
# Market Commentary

July 2026

## GLOBAL MARKET THEMES

- Global equities recorded a modest gain, with the MSCI World Index up 0.5% (USD), as a 21% slump in semiconductor shares was offset by strength in value stocks and a robust second-quarter earnings season.
- US inflation fell to 3.5% from 4.2%, marking its first decline in five months, while the Federal Reserve held its target range at 3.50%-3.75% in a 9-3 vote. The S&P 500 ended broadly flat, declining -0.1% (USD).
- Euro-area inflation rose to 2.9% from 2.8% and the European Central Bank left rates unchanged, while UK inflation eased to 2.6% from 2.8% and the Bank of England held its policy rate at 3.75% in a 6-3 vote.
- Japan's Nikkei 225 fell 8.1% (JPY), making it the weakest major market, as the semiconductor sell-off weighed on chip-heavy indices. The Bank of Japan held its policy rate at 1.0%, the highest level since 1995.
- Chinese equities surged, with the MSCI China up 9.0% (USD) on state support and monetary easing. However, emerging markets fell 3.1% (USD) as Korean chipmakers slumped.
- Brent crude rebounded 20.5% to $87.93 per barrel as the US-Iran conflict re-escalated, lifting mining shares, while the rand weakened 0.9% to R16.55 per US dollar despite broad US dollar weakness.

- The JSE All Share Index rose 1.2% (ZAR), ending a two-month sell-off, as resources gained 2.1% on firmer energy and platinum prices, while financials strengthened and industrials lagged.
- Sasol led the large caps with a 20% gain as oil rebounded, followed by Prosus and Glencore, both up 8%, while MTN fell 10% amid weakness in its Nigerian business.
- Bonds weakened, with the ALBI returning -1.4% (ZAR) as yields rose, while listed property gained 2.2% (ZAR) and the rand weakened 0.9% to R16.55 per US dollar.
- SA headline inflation accelerated to 5.0% from 4.5%, moving further above the SARB's 3% target, while producer inflation eased to 7.5% from 7.8%.

# Global market themes

Global equity markets edged higher in July, with the MSCI World returning 0.5% (USD), while the MSCI Emerging Markets Index fell 3.1% (USD). The calm at headline level masked large moves beneath the surface. A 21% slump in semiconductor shares, which had risen 102% over the first half of the year, was offset by gains in value stocks and a strong second-quarter earnings season. Renewed conflict between the US and Iran pushed energy prices sharply higher, reversing June's decline. Beijing's stimulus measures drove a rally in Chinese equities, while chip-heavy markets in Japan and Korea fell.

The US economy expanded at an annualised rate of 1.5% in the second quarter, down from 2.1% in the first quarter and below expectations, as net trade weighed on growth. Headline inflation fell to 3.5% year-on-year in June from 4.2% in May, marking its first decline in five months, as energy costs rose 15.7% after increasing 23.5% previously. The unemployment rate edged down to 4.2% from 4.3%, although the decline reflected a shrinking labour force rather than stronger hiring, with labour force participation at its lowest level since March 2021.

The Federal Reserve held its target range at 3.50% to 3.75% in a 9-3 vote, with three members preferring a 25-basis-point increase. US equities were mixed, with the S&P 500 easing 0.1% (USD) as semiconductor shares fell sharply. Second-quarter earnings were strong, with about 86% of reporting companies beating estimates and aggregate earnings rising 20% year-on-year, led by cloud growth at Microsoft and Amazon.

European equities advanced, with the STOXX All Europe Index gaining 1.4% (EUR). Euro-area inflation accelerated to 2.9% year-on-year in July from 2.8% in June, driven by a renewed surge in energy prices where inflation rose to 10.0% from 8.5% as hostilities resumed. Core inflation edged up to 2.5% from 2.4%, while services inflation increased to 3.3% from 3.2%. The European Central Bank left its three key interest rates unchanged on 23 July, noting that the full inflationary impact of the energy shock had yet to materialise.

UK inflation eased to 2.6% year-on-year in June from 2.8% in May, its lowest reading since March 2025. The decline was supported by moderating transport inflation, which slowed to 5.7% from 6.8% as diesel and petrol prices fell. Food inflation cooled to 1.7% from 2.2%. The Bank of England held its Bank Rate at

3.75% in a 6-3 vote, with three members preferring a 25-basis-point increase to guard against second-round effects. The FTSE 100 gained 3.6% (GBP), making it one of the stronger developed markets.

Japan's Nikkei 225 fell 8.1% (JPY), making it the weakest of the major markets, as the global semiconductor sell-off weighed heavily on its technology-heavy composition. Headline inflation accelerated to 1.7% year-on-year in June from 1.5% in May, its highest level since December, as government energy subsidies were scaled back. Food inflation slowed to 3.2% from 3.5%. The Bank of Japan held its policy rate at 1.0% in an 8-1 vote, leaving borrowing costs at their highest level since 1995, with one member preferring an increase to 1.25%.

Chinese equities were the standout performers in emerging markets, with the MSCI China Index rising 9.0% (USD). However, the onshore CSI 300 fell 7.4% (CNY), as the rally was concentrated in offshore listings. Beijing mobilised state-linked institutions to support equities, while the People's Bank of China introduced monetary easing measures during the month. President Xi Jinping called for an acceleration in technology self-reliance. Inflation eased to 1.0% year-on-year in June from 1.2%, its softest level in three months, as transport costs moderated on lower fuel prices and food prices declined for a third consecutive month.

