NEW ROAD CAPITAL
INVESTMENT MANAGEMENT

MONTHLY *Wrap-up*

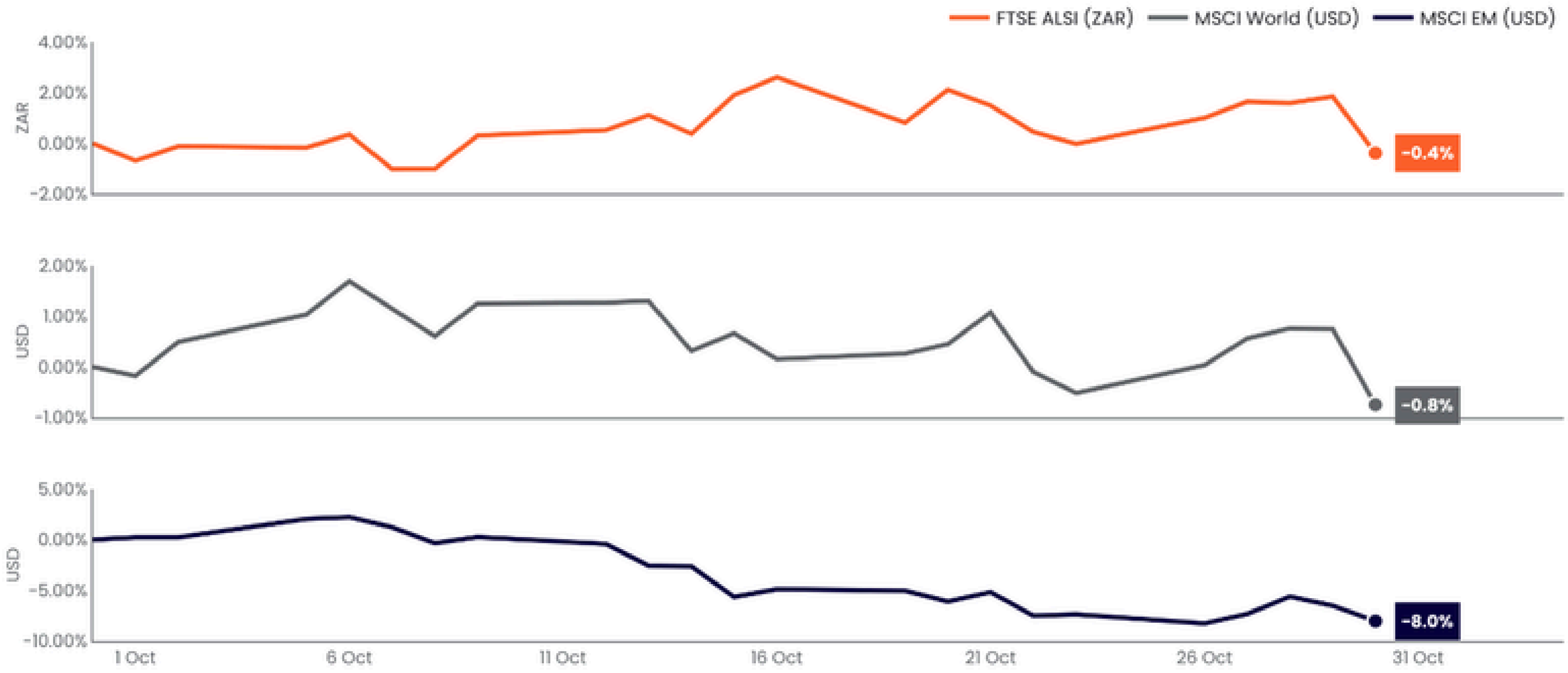
October 2026

October saw heightened market volatility amid geopolitical uncertainty, elevated oil prices and inflationary pressures, although attractive equity valuations and resilient corporate earnings continue to support our constructive outlook. The rand weakened on broad-based US dollar strength, while South African inflation remained elevated. Bond markets delivered strong returns, with both local and offshore government bonds providing valuable diversification and resilience during market uncertainty.

