

Market Commentary

August 2026

GLOBAL MARKET THEMES

- Global equities advanced, with the MSCI World up 2.6% (USD) and emerging markets up 3.4% (USD), supported by a strong second-quarter earnings season. Volatility rose late in the month amid a bond market sell-off and renewed Middle East tensions.
- US inflation slowed for a second month to 3.4% from 3.5%, while the S&P 500 gained 2.7% (USD). However, a hawkish Jackson Hole speech from the new Federal Reserve chair lifted expectations of a further rate increase this year.
- Euro-area inflation rose to 2.9% from 2.8% on higher energy costs, while UK inflation increased to 2.9% from 2.6% after a 13% rise in the energy price cap took effect.
- Japan's Nikkei 225 gained 3.1% (JPY), while inflation accelerated to 1.9% from 1.6%, the highest reading since December 2025, as energy subsidies were scaled back.
- Chinese equities diverged, with mainland shares firmer while Hong Kong listings declined. Inflation eased to 0.5% from 1.0% as food prices continued to fall.
- Precious metals strengthened sharply, with gold up 9.7% to \$4 437.38 and silver up 15.6% to \$66.58, while Brent crude rose 2.9% to \$90.49 per barrel amid renewed supply risks.

SOUTH AFRICAN MARKET THEMES

- The JSE All Share Index gained 4.7% (ZAR) and was the best-performing major equity market in August, as resources surged 24.5% on the back of a precious metals rally.
- Gold miners rose 38% and platinum miners gained 21.6%, while SPAR fell 20% and offshore earners such as British American Tobacco and AB InBev lost ground as the rand strengthened.

- Bonds returned 0.7% (ZAR) and listed property declined 4.1% (ZAR), while the rand strengthened 2.5% to R16.13 per US dollar.
- SA headline inflation eased to 4.3% from 5.0%, and producer inflation slowed to 5.7% from 7.5%, while unemployment rose to 33.6% from 32.7%.

Global market themes

Global equity markets advanced in August, with the MSCI World returning 2.6% (USD) and the MSCI Emerging Markets index gaining 3.4% (USD). A strong second-quarter earnings season drove gains through the middle of the month, lifting several major indices to record levels. Sentiment weakened late in the period as concerns over rising US government debt, which passed \$40 trillion, triggered a bond market sell-off on 19 August, while renewed strikes in the Middle East pushed oil prices higher. A hawkish address by the new Federal Reserve chair at the Jackson Hole symposium added to the pressure, lifting bond yields and market expectations of a further rate increase before year-end.

The US economy expanded at an annualised rate of 1.5% in the second quarter, slowing from 2.1% in the first quarter, although the composition was healthier than the headline figure suggested. Consumer spending rose 3.4%, the strongest increase since the third quarter of 2025, while fixed investment climbed 7.0% on demand for equipment and intellectual property. Headline inflation slowed for a second month to 3.4% year-on-year in July from 3.5% in June as the energy shock continued to fade, while core inflation eased to 2.5% from 2.9%. The unemployment rate fell to 4.1% from 4.2%, although the decline reflected a shrinking labour force, with participation at 61.4%, its lowest level since early 2021. The Federal Reserve did not hold a policy meeting in August, but Chair Kevin Warsh struck a hawkish tone at Jackson Hole, prompting markets to price in a rate increase before year-end. US equities rose, with the S&P 500 gaining 2.7% (USD) and the Nasdaq Composite advancing 4.0% (USD), supported by strong earnings.

European equities edged higher, with the STOXX All Europe index gaining 0.6% (EUR), although performance was fragmented. Germany's DAX rose 2.5% (EUR) to a record high, while France's CAC fell 2.1% (EUR) amid weakness in luxury shares. Euro-area inflation accelerated to 2.9% year-on-year in July from 2.8% in June, driven by energy inflation of 10.3%, up from 8.5%, as hostilities resumed. Services inflation edged up to 3.3% from 3.2%. The European Central Bank did not meet in August. The euro-area economy grew 0.4% in the second quarter, twice the expected pace.

UK inflation rose to 2.9% year-on-year in July from 2.6% in June, the highest level in four months. The largest contribution came from housing and household services, which increased 4.1% from 2.7%, reflecting the 13% rise in the energy price cap that took effect at the start of the month. Gas prices surged 14.7%, the largest increase since October 2022. The Bank of England did not hold a policy meeting in August. The FTSE 100 was broadly flat, returning 0.2% (GBP), after briefly approaching record levels earlier in the month.

Japan's Nikkei 225 rose 3.1% (JPY), extending its strong performance for the year, although volatility increased on the final trading day of the month. Headline inflation accelerated to 1.9% year-on-year in

July from 1.6% in June, the highest reading since December 2025. The increase reflected a slower decline in electricity prices as government energy subsidies were scaled back, alongside firmer food inflation of 3.5%, up from 3.2%, and household goods inflation of 3.7%, up from 2.3%.

