

Largest IPO in history whilst 'Mag 7' performance dips



Quarter in brief

SpaceX achieves largest IPO
in history

Global equity markets delivered
strong positive returns

A fragile ceasefire between the US
and Iran sees oil prices normalise

The US and UK central banks
voted to leave interest rates
unchanged

Aggregate UK DB pension scheme
funding broadly unchanged over
the quarter

The initial public offering (IPOs) of SpaceX in June saw Elon Musk become the world's first trillionaire, with bumper IPOs from OpenAI and Anthropic anticipated later in the year, bolstering the US public equity market.

Global equities delivered strong positive returns over the quarter despite signs that the grip of the "Magnificent Seven" on the destiny of the global stock markets might be beginning to loosen. Share prices amongst this group fell by around 10% in June, typically giving back returns earned in April and May. Meanwhile investors rotated towards chipmakers benefitting from hundreds of billions of dollars being spent on AI infrastructure.

A fragile ceasefire between the US and Iran and the reopening of the Strait of Hormuz in June was enough to reassure investors that the global energy supply chain could now resume business as usual. The price of Brent crude oil fell back from highs of over \$110 a barrel down to \$73 by the end of June. More than 1 billion barrels of oil had been trapped in the gulf during the conflict which began at the beginning of February sending an inflationary shock through major global economies. Whilst ships have started to pass the Strait, vessels have experienced attacks and a huge logistical task awaits to replenish global stocks, particularly in the emerging markets which have been significantly impacted. Subsequent tensions undermining the ceasefire demonstrate the continued fragility of the situation.

The impact of the spike in oil prices has driven inflation expectations, which is still to fully work through to lagged inflation statistics. US inflation rose to 4.7% in the 12-months to May, its highest level in 3 years. This prompted the Federal Reserve, led by Kevin Warsh since May, to keep interest rates unchanged at a range of 3.50% - 3.75% for its fourth consecutive meeting in June.

In the UK, the Consumer Prices Index stood at 2.8% in May and the Bank of England (BOE) also voted to hold the UK bank rate for a fourth consecutive meeting at its current level of 3.75%. The BOE cited an expectation of rising inflation later in the year as a key driver of its decision to continue to hold rates constant, despite UK inflation being lower than in the US. The European Central Bank (ECB), on the other hand, raised rates by 0.25% to 2.25% in June. Eurozone inflation stood at 3.2% in May and the ECB raised its outlook for inflation and cut its growth projections at its latest meeting.



Kerry Foxall
Senior Investment Consultant



**Click to watch
Kerry's video.**

Longer term borrowing costs in the UK experienced a volatile quarter as a result of the ongoing conflict in the Middle East, as well as political uncertainty in the UK. Andy Burnham held off challengers in the Makerfield by-election to return as a Member of Parliament, paving the way for him to succeed Sir Keir Starmer as the next Prime Minister after Starmer resigned, seemingly in acknowledgment he would be defeated by Burnham in a leadership contest. Gilt yields peaked in mid-May before falling back to slightly lower than where they started the quarter. This reflected movement in global bond markets, whilst also coinciding with Burnham's pledge to honour existing fiscal spending rules were he to take charge of government.

The price of Gold tumbled over the second quarter, marking its worst quarterly performance in over a decade, along with similar performance from other precious metals including silver and platinum. However, this was off the back of exceptionally high prices, having risen over 2024 and 2025, and peaking

back in January. In this context, the price falls can be seen as a return to more normal levels, noting that they are still above prices seen this time last year. Changing expectations of interest rate rises and reduced geopolitical tensions are also likely factors in the price falls.

Investment grade credit spreads squeezed marginally tighter over the quarter and are sitting close to the lowest levels in the last 20 years. This expensive pricing reflects that the overall yield is still sufficient to drive interest from investors given the level of risk-free rates. SpaceX issued some investment grade corporate bonds, with a general expectation that there might be more debt issuance to come.

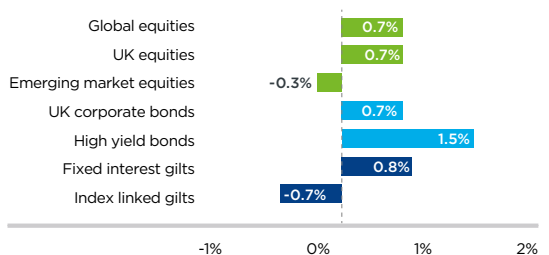
Long-term inflation expectations were volatile but trended down relatively strongly over the quarter as optimism grew that an end to the war in Iran was in sight.