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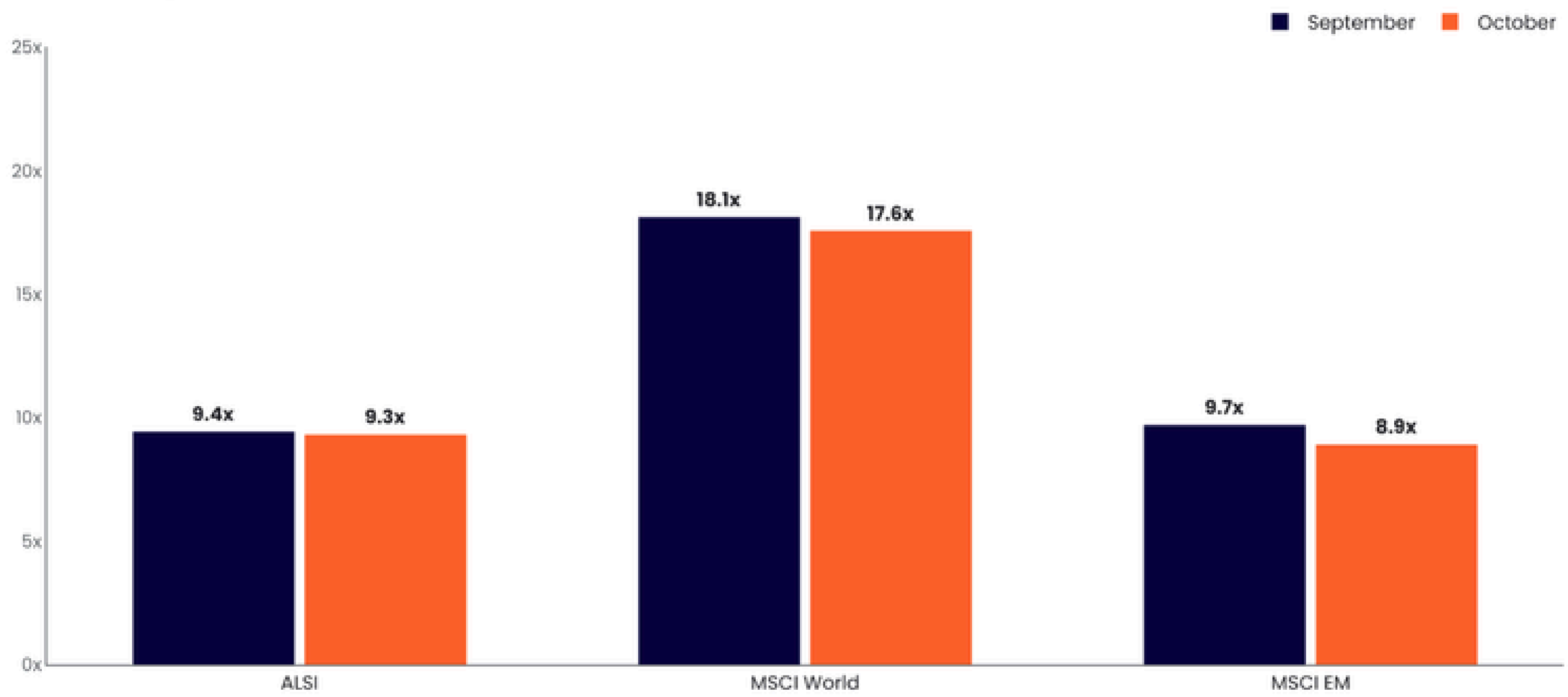
Equities

