

Market Commentary

February 2026

GLOBAL MARKET THEMES

- Global equities delivered a constructive but dispersed month, with the MSCI World up 0.7% (USD) and MSCI Emerging Markets up 5.5% (USD), as investors rotated from US mega-cap growth into value, cyclicals and AI- and commodity-linked markets.
- In the United States, Q4 2025 GDP slowed to 1.4% (annualised) and January headline CPI eased to 2.4% year-on-year. The S&P 500 fell 0.8%, the Nasdaq declined 3.3%, and the Dow rose 0.3% (USD), reflecting rotation away from growth into value-oriented sectors.
- In Europe and the UK, Euro area inflation moderated to 1.7% year-on-year and UK CPI fell to 3.0%. STOXX Europe gained 3.7% (EUR) and the FTSE 100 rose 7.0% (GBP), supported by value and energy exposure.
- Japan remained a notable outperformer, with the Nikkei 225 rising 10.4% for the month, as inflation eased to 1.5% and the policy rate was held at 0.75%.
- China remained soft, with CPI at 0.2% and core inflation at 0.8%. The CSI 300 rose 0.2% (CNY) while MSCI China declined 5.5% (USD).
- Commodities strengthened, with Brent crude up 5.1%, gold up 7.9% and silver up 10.1%.
- The rand appreciated 0.8% against the US dollar to end February R15.92/USD.

SOUTH AFRICAN MARKET THEMES

- South African equities rallied strongly in February, participating in the global risk-on rotation. The FTSE/JSE All Share Index gained 7.0% and the Capped All Share rose 7.2%, with

the rally broad-based across market capitalisation segments: large-caps gained 7.2%, mid-caps 5.4% and small-caps 5.3%.

- Sector performance was led by resources, up 13.3% on elevated gold and PGM prices, while financials gained 7.3% and industrials were broadly flat at 0.1%.
- Stock-level dispersion remained elevated, led by resource counters. Pan African Resources rose 31.9% and AngloGold Ashanti gained 30.3% on strong earnings and cash flow supported by higher gold prices, while Sasol rose 27.2% on improved deleveraging prospects. On the downside, SPAR fell 21.3% and Pick n Pay declined 19.2% following weak trading updates and margin pressure.
- Local fixed income delivered positive returns, supported by contained inflation, improving fiscal metrics and global demand for yield. The All Bond Index rose 1.7%, inflation-linked bonds outperformed at 3.5%, cash gained 0.5%, and listed property rallied 6.6%, amid lower yields and a stabilising growth outlook.
- Inflation remained well contained, with headline CPI easing to 3.5% year-on-year in January 2026, with monthly inflation at 0.2%, comfortably within the SARB's target band. Core CPI edged up modestly to 3.4% year-on-year.
- Producer inflation declined to 2.2% year-on-year, a five-month low, reflecting falling fuel-related input costs and limited pipeline pressure.
- The macro and policy backdrop was shaped by the 2026/27 Budget Speech, which reaffirmed fiscal consolidation. The consolidated deficit is projected to narrow from 4.5% of GDP to 3.1% by FY29, with gross debt is expected to peak at 78.9% of GDP in FY26 before gradually declining.
- A commodity-driven revenue overrun created fiscal space for modest tax relief, while expenditure is increasingly reoriented toward infrastructure and growth-enhancing investment.
- The rand appreciated modestly, strengthening around 0.8% against the US dollar to R15.92/USD, supported by higher precious metal prices and improved fiscal credibility.

Global market themes

Global risk assets posted another broadly constructive month in February, albeit with marked dispersion across regions and styles. Developed market equities, as proxied by the MSCI World Index, returned 0.7% (USD), as investors rotated away from mega cap US technology stocks into value oriented and more cyclically exposed sectors. In contrast, the MSCI Emerging Markets Index gained 5.5% (USD) for the month, supported by strong performance in markets and sectors linked to AI-related infrastructure spending and commodity exporters. Geopolitical and policy developments remained important drivers, with heightened tensions in the Middle East, evolving US trade policy and central banks in major economies keeping policy rates on hold while emphasising data dependence as inflation moved closer to stated targets.

