Raiffeisen
Investiční společnost

Commentary on the Financial Markets

07/26

Stock markets weakened slightly in June

The S&P 500 and MSCI World (ACWI) stock indices fell slightly by 1.0% and 0.9% respectively in June, correcting their previous gains. Nevertheless, both indices reached their all-time highs at the beginning of the month. At the end of June, stock market volatility, as measured by the VIX index, fell below its long-term average to around 17 points.

The decline was mainly due to profit withdrawals from the so-called "Magnificent 7" stocks (such as Meta, Microsoft, Amazon), as investors are still hesitant about whether large investments in artificial intelligence are really worth it. The event of the month was the IPO of SpaceX, which ranked among the largest companies in the world with its market capitalization. However, it will be included in the S&P 500 index in a year at the earliest, as it does not yet meet the entry requirements. On the other hand, SpaceX will enter the Nasdaq 100 index at the beginning of July. In addition to SpaceX, investors also watched memory and hardware manufacturers such as Micron, SanDisk and Western Digital, which rose by more than ten percent during June.

The best performers in June were the sectors of industry (+7.0%), health care (+6.1%) and finance (+3.9%). On the other hand, the largest losses were recorded in the communications (-7.4%) and energy (-5.6%) sectors. In the US, the season for publishing economic results for the second quarter begins. Analysts expect earnings to grow by 23.6% and sales by 12.3% (source: FactSet, 26/6).

The Fed is keeping the key interest rate at 3.75% p.a., with an increase during the year not ruled out. Kevin Warsh became the new chairman of the Fed. The European Central Bank (ECB) raised the deposit rate by 0.25 percentage point to 2.25% p.a., similarly to the Czech National Bank, which has a repo rate set at 3.75% p.a. Markets expect another ECB rate hike later this year (source: Bloomberg), while analysts expect the CNB to leave interest rates unchanged this year.

The yield on the ten-year German government bond fell below 3.0% p.a. in June, to about 2.85%. The Czech ten-year government bond traded at a yield of around 4.5% p.a. at the end of April. The yield on US Treasury bonds fell to about 4.4% p.a. The decline in bond yields on capital markets is mainly related to the decline in Brent and WTI oil prices, which approached the USD 70 per barrel mark.

The earnings season for companies for the second quarter and possible earnings growth above expectations could support stock markets in the coming weeks, although increased uncertainty may lead to higher volatility.

The main risks to further developments include rising inflation and a possible increase in interest rates, which could slow down economic growth. Other risks are uncertainties in the AI segment if investments in AI do not yield the expected profits, and geopolitical tensions.

Transactions in RIS funds

Although global stock indices were rather stalling and looking for direction during June, there were some changes and trades in the portfolios of RIS funds even at this time. On the bond side, this is a selective purchase of a bond of the Polish company PKN Orlen in EUR with a maturity in 2028 or a purchase of a bond of the Banco Santander financial group with a maturity in 2029 in CZK.
On the equity side of the portfolios, the overweighting of the equity component remained at around 5 percentage points, but there was a slight adjustment in the sectoral allocation on selected portfolios. Growth sectors in the IT sector (robotics, quantum computers, chip manufacturing) were increased, while a slight decrease in allocation occurred in the communications and durable goods sectors. Also in June, the market allowed shorter-term trading and profit-taking on instruments such as VanEck Gold Miners. It is also worth mentioning the inclusion of the new CSG NA (Czechoslovak group) share in selected portfolios after a more significant correction since entering the stock exchange.

Investment Strategy

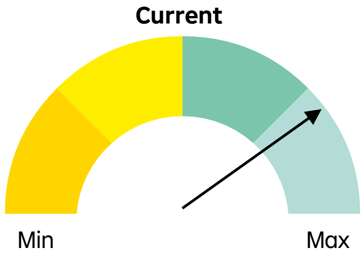
We overweight stocks over bonds. Regionally, we overweight North America, the Pacific, and Emerging Markets, while Europe is underweighted. In sectors, we mainly overweight growth sectors such as technology, communications, industry, and finance. In bond strategies, we maintain a longer duration for koruna and dollar bonds, while we slightly underweight the duration for euro bonds.

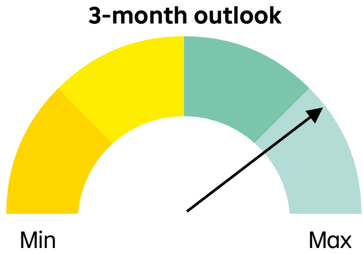
We wish you a lot of success in the next period!

Michal Ondruška
CIO, Member of the Board

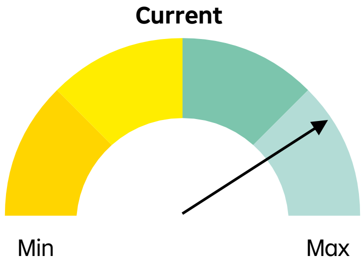
Investment Strategy Summary

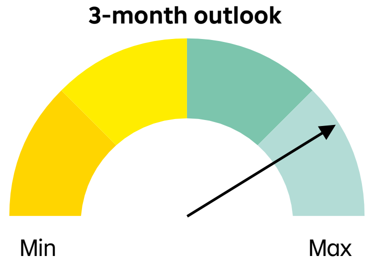
Tactical Allocation
Overweighting of stocks in portfolios



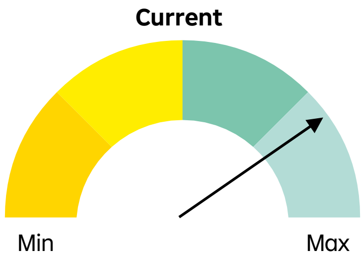


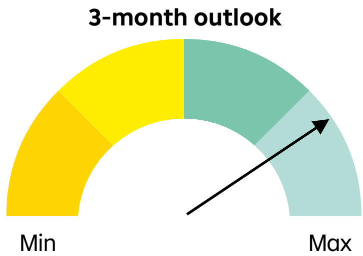
Interest Rate Risk
Average duration of bonds



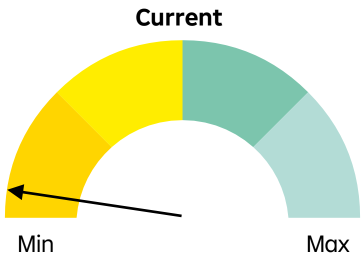


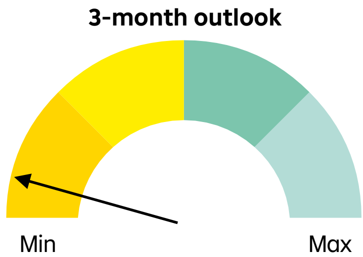
Credit Risk
Share of corporate bonds





Currency Risk
Unhedged positions in foreign currency





source: Raiffeisen investiční společnost, a. s., as of July 1st, 2026

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