

Monthly Market Report

January 2026

| Index | Open | Close | % Change |
|----------------------|----------|----------|----------|
| JSE FTSE ALSI Top 40 | 107977 | 112229 | 3.94 |
| S&P 500 | 6845.5 | 6939.03 | 1.37 |
| Nasdaq Composite | 23241.9 | 23461.82 | 0.95 |
| Dow Jones Industrial | 48063.29 | 48892.47 | 1.73 |
| FTSE 100 | 9931.38 | 10223.54 | 2.94 |
| Nikkei | 50339.48 | 53322.85 | 5.93 |
| Hang Seng | 25630.54 | 27387.11 | 6.85 |
| DAX | 24490.41 | 24538.81 | 0.20 |
| CAC 40 | 8149.5 | 8126.53 | -0.28 |

| Commodity | Open | Close | % Change |
|-----------------|---------|---------|----------|
| Gold | 4319.37 | 4894.23 | 13.31 |
| Platinum | 2060.51 | 2195.31 | 6.54 |
| Iron Ore | 104.8 | 103.79 | -0.96 |
| Brent Crude Oil | 60.85 | 70.69 | 16.17 |

| Currency | Open | Close | % Change |
|----------|-------|-------|----------|
| USD-ZAR | 16.56 | 16.14 | -2.54 |
| EUR-ZAR | 19.45 | 19.11 | -1.75 |
| GBP-ZAR | 22.32 | 22.09 | -1.03 |

Source: Bloomberg

Local and Global Macro Economic Perspectives



South Africa

26.1029°S, 28.0576°E

The South African Reserve Bank (SARB) opted to keep the repo rate unchanged at 6.75% at its first Monetary Policy Committee (MPC) meeting of 2026, maintaining the prime lending rate at 10.25%. The decision was finely balanced, with four members voting to hold and two supporting a 25 basis point cut, underscoring the growing internal debate around the timing of further policy easing under the newly endorsed 3% inflation target. Inflation dynamics remain supportive. A stronger rand has helped contain imported inflation, contributing to a downward revision in the SARB's 2026 inflation forecast to 3.3%. Inflation expectations have moderated but remain slightly above target, reinforcing the case for a measured approach. Despite the more favourable inflation outlook, the MPC highlighted several risks. Food prices face upside pressure due to supply disruptions linked to foot-and-mouth disease, while administered prices, particularly electricity tariffs, remain a concern. Globally, elevated geopolitical tensions and rising fiscal imbalances in major economies continue to cloud the external environment. On the growth front, the SARB struck

a cautiously optimistic tone. Looking ahead, although markets continue to price in further easing over the medium term, policymakers have signalled a preference for caution.

Consumer inflation edged slightly higher to 3.6% year-on-year in December, up from 3.5% in November, broadly in line with expectations. Despite the modest uptick, inflation remains well contained within the SARB's revised target framework centred on 3%. The rise in headline inflation was driven mainly by housing and utility costs, food and non-alcoholic beverages, and insurance and financial services. Core inflation, which excludes volatile food and energy components, increased to 3.3% YoY reaching its highest level in ten months. Average CPI for the year came in at 3.2%, the lowest annual reading in more than two decades and below the Reserve Bank's forecast. This marks a significant slowdown from 2024 and reflects the combined impact of tighter monetary policy, lower fuel prices, easing global food costs, and a firmer rand. The near-term outlook remains constructive. Recent and upcoming fuel price reductions, together with currency strength, are expected to offset typical early-year price pressures.

South Africa's manufacturing sector ended the year under significant pressure, with the Absa Purchasing Managers' Index (PMI) slipping a further 1.5 points in December to 40.5. While the decline in the index was modest, the level itself marks the weakest reading since the height of the pandemic and the second consecutive month at severely contractionary levels. The deterioration was driven primarily by sharp declines in inventories and employment, pointing to firms actively scaling back production and capacity amid weak demand. Encouragingly, forward-looking indicators improved with expectations for business conditions six months ahead rising sharply, reaching their strongest level in over a year, suggesting that manufacturers anticipate a recovery later in 2026. The weak PMI readings point to manufacturing acting as a drag on fourth-quarter GDP and tempering already modest growth expectations. With consensus forecasts for 2025 GDP growth clustered around 1% to 1.3%, the latest data suggest downside risks remain unless strength in other sectors offsets ongoing industrial weakness.