Emerging markets underperformed, with the MSCI Emerging Markets Index returning -3.1% (USD), despite strength in China. The decline was driven by Korean semiconductor shares, with SK Hynix falling approximately 30% and Samsung Electronics declining about 15%. Together, the two companies detracted roughly 4.1 percentage points from the index return. India's SENSEX rose 2.3% (INR), while Brazil's Bovespa gained 3.5% (BRL).

Brent crude rebounded sharply, rising 20.5% to end the month near $87.93 per barrel. Renewed US airstrikes on Iranian targets and Iranian retaliation against shipping revived supply concerns before diplomatic engagement resumed late in the month. Platinum climbed 6.2% to $1 648.38 and palladium rose 5.9% to $1 283.46, while gold edged up 1.0% to $4 046.15 and silver eased 1.7% to $57.60. Copper advanced 3.7% to $13 835.70 and coal rose 0.7% to $108.25, while iron ore fell 4.7% to $94.35.

The US dollar weakened against major developed market currencies, with the US Dollar Index declining 1.3% over the month. The rand nevertheless weakened 0.9% against the dollar to close at R16.55 per US dollar, pressured by the SARB's unexpected decision to leave interest rates unchanged. The rand also weakened 2.5% against the pound to R22.28 and 1.8% against the euro to R19.06. It remained broadly unchanged against the dollar for the year to date.

# South African market themes

The JSE ended a two-month sell-off in July, with both the All Share Index and the Capped All Share Index rising 1.2%. By market capitalisation, large caps, as measured by the All Share 40 Index, gained 1.4% and the Mid Cap Index rose 1.4%. The Small Cap Index eased 0.4%. In terms of sector performances, Resources led the market, gaining 2.1%, as platinum miners benefited from a 6.2% rise in the platinum price and energy counters followed oil higher. Financials firmed 1.2%, while industrials edged up 0.3%.

Investment conglomerates provided significant support, as Naspers and Prosus rallied alongside Chinese equities. Telecommunications was the weakest segment, declining 7.0%.

Among individual stocks, Sasol was the top performer, rising 20% as it followed energy prices higher. Prosus gained 8% on the rally in its largest underlying holding, Tencent, while Glencore also advanced 8%. Platinum miners gained 7% on the firmer platinum price. MTN was the heaviest laggard among the large caps, declining 10%, amid an apparent slowdown in its Nigerian business and ongoing litigation in its Ghanaian division. Gold miners eased 3%.

The ALBI returned -1.4% as bond yields moved higher, with the government's 10-year borrowing rate increasing by approximately 0.30 percentage points to 8.75%. Inflation-linked bonds, as measured by the CILI, eased 0.2%, while STeFI cash returned 0.6%. Listed property, as measured by the ALPI, was the strongest local asset class, advancing 2.2% and extending its year-to-date gain to 6.9%.

SA headline consumer inflation accelerated for a fourth consecutive month to 5.0% year-on-year in June from 4.5% in May, and rose 0.7% month-on-month. Core inflation, which excludes food, fuel and energy, climbed to 4.1% from 3.8%. The main contributors were transport, which rose 12.7% and added 1.7 percentage points as earlier fuel price increases fed through, and housing and utilities, which increases 5.5% and contributed 1.3 percentage points. Insurance and financial services rose 5.9%, adding a further 0.6 percentage points. Services inflation increased to 5.2% from 4.7%, while goods inflation rose to 4.8% from 4.4%, indicating that price pressures were broadening. The reading remained well above the SARB's 3% target.

Producer price inflation for final manufactured goods eased to 7.5% year-on-year in June from 7.8% in May, marking its first deceleration since the energy shock began. Prices declined 0.1% month-on-month. The largest contributor remained coke, petroleum, chemical, rubber and plastic products, which rose 22.0% and added 4.7 percentage points. Paper and printed products contributed 0.7 percentage points, while metals, machinery, equipment and computing equipment added 0.5 percentage points. The monthly decline was led by lower petroleum and food prices, although the renewed rise in oil during July may slow further progress.

At its meeting on 23 July, the SARB left the repo rate unchanged at 7%, surprising most analysts who had expected a 25 basis point increase. The decision was a split 4-2 vote, with two members favouring an increase. The committee judged that the policy stance following May's increase was sufficiently restrictive for the time being and placed greater weight on downside risks to growth, citing fading consumer and business confidence. The SARB lowered its headline inflation forecast for 2026 to 4.0% from 4.4% and raised its growth forecast to 1.4% from 1.2%. Governor Kganyago warned that the renewed conflict in the Middle East, which had lifted oil and fertiliser prices, could still generate second-round effects, leaving the risk of a further interest-rate hike elevated.

The rand weakened 0.9% against the US dollar over the month to close at R16.55 per US dollar. The move ran counter to broad US dollar weakness, with the US dollar index down 1.3%, and followed the SARB's unexpected decision to leave interest rates unchanged. Against the pound, the rand weakened 2.5% to R22.28, while it declined 1.8% against the euro to R19.06. The rand remained broadly unchanged against the dollar for the year to date.