional investors in the markets BYD wants to grow into.

It always hurts to sell a company that we had identified as high-quality and with strong growth prospects.

BYD is still a formidable company, but the investment case has weakened, and it is our job to move your capital to better opportunities with better upside potential. So, the oft quoted "when facts change, we change our mind" applies here.

Rheinmetall — The Same Discipline, the Opposite Call

Having just explained why we sold BYD, we want to show you the other side of the same coin. Rheinmetall, one of our defense holdings, has had a share collapse YTD — and our response has been the exact opposite of BYD. We are not selling. We are holding, and we are buying more when portfolio diversification and weightings allow. Here is how facts led us to this very different conclusion.

Why did we buy?

- Rheinmetall is Europe's leading defence manufacturer — tanks, armoured vehicles, air defence, ammunition, and now naval and digital systems.
- It made a bold decision to sell its old civilian car-parts business and become a pure defence company, right as Europe began rearming after decades of underinvestment.
- The result has been remarkable growth: 2025 sales rose almost 30% to nearly €10 billion, profits grew even faster, and the company went from carrying debt to sitting on net cash. It raised its dividend by more than 40%.
- Most importantly, it built a record order book of roughly €73 billion — years of work already contracted and waiting to be delivered.

Why has the share price fallen?

- In late June, the German government cancelled a large frigate programme (the "F126") that Rheinmetall was about to add to its order book. The shares dropped more than 15% in a single day and are now well below their 2025 highs. But when we look past the headline, the reaction appears bigger than the actual damage it will cause to the company.

Why are we holding — (and possibly adding)?

- The money at stake is small. That cancelled contract was never yet in the numbers, and the profit it would have earned is tiny next to the €73 billion order book. Rheinmetall's own house broker estimates the long-term hit at barely 1–2% of profits — and the first ships in programmes like this are usually loss-making anyway. The market erased far more value than the contract was ever worth.
- The decision wasn't Rheinmetall's fault. Governments can change their priorities overnight, and this one did. It says nothing about how well the company is run or how strong its products are.
- The rest of the business keeps winning: a €5.7 billion order from Romania (its largest ever), a multi-billion-euro tank and vehicle partnership in Italy, a live competition to replace the US Army's Bradley fighting vehicle, and a new plant in Germany already building fuselage sections for the F-35 fighter jet. Ammunition capacity is being scaled up many times over as NATO refills depleted stockpiles — a job expected to take a decade.
- Management is buying too. In the middle of the weakness, the CEO personally bought around €3 million of shares. People who know the business best are treating this as an opportunity, not an exit.
- The long-term reason is still relevant. Europe is committed to higher defence spending for years, protected by multi-year budgets. Even a ceasefire in Ukraine wouldn't change the need to rebuild what's been used up. The reason we bought Rheinmetall is still true today and the price is even more attractive.

A lower price on a company whose long-term story is intact is not a reason to sell. Since the bottom of the latest drop, Rheinmetall has already risen more than 20% — a reminder of how quickly sentiment shifts when a company is fundamentally strong.

When the facts and fundamentals change, we react with confidence and with no emotions attached. When they don't, we hold our nerve. As Warren Buffett put it, be greedy when others are fearful.

We'd always rather explain a fall like this to you than quietly react to it — and, as always, we'd be glad to hear from you if you'd like to talk it through.