



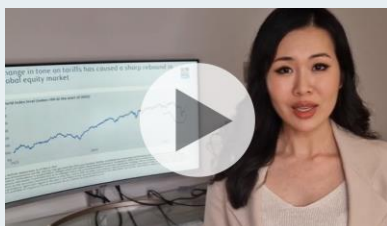
Brewin
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30 June 2026

Markets in a Minute

Key highlights

- **Oil prices fell sharply:** Shipping through the Strait of Hormuz is gradually recovering, easing concerns over a prolonged energy supply shock.
- **Continued resilience in the U.S. economy:** Stronger-than-expected consumer spending and income reinforced the Federal Reserve (the Fed)'s hawkish stance.
- **Micron's blowout earnings:** Memory has emerged as a key bottleneck in the AI build-out, supporting exceptional profitability for suppliers.



Watch the latest Markets in a Minute video with Janet Mui, Head of Market Analysis.

Oil prices are back to pre-war levels

Markets welcomed further progress in the Middle East last week, as commercial traffic through the Strait of Hormuz continued to recover. While uncertainty remains around the longer-term peace process, more tankers are now passing through the waterway, allowing oil exports to gradually resume and easing concerns over a prolonged supply disruption.

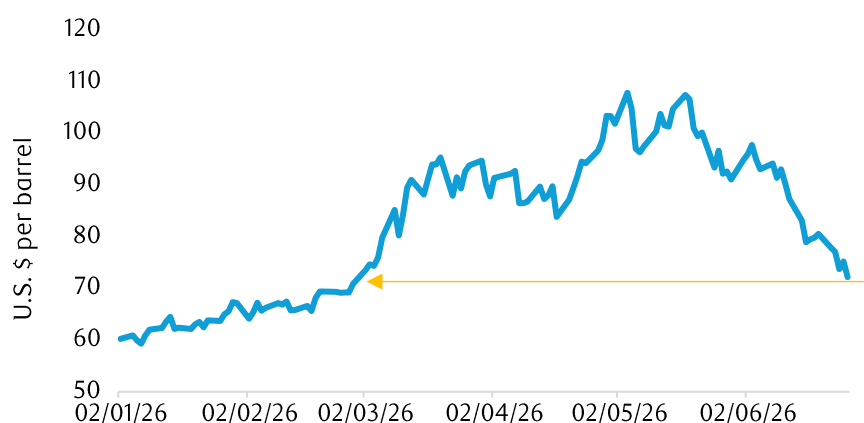
The recovery hasn't been instantaneous. Early last week, shipping volumes remained well below normal as vessels navigated cautiously and logistical bottlenecks persisted. A ceasefire agreement alone doesn't immediately restore energy supply. Oil fields need to restart production, inventories need rebuilding and shipping networks take time to normalise. But as traffic steadily increased throughout the week, confidence grew that exports would continue recovering. Brent crude oil consequently fell back to around its pre-conflict level, reversing much of the sharp spike seen earlier this month.

For investors, lower oil prices are welcome news. They should help reduce headline inflation over the coming months and prevent inflation expectations from becoming entrenched. As a result, markets have pared back some of the additional interest rate hikes that were priced in during the height of the war.

That said, policymakers are unlikely to become complacent. The ceasefire remains fragile, negotiations between the U.S. and Iran are still ongoing, and any renewed disruption could quickly reverse the recent improvement.

For now, however, the risk of a sustained global energy shock appears significantly lower than it did only a fortnight ago.

Brent crude oil prices fell to pre-Iran war levels



Source: Bloomberg

Figure of the week

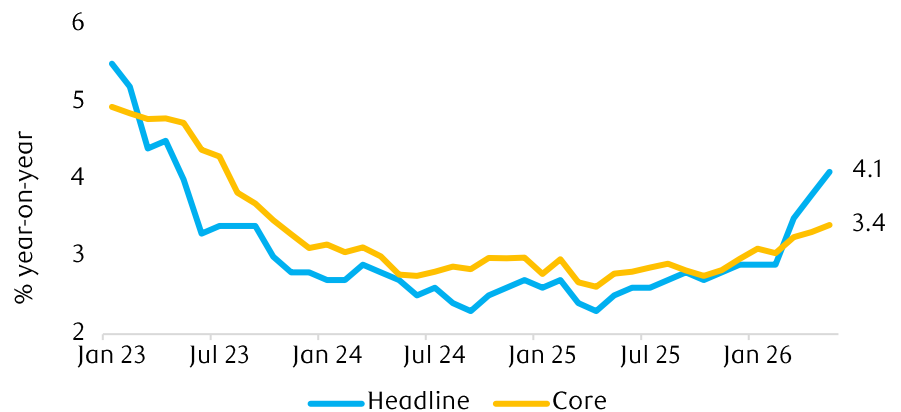
3.4%

U.S. core PCE inflation reached a three-year high, highlighting persistent inflation pressures.