Chinese equity markets diverged in August. Mainland shares gained, with the CSI 300 up 1.0% (CNY) and the Shanghai Composite up 4.0% (CNY), while the MSCI China index eased 0.3% (USD) as Hong Kong listings declined amid weakness in the property sector. Inflation slowed to 0.5% year-on-year in July from 1.0% in June, the lowest level since January, as food prices fell for a fourth consecutive month and transport costs rose just 0.4% following a fuel price cut. The official manufacturing PMI improved to 49.8 from 49.2 but remained below the level separating expansion from contraction, while the non-manufacturing PMI was unchanged at 49.0.

Emerging markets outperformed developed peers, with the MSCI Emerging Markets index returning 3.4% (USD), supported by strength in resource-linked markets. The MSCI Emerging and Frontier Markets Africa ex-South Africa index gained 4.0% (USD). India's SENSEX fell 1.3% (INR), while Brazil's Bovespa eased 0.3% (BRL), leaving both among the weaker major markets for the month.

Precious metals led commodity markets higher. Gold rose 9.7% to \$4 437.38, its first meaningful advance since February, supported by safe-haven demand and expectations of easier US policy. It reached an intra-month high near \$4 690 before retreating. Silver jumped 15.6% to \$66.58, platinum gained 9.0% to \$1 797.29 and palladium rose 6.3% to \$1 364.68. Brent crude added 2.9% to \$90.49 per barrel, supported by renewed strikes in the Middle East and disruption in the Strait of Hormuz. Coal climbed 11.7% to \$120.90, copper rose 4.4% to \$14 445.59 and iron ore gained 4.7% to \$98.80.

The rand was among the stronger emerging market currencies, gaining 2.5% against the US dollar to close at R16.13 per US dollar, supported by the rally in precious metals prices. It also strengthened 2.1% against the pound to R21.82 and 1.8% against the euro to R18.71. The rand has firmed by roughly 2.7% against the dollar for the year to date.

South African market themes

The JSE was the best-performing major equity market in August, with the All Share Index and the Capped All Share both gaining 4.7% and moving back into positive territory for the year at 2.8%. The Top 40 rose 5.7%, while the Mid Cap eased 0.2% and the Small Cap fell 2.2%. Gains were narrowly concentrated. Resources surged 24.5%, with precious metals and mining up 32.2%, as gold and platinum prices rallied. The rest of the market struggled, with industrials down 5.7% and financials down 1.2%. Companies with predominantly offshore earnings faced a headwind from the stronger rand.

Precious metals miners drove the gains, with gold miners up about 38%, adding roughly five percentage points to the JSE's return, and platinum miners up about 21.6%. Outside the miners, notable gains came from Shoprite, up 7.4% after guiding to headline earnings growth of 10%-15%, OUTsurance, up 6%, and ADVTECH, up 5%. The heaviest laggard was SPAR, down 20% following the resignation of its chair and deputy chair. British American Tobacco fell 11% and AB InBev fell 10%, while Naspers and Prosus declined 9% and 6% respectively as Tencent weakened.

The ALBI returned 0.7% as bond yields were broadly steady, despite volatility in global bond markets during the month. Inflation-linked bonds, as measured by the CILI, gained 1.0%, while STeFI cash returned 0.6%. Listed property, as measured by the ALPI, was the weakest local asset class, falling 4.1% and giving back much of its earlier gains, leaving it 2.6% higher for the year to date.

SA headline inflation eased to 4.3% in July from 5.0% in June, its first slowdown in five months, mainly as fuel inflation slowed sharply to 20.6% from 34.3% as petrol prices fell. Housing, utilities and transport remained the biggest contributors to inflation, while food inflation eased to 0.9%. Core inflation remained near 4.2%, still above the SARB's 3% target. Producer price inflation slowed to 5.7% in July from 7.5% in June. The main driver was petroleum and chemical products, where inflation eased sharply from 22.0% to 15.7%, indicating that the earlier energy shock is unwinding through the production chain.

The South African Reserve Bank (SARB) did not hold a policy meeting in August. The repo rate remained at 7%, following the committee's surprise decision to leave rates unchanged in July, when two of six members had favoured an increase. July's softer inflation print supports the case for patience, although core inflation near 4.2% remains well above the 3% target the Bank is steering towards. The next meeting is scheduled for 23 September, and the decision is likely to depend on whether the recent moderation in fuel and food prices proves durable.

The real economy weakened even as inflation improved. The unemployment rate rose to 33.6% in the second quarter from 32.7% in the first, the highest since the second quarter of 2022. The number of unemployed people increased 4.2% to 8.5 million, while employment edged down 0.1%. The Absa Purchasing Managers' Index fell for a fourth consecutive month to 45.8 in August from 46.8 in July, its lowest reading this year and firmly below the neutral 50 mark. The business activity index dropped 8.6 points to 40.2, indicating a weak start to the second half of the year.

The rand strengthened 2.5% against the US dollar over the month to close at R16.13 per US dollar, supported by the rally in gold and platinum prices, which lifted the terms of trade. It also gained 2.1% against the pound to R21.82 and 1.8% against the euro to R18.71. While the stronger currency helps contain imported inflation, it weighed on JSE-listed companies with predominantly offshore earnings. The rand has firmed by roughly 2.7% against the dollar for the year to date.