United States

40° 42' 24.7572" N, 74° 0' 40.554" W

The Federal Reserve held the policy rate at 3.5%–3.75% in its January meeting, in a 10–2 vote, with two governors favouring a 25bp cut. This pause follows three consecutive cuts in late 2025. The Fed upgraded its assessment of economic growth to “solid” from “moderate” and removed earlier language highlighting downside risks to employment. While most policymakers still anticipate potential easing later in the year, the updated statement signals that near-term cuts will require stronger evidence of economic weakness, reflecting a cautious, wait-and-see stance.

Inflation remained largely steady, with headline CPI at 2.7% y/y in December, unchanged from November, and core CPI slightly below expectations at 2.6% y/y. These readings suggest early signs of easing underlying price pressures. Labour market momentum, however, slowed: nonfarm payrolls rose just 50,000 in December, down from 154,000 in November, extending a year-long hiring slowdown. The unemployment rate edged down to 4.4% from 4.5%, partly reflecting lower participation, while wage growth remained modest, concentrated in leisure, hospitality, and healthcare, with declines in retail, construction, and manufacturing. Overall, the labour market reflects a “low-hire, low-fire” dynamic.

Consumer sentiment, meanwhile, deteriorated sharply. U.S. consumer confidence fell to its lowest level in over 11½ years, with the Conference Board's index dropping to 84.5, well below expectations. Consumers' perceptions of job availability hit a five-year low, and concerns over high prices—including food, energy, and tariffs—weighed on households across income groups and age brackets. The slump points to more cautious spending patterns, particularly on big-ticket items, vacations, and housing, even as higher-income households continue to support overall consumption.

Late in the month, on the final trading day, markets shifted attention to Fed leadership after President Trump announced Kevin Warsh as his nominee for Fed Chair. A former governor, Warsh is widely viewed as hawkish and credibility-focused, prioritising price stability and central bank independence. While traditionally tough on inflation, he has recently acknowledged structural factors, such as productivity gains, that could moderate price pressures, leaving some room for policy flexibility. The announcement triggered a sharp selloff in gold and silver, likely reflecting a recalibration of expectations around the Fed's policy path under Warsh.



United Kingdom

51°30'32.39" N, 0°05'33.90" E

The UK economy grew by 0.3% MoM in November 2025, rebounding from a 0.1% contraction in October and exceeding market expectations of 0.1% growth. The recovery was led by the services sector, which rose 0.3%, reversing the previous month's 0.3% decline. Key contributors included professional, scientific, and technical activities (+1.7%), information and communication (+1.5%), driven by gains in computer programming, consultancy, and related services. Production output also increased by 1.1%, slightly below October's 1.3% rise, supported by a 2.1% expansion in manufacturing. Transport equipment manufacturing surged 10.7%, with motor vehicle, trailer, and semi-trailer output jumping 25.5%, as car production normalised following the cyber disruption in August. In contrast, construction activity fell 1.3%, marginally worse than October's 1.2% decline.

UK consumer price inflation rose to 3.4% in December 2025, up from November's eight-month low of 3.2% and slightly above the 3.3% forecast. This year-end uptick, the first since July, was mainly driven by alcohol and tobacco prices, which jumped to 5.2% from 4.0% following the timing of tobacco duty changes, and transport costs, which increased to 4.0% from 3.7% amid higher airfares. Food and non-alcoholic beverages also added upward pressure, rising to 4.5% from 4.2%. Services inflation, a key indicator of domestic price pressures, inched up to 4.5% from 4.4%, slightly below expectations. Core inflation, excluding volatile items such as unprocessed food and energy, remained steady at 3.2%, its lowest level since December 2024.

