Market Commentary

June 2026

GLOBAL MARKET THEMES

- Global equities pulled back modestly after May's rally, with the MSCI World down 0.7% (USD) and emerging markets off 1.4% (USD), as a Middle East ceasefire unwound the oil shock and an artificial-intelligence-driven technology sell-off weighed on sentiment.
- US inflation accelerated for a third consecutive month to 4.2% from 3.8%, the highest since April 2023, while the Federal Reserve held rates at 3.50%-3.75% in the new chair's first meeting and the S&P 500 eased, although it posted its strongest first half since 2021.
- Euro-area inflation rose to 3.2% from 3.0% and the European Central Bank increased its deposit rate by 25 basis points to a 2.25%, while UK inflation held at 2.8% and the Bank of England kept rates at 3.75% in a 7-2 vote.
- Japan's Nikkei 225 climbed 5.7% (JPY) to fresh record highs, again making it the strongest major market, while the Bank of Japan raised its policy rate to 1%, the highest level since 1995.
- Chinese equities were mixed as the MSCI China fell 7.1% (USD) on the technology sell-off, while the official manufacturing PMI edged up to 50.3 from 50.0 and inflation held at 1.2%.
- Brent crude tumbled 19.9% to $72.95 per barrel as the ceasefire eased the oil shock, dragging precious metals sharply lower, while the rand weakened 1.2% against a firmer US dollar.

SOUTH AFRICAN MARKET THEMES

- The JSE All Share Index fell 3.7% as a collapse in commodity prices drove resources down 15.9%, making it the weakest segment, while financials and industrials firmed and listed property advanced.
- Datatec led the market with a 20.2% gain, followed by Italtile (+19.8%) and Super Group (+16.6%), while precious metals and energy counters slumped, led by Thungela Resources, down 35.8%.
- Bonds gained, with the ALBI returning 1.6%, while listed property rose 3.8% and the rand weakened 1.2% to R16.39 per US dollar.
- SA headline inflation rose to 4.5% from 4.0% and producer inflation jumped to 7.8% from 4.8% as earlier oil and electricity increases fed through to prices.

Global market themes

Global equity markets entered June at record highs but pulled back over the month, with the MSCI World returning -0.7% (USD) and the MSCI Emerging Markets index returning -1.4% (USD). Three themes drove markets: a Middle East ceasefire that unwound the oil shock and sent commodities tumbling, an artificial-intelligence and semiconductor sell-off concentrated in technology shares, and uncertainty around the change in US Federal Reserve leadership. Sentiment improved later in the month as US-Iran tensions eased, and mega-cap technology shares recovered. Japan and the Dow Jones reached record highs, while bond and commodity markets remained volatile.

The US economy expanded at an annualised 2.1% in the first quarter, revised up from 1.6% and well above 0.5% in the prior quarter, as investment and government spending recovered. Headline inflation accelerated for a third consecutive month to 4.2% year-on-year in May from 3.8% in April, the highest since April 2023, as energy costs jumped 23.5%. Core inflation edged up to 2.9% from 2.8%, while the unemployment rate held at 4.3%. At its June meeting, the first chaired by Kevin Warsh, the Federal Reserve held the federal funds rate at 3.50% to 3.75% in a unanimous vote, though updated projections showed nine officials expected a rate hike by year-end. US equities were mixed as a rotation out of technology gathered pace, with the Nasdaq down 2.8% (USD) and the S&P 500 easing 1.0% (USD), while the Dow Jones gained 2.5% (USD) to a record high. Despite the pullback, the S&P 500 posted its strongest first half since 2021.

European equities advanced, with the STOXX All Europe index up 2.3% (EUR), as the region's lighter technology exposure cushioned it from the global sell-off. Euro-area inflation rose to 3.2% year-on-year in May from 3.0%, the highest since September 2023, driven by a 10.9% increase in energy prices, while core inflation climbed to 2.6% from 2.2%. The European Central Bank raised its three key rates by 25 basis points, taking the deposit rate to 2.25%, citing inflation pressures from the Middle East conflict. It also raised its inflation forecasts, now seeing headline inflation averaging 3.0% in 2026, 2.3% in 2027 and 2.0% in 2028, before returning to target, and trimmed its 2026 growth outlook to 0.8%.

UK inflation held at 2.8% year-on-year in May, unchanged from April and down from 3.3% in March, the lowest level since early last year, as slowing food prices offset rising transport costs. The Bank of England kept its Bank Rate at 3.75% in a 7-2 vote, with two members preferring a 25-basis point hike to guard against second-round effects. The FTSE 100 advanced 1.0% (GBP) in a volatile month. First-quarter GDP rose 0.6%, though underlying momentum remained subdued.

Japan's Nikkei 225 climbed 5.7% (JPY) to repeated record highs, again making it the standout major market. The index was supported by strength in artificial-intelligence and semiconductor shares, fiscal stimulus and corporate reform. Headline inflation edged up to 1.5% in May from 1.4%, while core inflation held at 1.4%, remaining below the Bank of Japan's 2% target for a fourth consecutive month. The Bank of Japan raised its policy rate to 1%, the highest level since 1995, as inflation and yen concerns took hold.

China's CSI 300 rose 2.3% (CNY) and the Shanghai Composite gained 0.6% (CNY), but the MSCI China index fell 7.1% (USD) as the technology sell-off hit Hong Kong, where the Hang Seng dropped 9.1% (HKD). The official manufacturing PMI edged up to 50.3 from 50.0, remaining above the level that separates expansion from contraction, while the non-manufacturing PMI rose to 50.2. Inflation held at 1.2% year-on-year in May, with food prices falling 1.7%, while transport costs rose. The People's Bank of China kept policy accommodative to support the recovery.

