

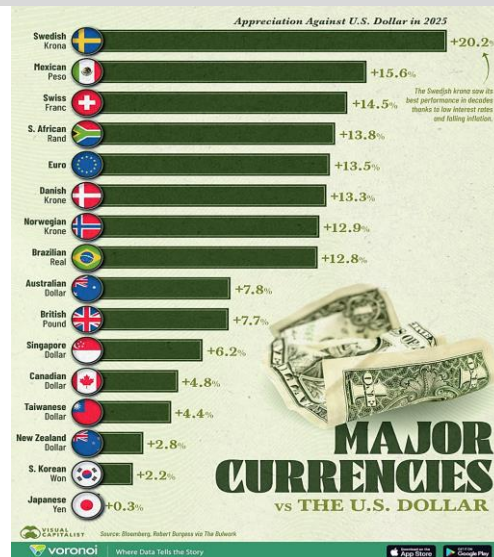
Market commentary – January 2026

Global markets

Global markets began 2026 on a high note, showing remarkable resilience amidst geopolitical undercurrents. Global geopolitics continued to be shaped by the US administration. Most notably the US military intervention in Venezuela that led to the capture of President Nicolás Maduro, and President Trump’s threats to invade Greenland which strained traditional alliances and injected fresh uncertainty into transatlantic relations. Persistent rhetoric regarding trade tariffs continued to accelerate the restructuring of global trade dynamics and supply chains.

On the policy front, the US Federal Reserve kept rates unchanged at its January Federal Open Market Committee (FOMC) meeting, with inflation remaining moderated at 2.7% year-on-year (y-o-y) in December. Looking ahead, attention is turning to leadership at the Fed, with Chair Jerome Powell’s term set to conclude in May 2026 and President Trump nominating Kevin Warsh as his proposed successor.

The MSCI World Index (representing developed markets) returned 2.2% in USD terms for January. The US S&P 500 Index returned a positive 1.5%, underperforming European and broader developed markets. Emerging markets, through the MSCI Emerging Market Index, returned a positive 8.9% in USD terms, significantly outperforming developed markets. The US dollar index weakened by 1.4% against major currencies.



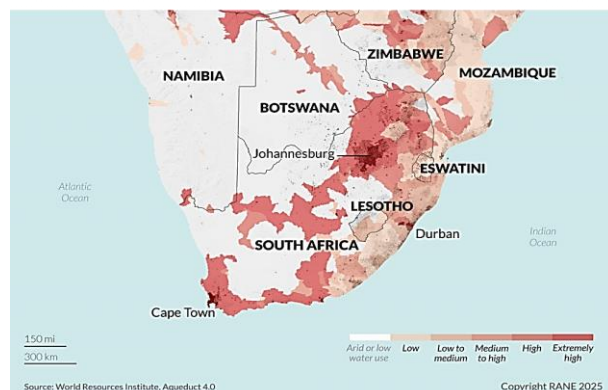
SA markets

SA markets followed the positive trend of global markets in January. Commodity prices extended their rally, with gold continuing to surge, while the rand strengthened sharply to R15.40 against the US dollar during the month. However, the domestic economic backdrop remains challenged. The level of failure in critical infrastructure is becoming more stark as many areas in the country are being confronted with major water supply disruptions and capacity constraints. The water crisis in Gauteng indicates that parts of the system are near total collapse.

The Monetary Policy Committee (MPC) kept the repo rate unchanged at 6.75% at its January meeting, maintaining a cautious stance. Consumer inflation moderated to 3.5% (y-o-y) in January 2026, down from 3.6% (y-o-y) in December, although food price pressures remain elevated. With the rand strengthening and oil prices subdued, the inflation outlook remains muted, increasing the possibility of one or more rate cuts during 2026. The manufacturing sector showed signs of improvement, with the Absa Purchasing Managers’ Index (PMI) rising to 48.7 points in January from 40.5 points in December 2025. While still below the 50-point mark, the rebound suggests a moderation in the pace of contraction.

Projected Water Stress in 2050

Water stress measures the ratio of total water demand to available renewable surface and groundwater supplies.



The local equity market (Capped All Share) gained 3.9% for the month in rand terms. In terms of the major equity sectors, financials returned +3.0% and industrials returned -3.4%. The resources sector started the year strong returning 12.5% for the month, driven by persistent elevation in commodity prices. The rand strengthened for the month against all major currencies, appreciating by 3.2% against the US dollar, by 1.3% against the pound and by 2.0% against the euro. The local bond market also started the year in positive territory returning 1.9%.

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