The S&P Global UK Manufacturing PMI increased to 50.6 in December, up from 50.2 in November and above market expectations of 50.4. This marked the second consecutive month of expansion in the UK's manufacturing sector after a full year of contraction. Output grew for the third straight month, driven by broad gains across consumer, intermediate, and investment goods, supported by new orders, which expanded for the first time in 15 months. Despite this, manufacturing employment fell for the 14th consecutive month, as companies cited higher labour costs from the UK's new insurance contributions. On the pricing side, both input and output costs rose, reflecting higher wage pressures and surging wholesale metal prices for electronics. The S&P Global UK Services PMI edged slightly higher to 51.4 from November's 51.3. This signalled an eighth straight month of expansion in the services sector, although growth remained subdued and broadly in line with the prior month.



Eurozone

51°30'32.39" N 0°05'33.90" E

Eurozone inflation continued to moderate at the end of 2025, with headline consumer price growth easing to 1.9% YoY in December from 2.1% in November. This marked the first sub-2% reading since mid-year and brought inflation marginally below the European Central Bank's target, strengthening the case for a prolonged pause in policy rates.

The disinflation was broad-based. Energy prices exerted a meaningful drag, while price pressures in services and non-energy industrial goods softened modestly. Food, alcohol and tobacco inflation edged higher but remained contained. Core inflation declined to 2.3% YoY, signalling a gradual easing in underlying inflation momentum.

Alongside the softer inflation backdrop, euro area growth expectations have improved modestly, supported by resilient domestic demand. Although the growth outlook has been revised higher over the medium term (1.4% in 2025 and 1.2% in 2026 inching back up to 1.4% in 2028), the combination of easing inflation and steady growth points to a prolonged period of policy stability rather than a rapid shift toward further rate cuts.

Economic momentum in the euro area softened toward year-end, but the region still recorded its strongest quarterly growth in more than two years during the final quarter of 2025. Survey data indicate that continued expansion in the services sector more than offset a persistent contraction in manufacturing, allowing overall activity to remain in growth territory throughout the year. The composite Purchasing Managers' Index (PMI) eased in December (51.5) from a multi-year high but stayed comfortably above the neutral 50-threshold, signalling a continuation of expansion. Manufacturing conditions deteriorated further (48.8 vs prior 49.6), with output, new orders and employment all declining. While factory activity continues to weigh on growth, firms reported improved optimism about the year ahead, supported by expectations of higher demand linked to defence spending and infrastructure investment. Services activity continued to expand (52.4), although at a slower pace than in November (53.6). Growth in new business moderated, driven largely by domestic demand, while export-related services softened. Employment in the services sector remained supportive, even as easing backlogs suggested some cooling in workloads.



China

31° 14' 12.3" N, 121° 30' 31.5" E

China's economy grew 5% in 2025, meeting the government's target but marking one of its weakest expansions in decades and far below the ~8% average growth seen over the past 25 years. Growth slowed through the year, with Q4 expanding 4.5%, down from 5.2% in Q2 and 4.8% in Q3. The main driver of growth was strong exports, which rose 6.1% and pushed China's trade surplus to a record ~\$1.2 trillion, as firms diversified markets to offset US tariffs. However, the domestic economy remained weak. Consumer spending and property continued to drag, with retail sales growth slowing to 0.9% in December and fixed-asset investment falling 3.8%, including a sharp 17.2% drop in real estate investment. Officials said the economy showed "steady progress" but acknowledged rising external pressures and a persistent imbalance between strong supply and weak domestic demand. Economists note that China still struggles to shift away from export-led growth, with weak job and wage growth and falling property values weighing on household confidence and spending.

China's inflation data highlights persistent deflationary pressure and weak domestic demand, despite modest signs of improvement. Consumer prices rose 0.8% YoY in December, the highest since early 2023, mainly due to an 18.2% surge in vegetable prices caused by winter supply shortages, while pork prices fell sharply. Core inflation remained subdued at 1.2%, and for 2025 as a whole inflation was flat, missing the government's 2% target, showing that stimulus measures have not meaningfully boosted consumption.

