

Market Commentary

September 2026

GLOBAL MARKET THEMES

- Global equities eased, with the MSCI World down 1.2% (USD), as the US 10-year Treasury yield rose above 5% for the first time since before the global financial crisis and oil climbed towards \$100 per barrel.
- The Federal Reserve raised its target range by 25 basis points to 3.75%-4.00%, its first increase in three years, while US inflation held at 3.4% and the S&P 500 slipped 0.3% (USD).
- The European Central Bank raised its deposit rate to 2.50% from 2.25% as euro-area inflation rose to 3.2% from 2.9%, while the Bank of England held at 3.75% with UK inflation up to 3.1% from 2.9%.
- Japan's Nikkei 225 gained 1.3% (JPY), one of the few major markets to rise, as the Bank of Japan raised its policy rate to 1.25% from 1.0%, the highest since 1995.
- Emerging markets eased 0.6% (USD), with Chinese shares down 4.6% (USD) ahead of the Golden Week holiday, while Brazil gained 5.0% (BRL).
- Brent crude rose 8.3% to \$98.03 per barrel on supply disruptions, while gold fell 6.3% to \$4 157.41 as higher bond yields weighed on precious metals, and the US dollar strengthened.

SOUTH AFRICAN MARKET THEMES

- The JSE All Share Index fell 5.8% (ZAR), trailing most major markets, as resources dropped 9.3% on a sharp correction in gold and platinum prices, while financials (-3.7%) and industrials (-4.9%) also declined.

- Montauk Renewables (+67.6%) and Afrimat (+23.7%) led the gainers, along with Omnia (+23.4%) following a takeover offer, while Gold Fields (-19.4%), AngloGold Ashanti (-14.6%) and Implats (-12.6%) were among the heaviest laggards as precious metals prices fell.
- Bonds were flat, with the ALBI returning 0.01% (ZAR), while listed property gained 0.5% (ZAR) and the rand weakened 1.8% to R16.40 per US dollar.
- The SARB raised the repo rate to 7.25% from 7%, as headline inflation edged up to 4.4% from 4.3% and the economy contracted 0.2% in the second quarter.

Global market themes

Global equity markets lost ground in September, with the MSCI World returning -1.2% (USD) and the MSCI Emerging Markets index -0.6% (USD). These headline returns flattered the underlying picture, as gains in a small group of artificial-intelligence (AI) beneficiaries masked broader weakness. The most significant moves came in bond markets. The US 10-year Treasury yield rose above 5% for the first time since before the global financial crisis, ending the month near 5.3%. Yields in Japan, Germany, France and the UK also reached multi-year highs. Large fiscal deficits, heavy borrowing to fund AI infrastructure and a renewed rise in oil prices pushed yields higher, and several major central banks raised rates. Despite these pressures, business activity remained resilient, with September's flash composite purchasing managers' indices (PMIs) rising to their highest level since mid-2021 in the US and since early 2023 in the euro area. By month-end, markets expected the US Federal Reserve, the European Central Bank and the Bank of England each to raise rates three or four more times by June 2027.

The US economy grew at an annualised 2.2% in the second quarter, revised up from 1.5%, on stronger investment, consumer spending and government spending. Headline inflation held at 3.4% year-on-year in August, while core inflation eased to 2.4% from 2.5%, its lowest since March 2021. The unemployment rate was unchanged at 4.1%, although consumer sentiment fell to 48.1, close to the lowest in the survey's history, as higher prices weighed on households. On 16 September the Federal Reserve raised its target range by 25 basis points to 3.75%-4.00% in a unanimous vote, its first increase in three years, citing elevated inflation. US equities were mixed, with the S&P 500 easing 0.3% (USD) and the Nasdaq gaining 1.6% (USD), though the headline figures hid broader weakness. Gains were driven by a handful of artificial-intelligence beneficiaries, led by chipmakers and Meta, while the equal-weighted S&P 500 fell 4.8% (USD). Financials declined 7.2% (USD) as major investment banks warned of weaker fee income in the second half of the year.