Total Return



Source: LSEG Workspace

Forward P/E

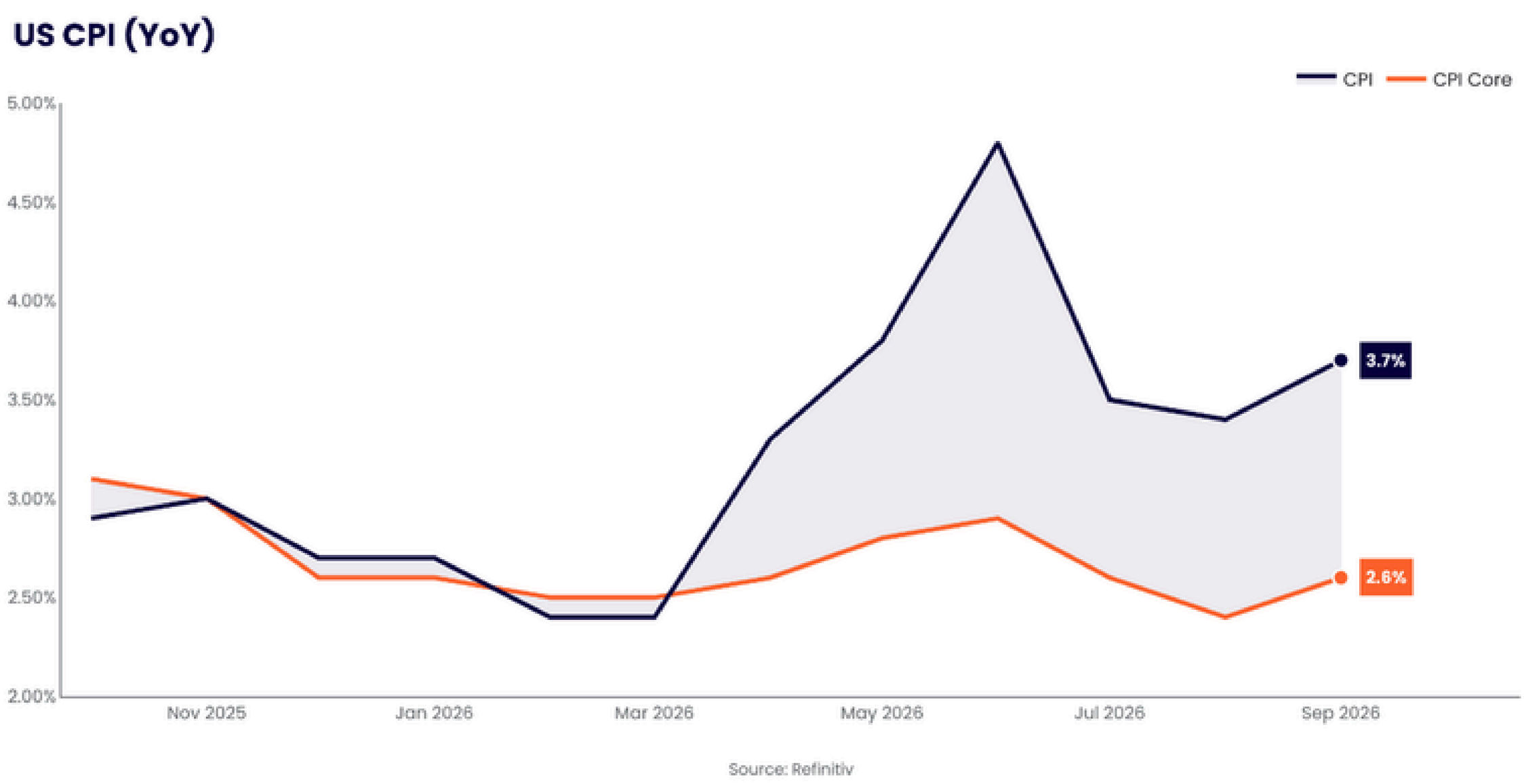


Source: MSCI, Yardeni

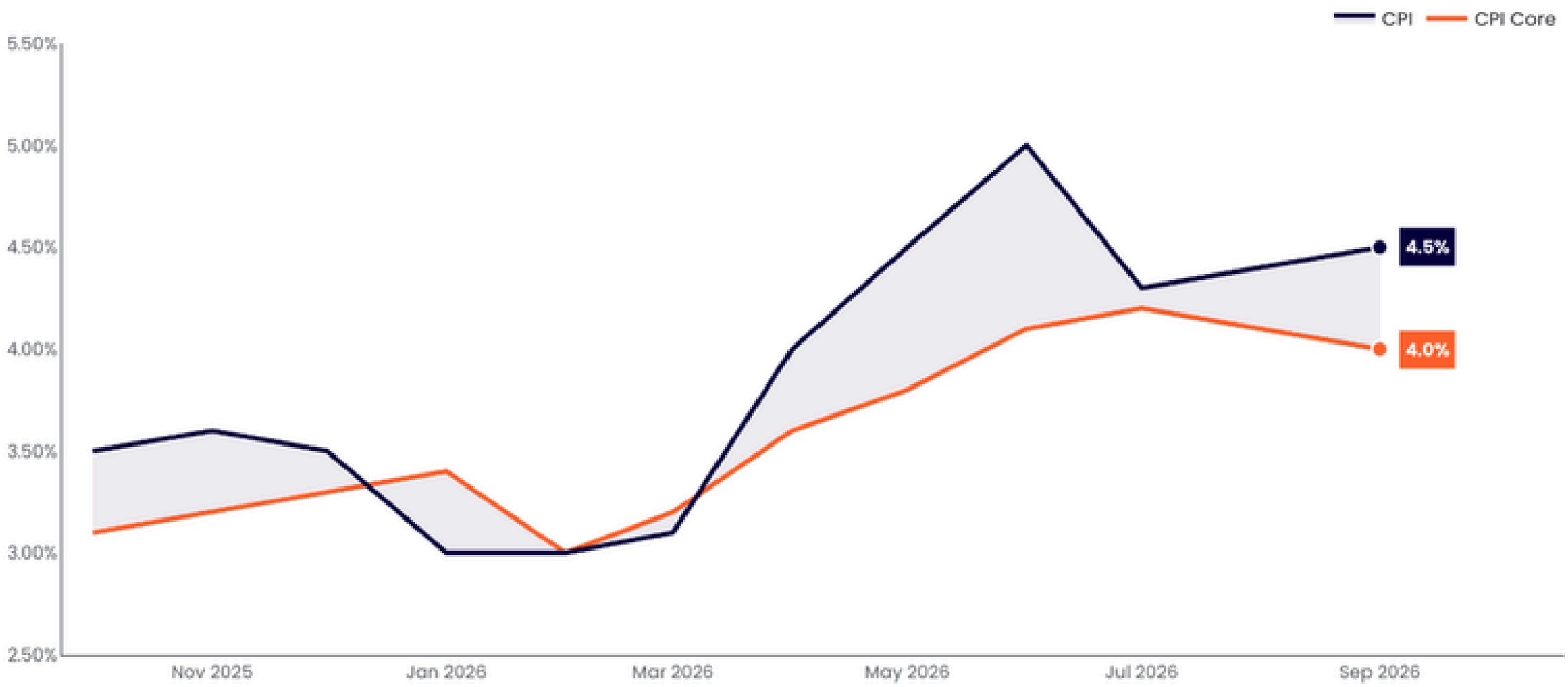
- Global equity markets experienced considerable volatility during October, although overall movements were relatively modest. The JSE All Share Index declined by approximately 0.4%, while the MSCI World Index fell by 0.8%.
- Emerging markets were the notable underperformer, declining approximately 8%, largely driven by significant sell-offs in South Korean and Taiwanese memory chip manufacturers, including Samsung and SK Hynix. Given the substantial weighting of semiconductor companies in these markets, the sector-specific weakness had an outsized impact on overall performance.

- Despite the recent volatility, equity valuations are becoming increasingly attractive: The MSCI World trades at approximately 17.6 times forward earnings, the S&P 500 trades at approximately 9.3 times forward earnings, and emerging markets trade at less than 9 times forward earnings.
- US corporate earnings have been particularly encouraging, with a significant proportion of companies reporting results ahead of market expectations. Earnings are projected to grow by approximately 35% this year, providing support for current market valuations.
- While geopolitical uncertainty and elevated oil prices continue to contribute to short-term market volatility, underlying valuations and corporate earnings remain supportive of the equity market outlook.
- We remain constructive on equities and believe current valuations provide an attractive foundation for the next leg of market growth

