

# ROCQ CAPITAL

## Second Quarter 2026

The second quarter of 2026 was characterised by a significant recovery in risk appetite following the sharp market correction experienced in March. While geopolitical developments in the Middle East remained an influence on investor sentiment throughout the period, markets increasingly looked through near-term uncertainty and focused instead on the prospect of de-escalation, resilient corporate earnings and the continued strength of the artificial intelligence investment cycle.

April saw a sharp rebound across global equity markets prompted by diplomatic engagement between the US and Iran; although traffic through the Strait of Hormuz remained severely impaired, markets responded positively to the improving tone of negotiations. This allowed investors to refocus on robust corporate fundamentals, particularly in the United States, where first-quarter earnings generally exceeded expectations and highlighted the continued resilience of both consumers and businesses.

The recovery gathered momentum during May. Global equities delivered particularly strong returns, supported by continued enthusiasm surrounding artificial intelligence and technology-related investment. Large-cap technology companies and semiconductor manufacturers remained the primary drivers of market performance, with investors continuing to view these businesses as beneficiaries of long-term structural growth. The trend was evident not only in the United States but also across parts of Asia, particularly Taiwan and South Korea, where semiconductor companies occupy an increasingly important role within domestic equity indices. Japanese equities were also among the stronger performers during the quarter, benefiting from solid economic data and a supportive corporate backdrop.

Energy markets remained highly volatile throughout much of the period. Following the disruption caused by the closure of the Strait of Hormuz during March, Brent crude continued to trade at elevated levels through April and May, at times moving above \$100 per barrel as investors weighed the risk of ongoing supply shortages against the possibility of a diplomatic resolution. Concerns surrounding the inflationary consequences of higher energy prices contributed to significant volatility in bond markets, with market participants steadily pricing in a renewed tightening bias from central banks. The European Central Bank raised its policy rate in June, but other major central banks have been keeping more of a watching brief especially after an interim agreement between the United States and Iran increased confidence that some normalisation of energy flows could eventually occur. This resulted in a substantial decline in oil prices as the geopolitical risk premium embedded within commodity markets began to unwind in June. Brent crude finished the month significantly below the levels reached during the height of the crisis, easing some of the inflation concerns that had dominated markets for much of the first half of the year.

Equity markets remained broadly resilient during June, although leadership became increasingly concentrated. Companies associated with artificial intelligence infrastructure, semiconductor manufacturing and data centre investment continued to attract significant investor interest and remained key drivers of overall market performance. However, there were also signs of increased volatility beneath the surface as some investors questioned whether portions of the AI-related rally had become overly extended following the exceptional gains generated over the preceding eighteen months. Several high-profile technology companies experienced notable share price swings despite reporting strong results, reflecting the increasingly demanding

# ROCQ CAPITAL

expectations embedded in valuations.

Bond markets faced a more challenging environment. Persistent inflationary pressures, combined with central bank commentary emphasising the importance of price stability, pushed government bond yields higher during much of the quarter before they declined over the final weeks of June. Credit markets remained relatively well behaved and continued to benefit from generally healthy corporate balance sheets and strong demand from buyers.

## Outlook

Looking ahead, we believe inflation is likely to remain an important theme for markets during the second half of 2026. While the recent decline in oil prices is encouraging and should help alleviate some near-term pressure, the economic effects of the first-half energy shock may take time to fully work their way through supply chains and labour markets. Against this, economies and businesses adapted surprisingly well to last year's tariff ructions so the pathway for inflation is not certain. Nonetheless, it seems reasonable to expect interest rates to stay 'higher for longer' as central banks will not wish to reduce rates prematurely.

Beneath strong headline equity index performance, returns have become increasingly concentrated within a relatively small number of companies exposed to artificial intelligence and related technology themes. While many of these businesses possess genuine long-term growth potential, current valuations in certain areas appear increasingly dependent upon continued investor enthusiasm, ambitious earnings assumptions and sustained capital expenditure. Periods of strong momentum can persist for longer than expected, but history reminds us that crowded positioning and herding behaviour can also reverse quickly when sentiment changes.

We continue to see merit in maintaining diversified portfolios across regions, sectors and asset classes. Valuation opportunities remain available outside the most heavily owned areas of the market, while high quality bonds continue to offer more income than has been available for much of the past decade. Although market volatility is likely to remain elevated as investors balance inflation risks, central bank policy and geopolitical developments, we believe diversification and a disciplined long-term approach remain the most effective tools for navigating an uncertain environment.

# ROCQ CAPITAL

## Disclaimer

*This document has been prepared by Rocq Capital Management Limited, a company incorporated in Guernsey (registered number 36988). Rocq Capital Management Limited is licensed and regulated by the Guernsey Financial Services Commission to conduct investment business.*

*The material contained herein is intended for discussion purposes and the weightings, ranges and yields are indicative. The instruments referred to in this report may not be eligible for sale in certain jurisdictions and this document may only be distributed to those persons who may receive it without breaching applicable legal or regulatory requirements.*

*This document is not an offer or solicitation to buy, sell or subscribe for any securities and has no regard to the specific investment objectives or particular requirements of any recipient. The information contained in this document has been compiled from sources that are believed to be reliable, but no guarantees are given as to its accuracy or completeness.*

*Past performance is not necessarily indicative of future results. All opinions and estimates expressed in this report are (unless otherwise indicated) entirely those of Rocq Capital Management Limited at the time of this document and are subject to change without notice. Rocq Capital Management Limited accepts no liability for any loss arising from any use of this document or its contents. Each recipient is solely responsible for making an independent investigation of all of the risks associated with any investments covered by this report.*

*For more information on how we use your personal data please see our Privacy Notice available on our website, [www.rocqcapital.com](http://www.rocqcapital.com).*

*The information contained herein is confidential. Any reproduction of this document, in whole or in part, is prohibited.*