European equities recorded their first monthly decline in six months, with the STOXX All Europe index down 2.5% (EUR), as higher borrowing costs and renewed inflation concerns weighed on sentiment. Germany's DAX fell 4.0% (EUR) and France's CAC fell 4.4% (EUR). Euro-area inflation accelerated to 3.2% year-on-year in August from 2.9% in July, driven by energy inflation of 14.3%, its highest since January 2023, while core inflation eased to 2.4% from 2.5%. The European Central Bank raised its three key rates by 25 basis points on 10 September, taking the deposit rate to 2.50% from 2.25%. It now expects inflation to average 3.0% in 2026 and 2.5% in 2027. Sovereign debt concerns intensified in France, where the spread between French and German government bond yields reached 119 basis points during the quarter, its widest since the euro-area debt crisis.

UK inflation rose to 3.1% year-on-year in August from 2.9% in July, a five-month high, driven by transport costs as motor fuel inflation climbed to 23.0% from 15.5%. Core inflation was unchanged at 2.6%. The Bank of England held Bank Rate at 3.75% in a 6-3 vote on 16 September, with three members preferring a 25-basis point increase. The FTSE 100 fell 2.0% (GBP) as higher oil prices and rising gilt yields weighed on sentiment.

Japan's Nikkei 225 gained 1.3% (JPY), one of the few major markets to rise, supported by strong domestic corporate earnings. Headline inflation was unchanged at 1.9% year-on-year in August. The Bank of Japan raised its policy rate by 25 basis points to 1.25% from 1.0% in a 7-2 vote, taking borrowing costs to their highest level since 1995. The move came just three months after its previous increase, in response to persistent inflation and higher oil prices.

Chinese equities came under renewed pressure, with the CSI 300 down 5.6% (CNY) and the MSCI China index down 4.6% (USD). Selling intensified ahead of the Golden Week holiday, despite further policy support from Beijing. Activity data improved at the margin. The official manufacturing PMI rose to 50.1 from 49.8, moving back above the level separating expansion from contraction, while the non-manufacturing PMI rose to 50.2 from 49.0. Inflation climbed to 0.8% year-on-year in August from 0.5% in July, as transport costs rose with higher fuel prices while food prices fell for a fifth month.

Emerging markets held up better than developed peers, though the MSCI Emerging Markets index still returned -0.6% (USD), flattered by gains in Asian chipmakers. Brazil was the strongest major market, with the Bovespa up 5.0% (BRL) on commodity strength and shifting election polls. India's SENSEX fell 5.8% (INR), while US-listed Chinese companies extended their losses for the year.

Commodity markets diverged sharply. Brent crude rose 8.3% to end near \$98.03 per barrel, having traded above \$100 during the month, as the prolonged US-Iran standoff and damage to Saudi Arabia's East-West pipeline raised supply concerns. Precious metals reversed August's rally as higher bond yields increased the cost of holding non-yielding assets. Gold fell 6.3% to \$4 157.41, silver dropped 9.2% to \$60.43, platinum declined 4.5% to \$1 716.22 and palladium fell 11.5% to \$1 207.97. Coal gained 5.8% to \$127.85, copper was broadly flat at \$14 453.04 and iron ore fell 4.8% to \$94.25.

The US dollar strengthened against most currencies, with the dollar index up about 2%, supported by the Federal Reserve's rate increase and higher US yields. The rand weakened 1.8% against the dollar to close at R16.40 per US dollar, as the correction in precious metals prices removed a key support. The rand was firmer against European currencies, gaining 0.2% against the pound to R21.78 and 0.5% against the euro to R18.62. It remains about 1.1% stronger against the dollar for the year to date.

South African market themes

The JSE gave back August's gains in September, with the All Share Index and the Capped All Share both falling 5.8% and the All Share moving back into negative territory for the year at -3.2%. From a market cap perspective, large caps (All Share 40) fell 6.5% and mid-caps fell 1.9%, while small caps gained 1.7%. Resources were the weakest segment, down 9.3%, as gold and platinum prices corrected sharply. Precious metals miners alone subtracted more than three percentage points from the index. Financials fell 3.7% and industrials 4.9%, and shares geared to the domestic economy declined about 3.3% as higher

global yields and subdued consumer spending weighed on sentiment. Industrial transportation was a rare bright spot, up 13.7%.