A resilient U.S. economy keeps the Fed hawkish

While energy prices have become less of a concern, the latest U.S. economic data reminded investors that domestic demand remains remarkably resilient.

Personal income and consumer spending both exceeded expectations, highlighting the strength of the U.S. consumer. Meanwhile, inflation remained stubbornly high. Headline Personal Consumption Expenditures (PCE) inflation rose to 4.1% year-on-year while core PCE inflation accelerated to 3.4% in May, remaining well above the Fed's 2% target and reaching a three-year high.

U.S. PCE price index

Source: Bloomberg

The combination creates an interesting backdrop for policymakers. Falling oil prices should gradually reduce headline inflation over the coming months. However, resilient consumer spending, elevated core inflation and rising technology component costs driven by the AI investment boom, suggest underlying price pressures remain persistent.

Taken together, the data reinforce the Fed's hawkish stance. Markets have pared back some of the additional tightening that was priced in during the oil price spike, but investors still expect roughly one further rate hike this year.

Memory emerges as the key AI winner, but at what cost?

Last week's most significant corporate news came from Micron, whose latest results reinforced the strength of the AI infrastructure investment cycle.

Increasingly, memory is emerging as one of the key bottlenecks in AI. Every advanced AI accelerator and hyperscale data centre consumes vast quantities of memory chips. Demand is growing much faster than supply, giving memory manufacturers significant pricing power.

Micron delivered revenue guidance well ahead of expectations while forecasting adjusted gross margins of around 86% next quarter, an extraordinary level in any industry. The company has also secured multi-year supply agreements with customers, suggesting memory pricing could remain exceptionally strong well into 2027.

However, the implications extend well beyond the semiconductor sector. Apple surprised markets by raising prices across Macs, iPads and several other products, explicitly citing soaring memory and storage costs. The company described recent increases in component prices as unprecedented, highlighting how the AI infrastructure build-out is beginning to ripple through the broader technology ecosystem.

“Memory has emerged as one of the key bottlenecks in AI, giving suppliers significant pricing power while increasing cost pressures across the broader technology sector.”

This illustrates an increasingly important distinction for investors. Companies supplying critical AI infrastructure continue to benefit directly from rising demand, while companies buying those components face higher input costs, which may pressure margins or require higher prices for consumers.

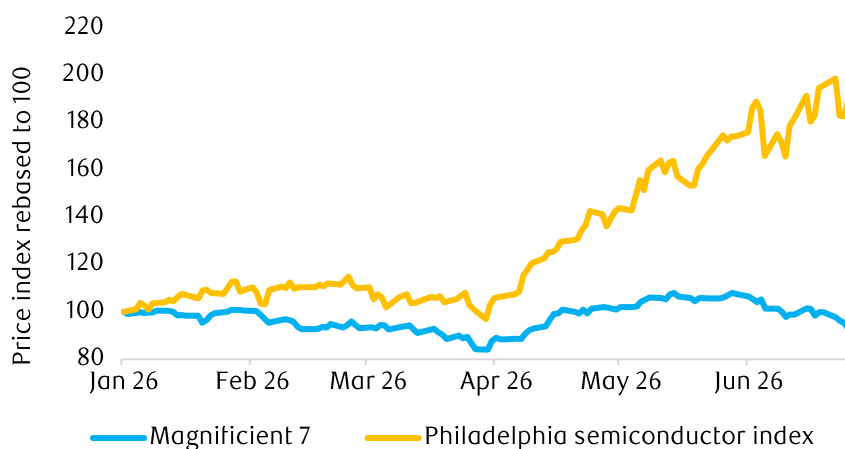
That divergence is becoming more visible in equity market performance. Semiconductor stocks have continued to outperform, while members of the ‘Magnificent Seven’ have lagged in recent weeks. Rather than signalling weakness in the AI theme, investors are becoming more selective, differentiating between the companies enabling the AI build-out and those bearing much of its cost.

We remain constructive on the long-term AI opportunity, but after a blistering rally in AI semiconductor stocks, greater volatility should be expected. Regarding the memory suppliers, our equity analysts believe the risk is that these are cyclical stocks, where valuations appear to be predicting record profitability over a timeframe that looks overly optimistic and may not materialise.

As the investment cycle continues, markets will increasingly look beyond AI spending and focus on monetisation, returns on investment and earnings delivery.

The secular growth story remains firmly intact, but investors are likely to become much more selective along the way. Diversification across regions, sectors and asset classes remains an important playbook in the rapidly changing investment landscape of the AI era.

Chip stocks significantly outperformed U.S. mega-cap tech stocks



Source: Bloomberg

Coming up

- **U.S. jobs report:** Another strong labour market report could reinforce expectations for the Fed to raise interest rates.
- **Eurozone inflation:** June’s consumer price index is expected to ease as lower energy prices feed through, but core inflation will determine whether the European Central Bank needs to hike rates again.
- **Labour leadership:** As Andy Burnham remains the frontrunner for prime minister, markets will focus on his potential chancellor and the fiscal outlook.



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