INFLATION

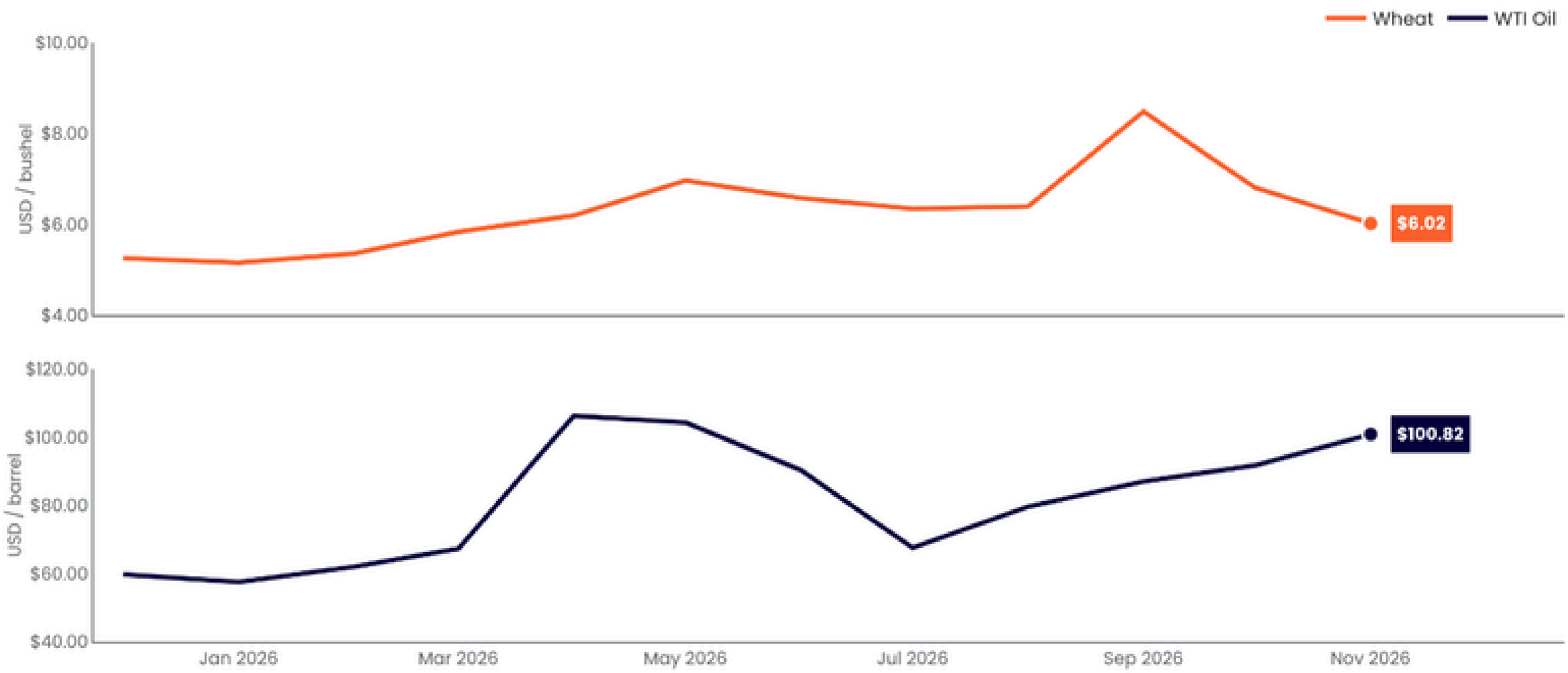


SA CPI (YoY)