The combination of factors, combined with high levels of hedging mean that aggregate pension scheme funding ended the quarter roughly where it started.

Market returns

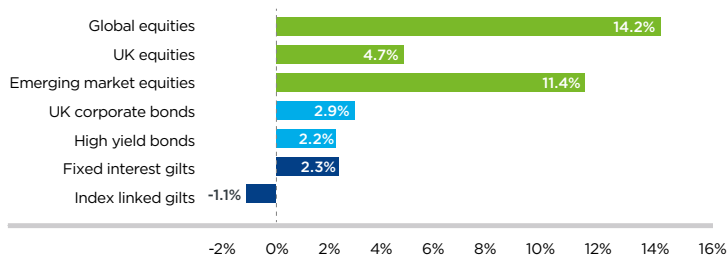
Global equities posted strong returns over the quarter

1 month to 30 June 2026



Source: Refinitiv

3 months to 30 June 2026



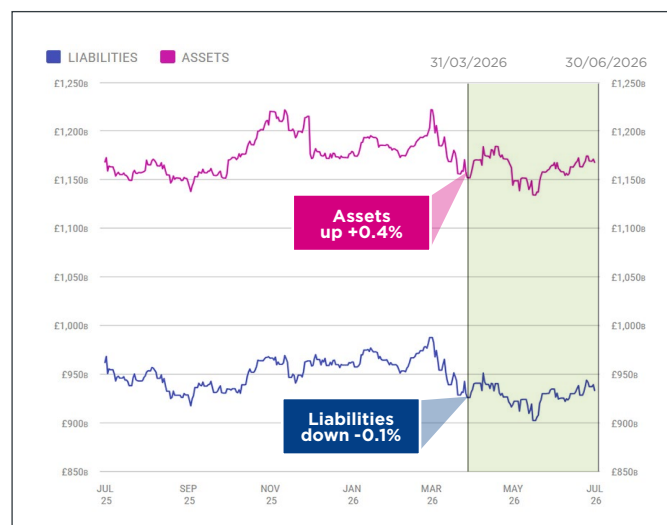
Source: Refinitiv



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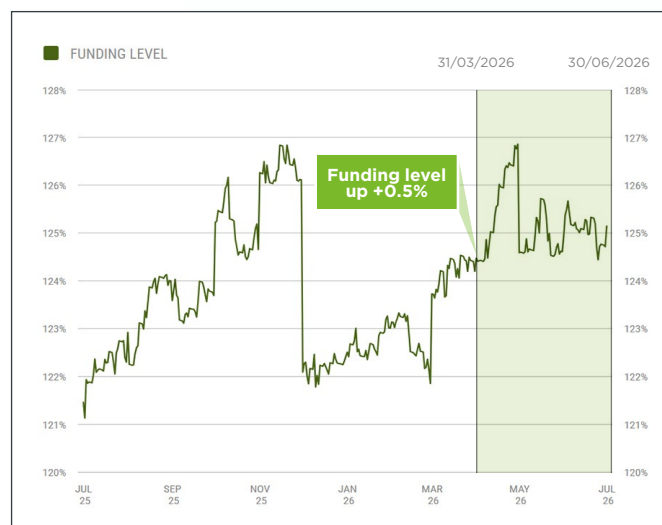
Simeon Willis
Chief Investment Officer

Asset and liability progression for the DB:UK universe



Source: XPS DB:UK | xpsgroup.com/DBUK

Funding level progression for the DB:UK universe



The charts above are based on data from The Pensions Regulator, the PPF 7800 Index and the XPS data pool. The assumptions used in the UK:DB long-term target basis include a discount interest rate of gilt yields plus 0.5%. The assumed asset allocation is 15.5% equities, 24.4% credit, 4.5% multi-asset, 5.9% property and 49.7% in liability driven investment (LDI) with the LDI overlay providing an 85% hedge on inflation and interest rates.

XPS Investment asset class views

Asset class	Favourable	Neutral	Unfavourable	Movement
UK Equity		●		
Developed Market Equity		●		
Emerging Market Equity	●			
Investment Grade Credit			●	
High Yield Credit			●	
Senior Secured Direct Lending		●		
Balanced Property	●			
Long Lease Property			●	
Private Equity		●		
Infrastructure		●		
Equity Protection Strategies	●			
Buy-in	●			
Cash		●		

Find out more

To discuss any of the issues covered in this edition, please get in touch with **Simeon Willis** or **Kerry Foxall**. Alternatively, please speak to your usual XPS contact.



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