Emerging markets lagged in US dollar terms, with the MSCI Emerging Markets index returning -1.4% (USD) as a firmer dollar eroded returns. In local-currency terms, performance was more mixed, with India's SENSEX up 2.6% (INR) and Brazil's Bovespa down 1.0% (BRL). The technology and semiconductor sell-off weighed on Asian markets, even as several bourses posted local-currency gains.

Brent crude tumbled 19.9% to end near $72.95 per barrel as a US-Iran ceasefire eased the four-month oil shock and tankers resumed transit through the Strait of Hormuz. Precious metals sold off sharply as geopolitical risk premiums unwound, with gold down 11.7% to $4 008.02, platinum down 19.2% to $1 552.52, silver down 22.2% to $58.60 and palladium down 10.9% to $1 212.14. Copper eased 1.8% to $13 348.90 and iron ore fell 6.0% to $99.04, while coal declined 7.9% to $107.50.

The US dollar firmed over the month on safe-haven demand and relatively higher yields. The rand weakened 1.2% against the dollar to close at R16.39 per US dollar, pressured by lower precious metals prices and broad dollar strength. Against a softer pound and euro, the rand strengthened 0.5% and 1.1% respectively. The rand has firmed roughly 1.1% against the dollar for the year to date.

South African market themes

The JSE underperformed in June, with the All Share Index falling 3.7% and the Capped All Share Index also down 3.7%. In terms of market capitalisation, large caps (as measured by the All Share 40), fell 4.5% and mid-caps eased 2.1%, while small caps gained 2.3%. At a sector level, resources were by far the weakest segment, down 15.9%, as precious metals counters slumped on the unwinding of geopolitical risk premiums and falling commodity prices. In contrast, domestic-focused sectors firmed, with financials up 2.6% and industrials up 2.2%, supported by the sharp fall in oil and the prospect of consumer relief.

In terms of individual stock counters, the top performers were Datatec (+20.2%) following a special dividend and strong results, Italtile (+19.8%), and Super Group (+16.6%), as domestic retailers rallied on the oil-price collapse and expected consumer relief. The heaviest laggards were thermal coal exporter Thungela Resources (-35.8%[MM1.1][TT1.2]) as the coal risk premium unwound, Pan African Resources (-29.1%), and Sibanye Stillwater (-28.6%), as precious metals prices fell sharply.

In fixed income, The ALBI returned 1.6% as bond yields moved lower. Inflation-linked bonds, as measured by the CILI, gained 1.5%, while STeFI cash returned 0.6%. Listed property, as measured by the ALPI, was the strongest local asset class, advancing 3.8% as the fall in oil and an improved consumer outlook lifted rate-sensitive counters.

SA headline consumer inflation rose for a third month to 4.5% year-on-year in May from 4.0% in April, the highest reading since July 2024, and increased 0.7% month-on-month. Core inflation, which excludes food and fuel, climbed to 3.8% from 3.6%, its highest level in about 18 months. The main contributors were transport, up 9.4% from 4.9% as earlier fuel-price increases fed through, and housing and utilities, up 5.3% and lifted by Eskom's tariff hike. Restaurants and hotels rose 5.8% from 5.2%, while food inflation eased to 1.9% from 2.9%.

Producer price inflation for final manufactured goods jumped to 7.8% year-on-year in May from 4.8% in April and rose 2.6% month-on-month. The largest contributor was coke, petroleum, chemical, rubber and plastic products, which rose 22.0% and added 4.7 percentage points, as diesel prices surged 66.7% and petrol rose 28.1% year-on-year. Paper and printed products added 0.7 of a percentage point, while food, beverages and tobacco products added 0.6 of a percentage point. The sharp rise reflects the peak pass-through of the oil shock, which is expected to ease as fuel prices fall.

The SARB did not hold a policy meeting in June. The repo rate remained at 7% following the 25-basis point hike at the May meeting, its first increase since 2023. With headline inflation still climbing and producer inflation surging, attention turns to the July meeting, where the committee must weigh rising near-term inflation against a softening growth outlook.

The economy grew 0.5% quarter-on-quarter in the first quarter, up from 0.4% in the fourth quarter and ahead of the 0.3% expected by the market. This marked a sixth consecutive quarter of expansion and the strongest pace since the second quarter of 2025. Growth was broad-based, with nine of the 10 industries expanding, led by finance, real estate and business services, which grew 0.9% and was the largest contributor, followed by agriculture, up 3.9%. Manufacturing was the main drag, contracting 0.8%. On the demand side, net exports added 0.9 of a percentage point as exports rose and imports fell, although fixed investment declined 1.1%. Annual growth accelerated to 1.9% from 0.8% in the prior quarter, pointing to firmer momentum entering 2026. The current account swung to a surplus of 2.4% of GDP from 0.6% in the fourth quarter, the widest since early 2022, on a stronger trade surplus. However, the Absa Purchasing Managers' Index fell back below the neutral 50 mark to 47.3 in June from 50.8 in May, as new orders weakened.

The rand weakened 1.2% against the US dollar over the month to close at R16.39 per US dollar, pressured by the fall in precious metals prices and a firmer dollar. Against the pound and euro, however, the rand strengthened 0.5% and 1.1% respectively, closing at R21.73 and R18.72. The rand has firmed roughly 1.1% against the dollar for the year to date.