In the United States, data pointed to a cooling but still expanding economy, with Q4 2025 GDP growth slowing to an annualised 1.4% from 4.4% in Q3 as softer consumption and the earlier government shutdown weighed on activity. Headline CPI eased to 2.4% year on year in January 2026, while core CPI stood at 2.5%. On a monthly basis, headline and core inflation rose 0.2% and 0.3% respectively. The

unemployment rate edged down to 4.3% as employment increased and labour force participation rose to 62.5%. US equity markets reflected these cross currents, with the S&P 500 down 0.8%, the Nasdaq Composite down 3.3% and the Dow Jones Industrial Average up 0.3% in February 2026 (all in USD). Investors rotated out of software and other growth exposures into value oriented sectors. Sector performance was highly dispersed, with utilities up 10.4%, energy up 9.5%, and materials up 8.4%, while financials, technology and consumer discretionary fell 3.8%, 3.6% and 3.6% respectively.

Euro area headline inflation slowed to 1.7% in January 2026 from 2.0%, with core pressures also moderating. The European Central Bank kept rates unchanged, with the refinancing rate 2.15% and the deposit rate at 2.00%, signalling that inflation is likely to stabilise near target while avoiding firm guidance on cuts amid growth and geopolitical uncertainty. PMI activity indicators pointed to subdued but expanding momentum, while European equities rallied, with STOXX Europe up 3.7%, supported by diversification away from concentrated US technology leadership. In the UK, CPI fell to 3.0% from 3.4%, while core inflation eased to 3.1%. The Bank of England held Bank Rate at 3.75% in a split vote, noting that inflation remains above target but is trending lower. Growth remained soft but positive. Markets responded constructively, with gilt yields declining by around 25 basis points and the FTSE 100 rising 7.0%, aided by its value-oriented sector exposure.

Japan remained a relative bright spot in global markets. The Nikkei 225 rose 10.4% in February to new highs, driven by rotation into cyclical, financials and AI-linked semiconductor names. Inflation eased meaningfully, with headline CPI falling to 1.5% and core inflation to 2.0%, moving closer to the Bank of Japan's target. Activity strengthened, with manufacturing PMI at a four-year high of 52.8, supported by solid domestic demand and resilient exports. The Bank of Japan kept its policy rate unchanged at 0.75%, while longer-dated bond yields edged higher as markets priced in gradual policy normalisation.

In China, macroeconomic conditions remained soft despite ongoing policy support. Headline CPI slowed sharply to 0.2% in January 2026 from 0.8%, while core inflation eased to 0.8%, reflecting weak domestic demand. Manufacturing PMI slipped back into contraction, declining from 49.3 to 49.0 in February, while retail sales showed only modest improvement amid persistent export and investment weakness. The five-year Loan Prime Rate was left unchanged at a record low of 3.50%, signalling continued accommodative policy. Equity performance was mixed, with the CSI 300 marginally positive at 0.2%, while the MSCI China declined 5.5% (USD), as investor sentiment remained cautious around growth momentum and policy effectiveness.

Broader emerging markets, by contrast, fared materially better. The MSCI Emerging Markets index advanced 5.5% (USD) and +4.7% (ZAR), supported by strong returns in Asia, Latin America and other markets benefiting from AI-related capital expenditure themes and elevated commodity prices. Single-country indices such as Brazil's Bovespa, up around 4.1% in BRL, and India's Sensex up 0.8% in INR, contributed to the outperformance, highlighting the diversification benefits of exposure to economies less tightly correlated with the US growth and policy cycle.

Commodity markets firmed in February, supported by geopolitical risk premia, solid demand for energy-transition and AI-linked metals, and improved risk sentiment. The broad commodities index rose 1.1%. Brent crude gained +5.1% to USD 72.87/bbl amid tensions in the Middle East, while precious metals outperformed: gold (+7.9%), silver (+10.1%), platinum (+7.9%) and palladium (+4.4%). Industrial metals were mixed, with copper up 1.7% and iron ore down 5.2%.

In foreign exchange markets, the US dollar remained firm on safe-haven demand and higher yields, although expectations for rate cuts persisted. The rand strengthened 0.8% against the dollar, ending the month near R15.92/USD.