Growth indicators are mixed: manufacturing activity returned to expansion (PMI 50.1), and industrial production improved, but fixed-asset investment remains deeply negative and corporate profits dropped sharply. The property crisis continues to weigh heavily, with policymakers signalling more easing (mortgage cuts and relaxed purchase rules), but these steps might not be strong enough to reverse the downturn. Ongoing price wars, falling auto prices,

and declining industrial profits underline the core problem of weak demand, oversupply, and fragile consumer confidence which remain major challenges for China's economy.



Japan

35° 40' 34.55" N, 139° 46' 26.21" E

The Bank of Japan held its policy rate at 0.75% at its January meeting, as widely expected, but retained a clear tightening bias, signalling further rate hikes remain likely if its growth and inflation outlook evolves as projected. The board revised up growth forecasts for fiscal 2025 and 2026 and nudged its core inflation view higher, reflecting sustained wage gains and increasing evidence that firms are passing through higher labour and import costs. While policymakers opted to pause following December's hike, one board member proposed an additional increase, underscoring a growing internal bias toward further normalisation.

Inflation data continue to support that stance. Core CPI rose 2.4% y/y in December, slowing from 3.0% in November but remaining above the BOJ's 2% target, while a broader measure excluding fresh food and energy eased only marginally to 2.9% y/y from 3.0%, indicating underlying price pressures remain relatively firm. Governor Kazuo Ueda emphasised the need to assess the durability and pace of the emerging wage-price cycle, noting that policy decisions will increasingly incorporate timely indicators, including corporate surveys, alongside traditional data.

The BOJ also flagged risks from yen weakness feeding into inflation and warned against sharp rises in long-term bond yields, reiterating its readiness to act against disorderly market moves if required. Political and fiscal developments add further complexity, with expansionary policy plans likely to lift bond issuance and upward pressure on yields. While markets are beginning to price in another hike as early as April, consensus expectations still centre on a mid-year move, with policy rates likely to approach 1% or higher by September.



India

20° 35' 16" N, 78° 57' 46" E

India's economy remains resilient, with GDP growth forecast at 7.4% for FY26, up from 6.5% last year and slightly above the RBI's 7.3% projection. Latest data for Q2 FY26 (July–September 2025) showed growth accelerating to 8.2%, driven by resilient services, rising investment, and government measures such as middle-class tax relief and broad GST cuts. Manufacturing and construction are each expected to expand 7%, agriculture 3.1%, and government spending 5.2%, supporting a domestic economy that is holding its own even as global uncertainty lingers.

Inflation remains subdued. Retail CPI rose to 1.33% y/y in December, up from 0.71% in November and 0.5% in October, but still below market expectations of 1.5% and well below the RBI's 4% target. Food prices remain in deflation, and core inflation (excluding gold) holds around 2.3%, pointing to ongoing slack in the economy. This leaves the RBI room to keep policy accommodative: while further rate cuts are unlikely, it may inject liquidity to ensure past easing reaches businesses and households, keeping credit flowing and supporting demand. Inflation is expected to edge up modestly over the coming months but remain well below the 4% target through mid-2026.

On trade, India secured two major deals. The EU free trade agreement (FTA)—a legally binding arrangement reducing tariffs and regulatory barriers—cuts duties on most EU goods and opens India’s services market, while sensitive products like beef, chicken, rice, and sugar remain protected. It also strengthens IP rights, supports SMEs, and includes a sustainability chapter backed by €500 million in EU support. Shortly after, India struck a deal with the US, reducing tariffs on Indian exports from 50% to 18%, formally taking effect in mid-March. Much of the broader US commitments reflect projects already in the pipeline, such as aircraft orders, but together these agreements lock in preferential access to India’s two largest trading partners and reinforce its position in global trade.