

# Markets rally on Iran ceasefire

## Key takeaways

Stock markets bounced on Friday as hopes of a Middle East ceasefire improved and oil prices relented. The successful launch of the giant SpaceX IPO also boosted investor sentiment.

### Market sentiment improves as peace beckons

Oil prices fell over 7% as, despite a series of military exchanges, the prospect of a lasting ceasefire in the Iran war drew closer. Even though US consumer and 'factory gate' inflation numbers for May were stronger than expected, the news was sufficient for US stock markets to grind higher. The tech giants still lagged though, with the 'Magnificent 7' stocks declining more than 2.5%.

Ceasefire hopes also helped the price of government bonds to rise as oil fell below \$85 a barrel on Friday, for the first time since the war began. A triumphal Sunday night post from President Trump claiming a deal to reopen the Strait of Hormuz amid an extended ceasefire was "now complete" triggered stock markets to rise on Monday morning, with Europe's Stoxx 600 Index hitting a new record high.

The US and Iran meet in Switzerland on Friday to sign the latest ceasefire agreement.

### SpaceX blasts Musk into stratosphere

Elon Musk's rocket-ship conglomerate, SpaceX, blasted off last week with an initial public offering (IPO) three times the size of anything seen before. This delivered a valuation of almost \$1.8trn. Thanks to the highly oversubscribed offering, Mr Musk is now the world's first trillionaire. At last week's launch price, his SpaceX holding of 42% of the shares was worth over \$866bn. These shares gained some 19% on Friday.

Musk retains 82% of the voting rights in SpaceX, and stands to acquire still more stock should he grow the valuation to \$7.5trn and found a million-strong colony on planet Mars.

SpaceX has now replaced Tesla as the seventh-largest US company by market capitalisation. Mr Musk holds the keys to both vehicles and, thanks to recent changes in exchange rules, SpaceX will start trading on the Nasdaq 100 Index in just two weeks.

### Decision time for central banks

Thanks to Eurozone inflation hitting 3.2% in May, the European Central Bank raised interest rates to 2.25% last week, making it the first G7 central bank to hike in response to the war in the Middle East. This week, three other G7 countries – Japan, the US and the UK – will set their interest rates.

On Tuesday, the Bank of Japan is expected to increase rates by 0.25% to 1%. Wednesday will see the first meeting of the US Federal Reserve (Fed) with the new chair, Kevin Warsh, at its helm. Despite his perceived support for cutting rates, it's widely expected that the Fed will keep them unchanged at 3.5% to 3.75%. The Bank of England is also expected to hold interest rates (at 3.75%) thanks, in part, to warnings from the Bank that it can't afford to be "trigger-happy".



## Market moves

Global stock markets made modest progress on ceasefire hopes.

European and UK stocks were the top performers; they benefitted most from the decline in oil prices.

UK and US government bonds gained although the former remain in the red for 2026. Gold is also now in negative territory for the year.

## What to look out for this week

Central bank rate decisions are due from Japan and Australia on Tuesday, the US on Wednesday, and the UK on Thursday.

The US sees retail sales numbers on Wednesday and new order numbers on Thursday.

The UK publishes inflation and Retail Price Index numbers on Wednesday, earnings and payroll data on Thursday, and consumer confidence and retail sales figures on Friday.



**If you have questions about financial markets, or our investment services, please contact the Marketing team:**

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