In terms of individual stock performances, the top performer was Montauk Renewables, up 67.6% after opening a new renewable natural gas facility. Afrimat rose 23.7% after a reassuring pre-close update, and Omnia gained 23.4% following an all-cash takeover offer at a 31% premium. Sasol gained 17.5% on higher oil prices. Among domestically focused shares, Shoprite rose 6% and Boxer 3.6%. The heaviest laggards were Gold Fields, down 19.4% after the gold price fell and its offer for Northern Star Resources was rejected, Sappi, down 14.9%, and AngloGold Ashanti, down 14.6%. Woolworths fell 13.9% after being removed from the Top 40 index.

In fixed income, the ALBI was flat, returning 0.01%, as local bonds held up well against a sharp sell-off in global government bonds. The government's 10-year borrowing rate ended the month at about 9%, following the global trend of rising yields. Inflation-linked bonds, as measured by the CILI, gained 0.7%, while STeFI cash returned 0.6%. Listed property, as measured by the ALPI, edged up 0.5%, leaving it up 3.1% for the year to date.

SA headline consumer inflation edged up to 4.4% year-on-year in August from 4.3% in July, slightly below the 4.5% expected, and was flat month-on-month. Core inflation, which excludes food, fuel and energy, eased to 4.1% from 4.2%. Transport remained the main source of pressure, with inflation of 8.8%, little changed from 8.9%, as diesel prices rose while petrol prices fell. Housing and utilities inflation held at 5.2%, though electricity, gas and other fuels accelerated to 8.3% from 7.4%. Food inflation rose to 1.1% from 0.9%, its first increase since November 2025. Inflation remains well above the SARB's 3% target, and the SARB expects it to rise above 5% later this year as fuel prices climb again.

Producer price inflation for final manufactured goods eased to 5.0% year-on-year in August from 5.7% in July, and fell 0.4% month-on-month, a second consecutive monthly decline. The moderation was led by coke, petroleum, chemical, rubber and plastic products, where inflation slowed to 13.6% from 15.7% as petrol price inflation fell to 20.9% from 29.4%. Food product prices declined 0.6%, led by meat and grain mill products. The renewed rise in oil prices during September is likely to slow further progress in the months ahead.

At its meeting on 23 September, the SARB raised the repo rate by 25 basis points to 7.25% from 7%, effective 25 September, in a unanimous decision. The prime lending rate rose to 10.75%. Governor Kganyago noted that the fuel price shock, which had appeared to be unwinding a few months ago, has intensified, with escalating conflict in the Middle East limiting oil supply. The committee raised its near-term inflation forecasts and now expects headline inflation above 5% later this year and early next year, returning to around 3% towards the end of 2027. It flagged upside risks to inflation, noting that longer-run inflation expectations remain near 4% rather than the 3% target. The SARB's projections show the policy rate broadly stable for the rest of the year. The next meeting is scheduled for 19 November.

The economy contracted 0.2% quarter-on-quarter in the second quarter, reversing revised growth of 0.4% in the first quarter and ending the longest run of quarterly expansion in almost a decade. Mining fell 3.0%, manufacturing 1.8% and trade, catering and accommodation 1.9%, while annual growth slowed to 0.9% from 1.9%. The current account swung to a deficit of 2.6% of GDP in the second quarter from a surplus of 2.3% in the first, as merchandise imports rose 20.3% on higher prices and volumes. September

data showed some improvement, with the Absa Purchasing Managers' Index rising to 50.7 from 45.8, returning above the neutral 50 mark after three months of contraction.

The rand weakened 1.8% against the US dollar over the month to close at R16.40 per US dollar, as the correction in gold and platinum prices removed a key support and the dollar strengthened broadly. The rand was firmer against European currencies, gaining 0.2% against the pound to R21.78 and 0.5% against the euro to R18.62. The SARB noted that the rand has been notably resilient this year, helping to contain imported inflation, and it remains about 1.1% stronger against the dollar for the year to date.