Source: Investing.com

Food and Energy Prices



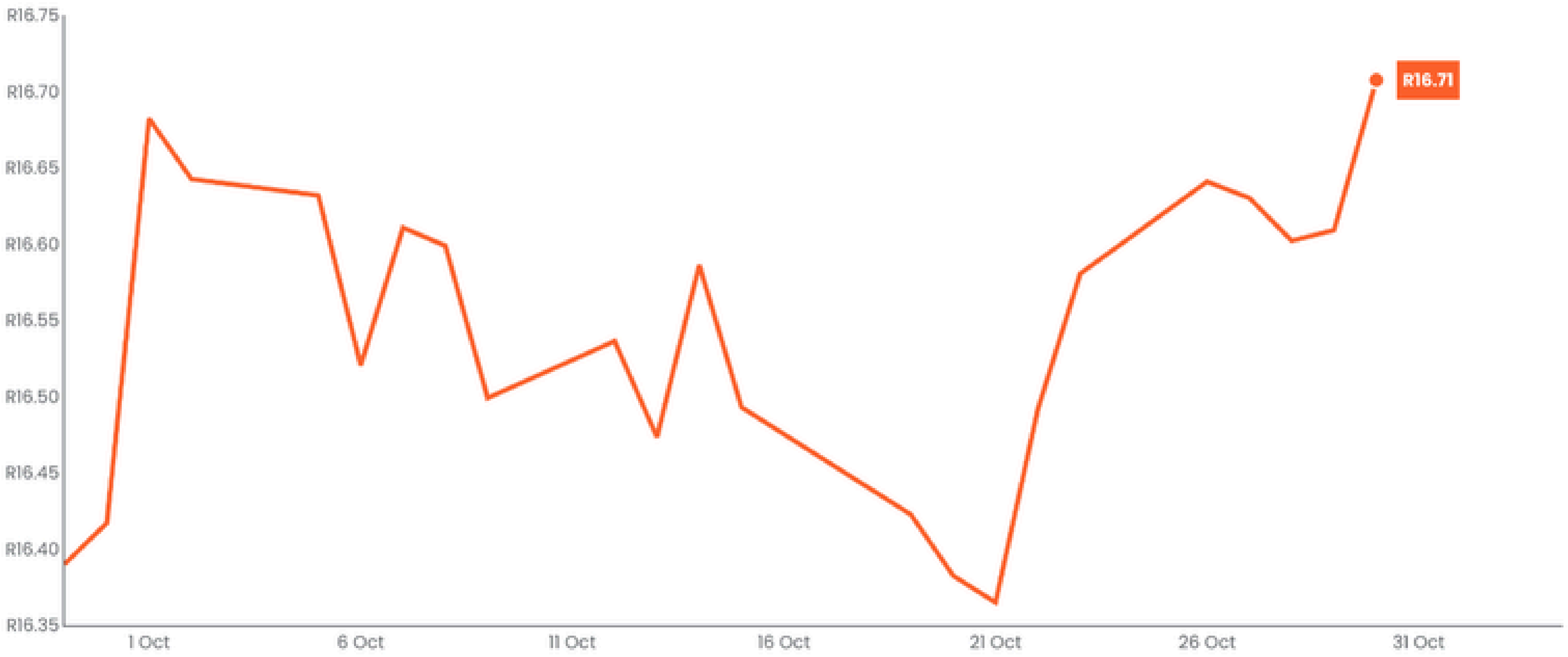
Source: Investing.com

- US headline inflation currently stands at approximately 3.7%, while core inflation, which excludes food and energy, is considerably lower at 2.6%. This highlights the extent to which elevated energy prices are contributing to headline inflation.
- Oil prices remain above $100 per barrel, with geopolitical tensions surrounding Iran continuing to create uncertainty around global energy supply. Markets are particularly focused on potential developments following the US midterm elections.
- We believe current oil prices are elevated by short-term geopolitical risk and expect some moderation over time. A sustained decline in oil prices should provide relief to headline inflation.

- South African inflation has also come under pressure, with headline inflation at approximately 4.5% and core inflation at around 4%. This places inflation towards the upper end of the target range, largely reflecting higher fuel and energy costs.
- While the near-term inflation outlook remains sensitive to developments in the oil market, we believe the current energy-driven pressure may prove temporary, with the potential for inflation to moderate as oil prices normalise.