South African market themes

South African equities participated fully in the global risk-on rotation in February, with broad-based gains across the domestic market and particularly strong performance in resource counters. The FTSE/JSE All Share Index rose 7.0% in February, while the FTSE/JSE Capped All Share Index advanced 7.2%. By size segment, large caps delivered the strongest return at 7.2%, whilst mid-caps gained 5.4% and small-caps 5.3%, indicating that the rally extended beyond the largest constituents into the broader opportunity set.

Sector performance was clearly led by resources which rose 13.3%, supported by elevated prices for gold and platinum-group metals, as well as improving free cash flow generation among diversified miners. Financials also delivered solid returns, gaining 7.3%, reflecting resilient earnings momentum in the banking sector and gradually improving credit conditions. Industrials were broadly flat, rising just 0.1%.

Stock-level dispersion remained elevated, driven by strong gains in resource and cyclical shares. Pan African Resources rose 31.9% and AngloGold Ashanti gained 30.3% on robust earnings growth, higher production and strong cash flow, supported by elevated gold prices. Sasol advanced 27.2% despite weak earnings, as investors focused on improved cash flow and deleveraging amid firmer oil prices. On the downside, SPAR fell 21.3% and Pick n Pay declined 19.2% following trading updates that pointed to weak revenue growth and margin pressure in a highly competitive retail environment.

Local fixed income delivered positive returns in February, supported by contained inflation, improving fiscal metrics and global demand for yield. The All Bond Index gained 1.7%, while inflation-linked bonds outperformed, rising 3.5% amid moderating inflation, and confirmation of a peak in the debt ratio. Cash returns remained steady, with STeFI up 0.5%. Listed property also rallied, with the ALPI rising 6.6% for the month and 7.3% year to date, aided by lower yields, a stabilising growth outlook, and a firmer rand.

Headline CPI eased to 3.5% year-on-year in January 2026 from 3.6% in December, with a monthly increase of 0.2%, keeping inflation comfortably within the South African Reserve Bank's 3% target and its 1 percentage point tolerance band. Core inflation, which excludes food, non-alcoholic beverages, fuel and energy, edged up modestly to 3.4% year-on-year in January 2026 from 3.3% in December, indicating only gradual underlying pressure from services, rents and administered prices. Food inflation remained steady at 4.4%, as elevated meat prices, up 13.5% year-on-year and driven by foot-and-mouth-related supply constraints, were offset by declines in fruit, vegetables, oils and dairy following favourable harvests. Transport inflation fell 0.2% year-on-year as fuel prices fell 3.7% on lower global oil prices and a firmer rand, providing meaningful relief to households and businesses.

On the production side, producer price inflation for final manufactured goods fell to 2.2% year-on-year in January 2026 from 2.9% in December, a five-month low, as fuel-related components declined 4.1% and food-product PPI slowed to 0.8%, signalling limited pipeline pressure on consumer prices in the near term.

In his 2026/27 Budget Speech, Finance Minister Enoch Godongwana delivered a measured and broadly market-friendly fiscal update against a backdrop of firmer commodity prices and improved revenue performance. The budget reinforced government's commitment to gradual fiscal consolidation, supported by a commodity-driven revenue overrun of R21.3 billion that provided short-term breathing room without the need for major tax increases. The consolidated deficit is projected to narrow from 4.5% of GDP to 3.1% by FY29, while gross debt is expected to peak at 78.9% of GDP in FY26 before easing gradually over the medium term.

Revenue strength was largely driven by higher VAT and corporate taxes linked to firm commodity prices, while expenditure growth remained contained and increasingly focused on infrastructure and growth-enhancing investment. Modest personal income tax relief was granted through inflationary bracket adjustments, but fuel levies and excise duties were increased. Overall, the budget signals improved fiscal credibility and stabilising debt dynamics, although sustainability remains contingent on continued expenditure restraint, structural reform execution, and a supportive global commodity backdrop.

In foreign exchange, the rand appreciated by around 0.8% against the US dollar over the month, with the ZAR/USD rate ending February at R15.92/USD, supported by the rally in precious metals and an improved fiscal stance.