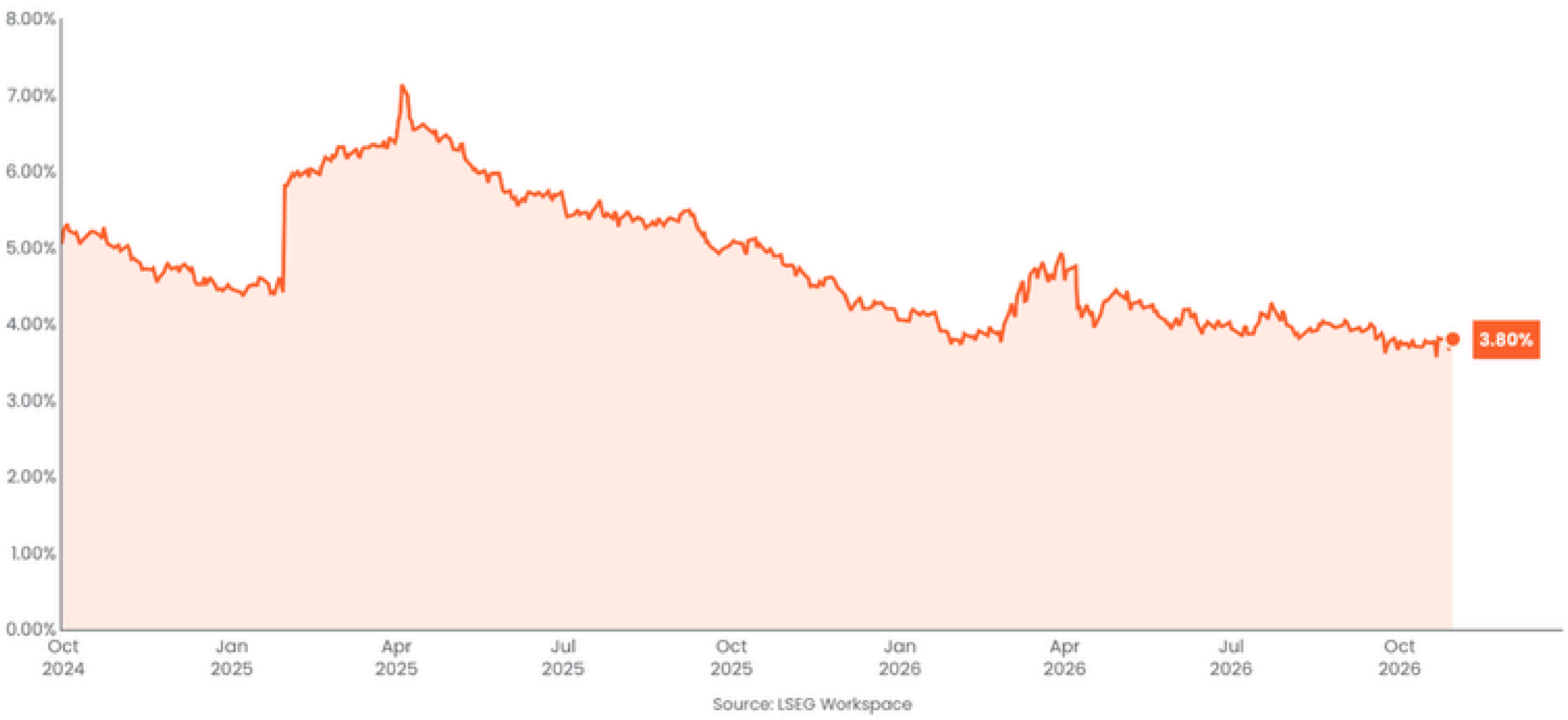
LOCAL VS US ECONOMY

ZAR/USD Exchange Rate



Source: LSEG Workspace

SA-US 10y Bond Spread

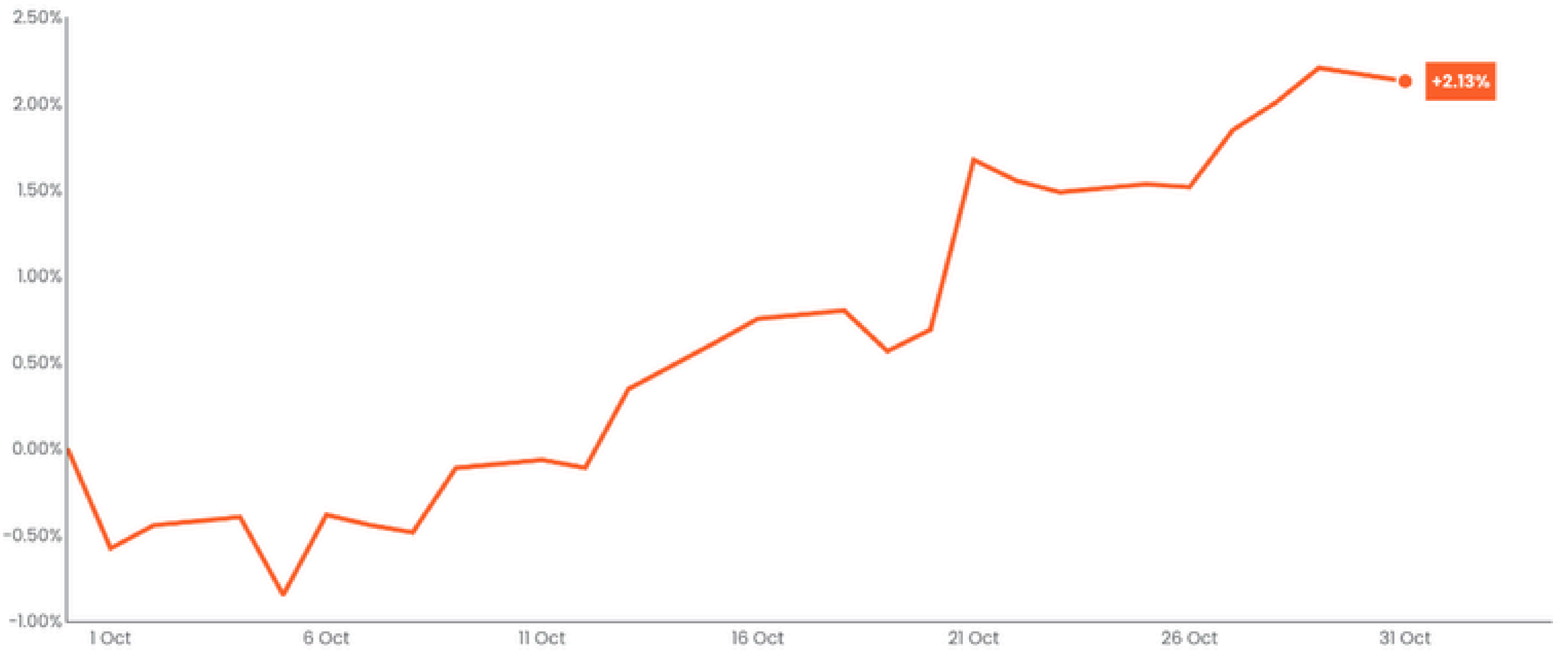


Source: LSEG Workspace

- The rand experienced notable volatility against the US dollar during October, weakening from approximately R16.40/$ to R16.70/$ over the month.
- Despite several sharp movements during the period, the rand's weakness was largely attributable to broad-based US dollar strength rather than a deterioration in the underlying outlook for the South African currency.
- The US dollar strengthened against most major currencies, reflecting heightened market uncertainty and shifting investor sentiment.
- South African financial markets showed some divergence, with the rand weakening while the local bond market performed strongly. This suggests that foreign exchange movements did not necessarily reflect broader weakness in domestic asset markets.
- Both the US and South African markets remain influenced by geopolitical developments, energy prices and the trajectory of inflation. The outcome of the US midterm elections and South Africa's local government elections will be important developments to monitor during November.

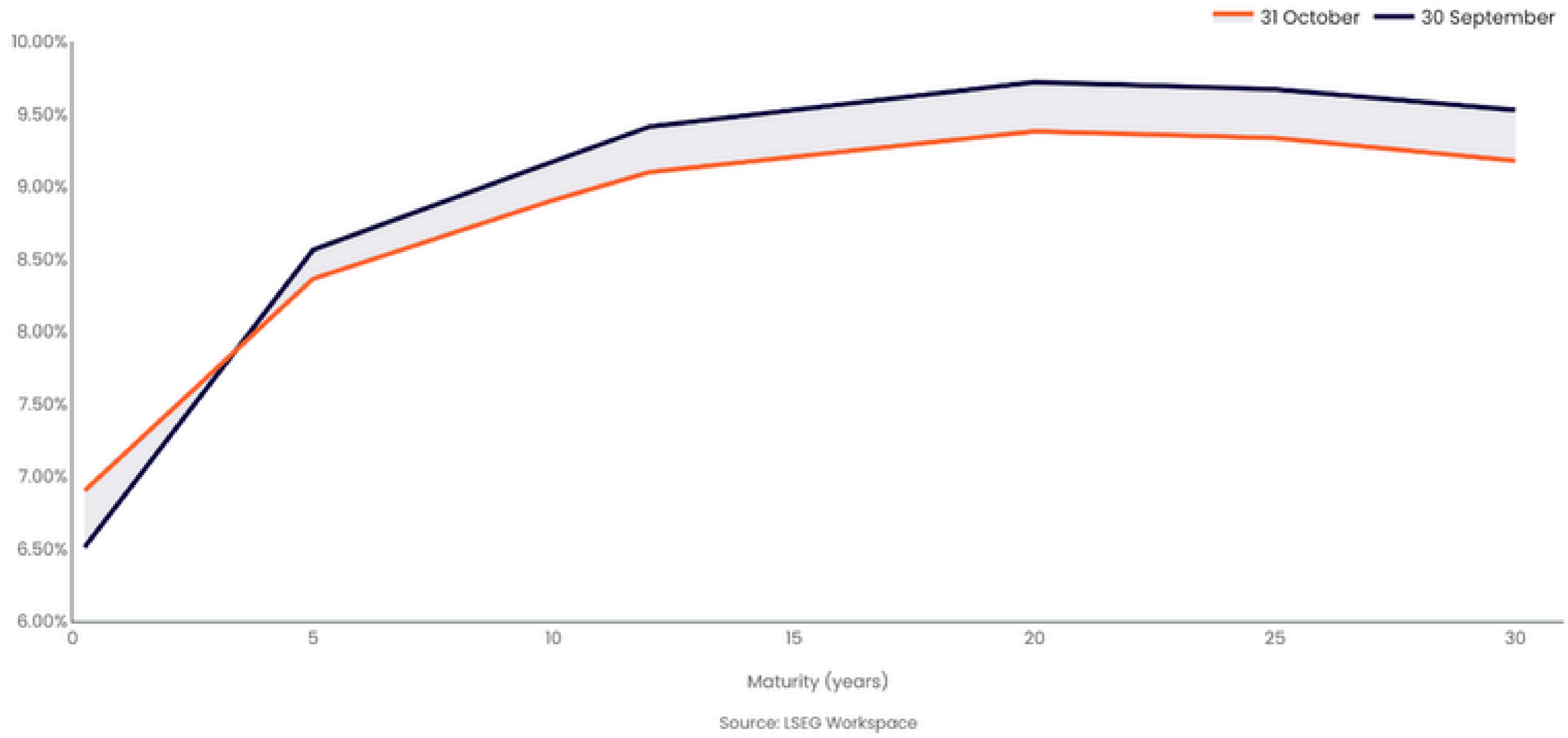
BONDS

ALBI Total Return



Source: LSEG Workspace

Yield Curve South Africa



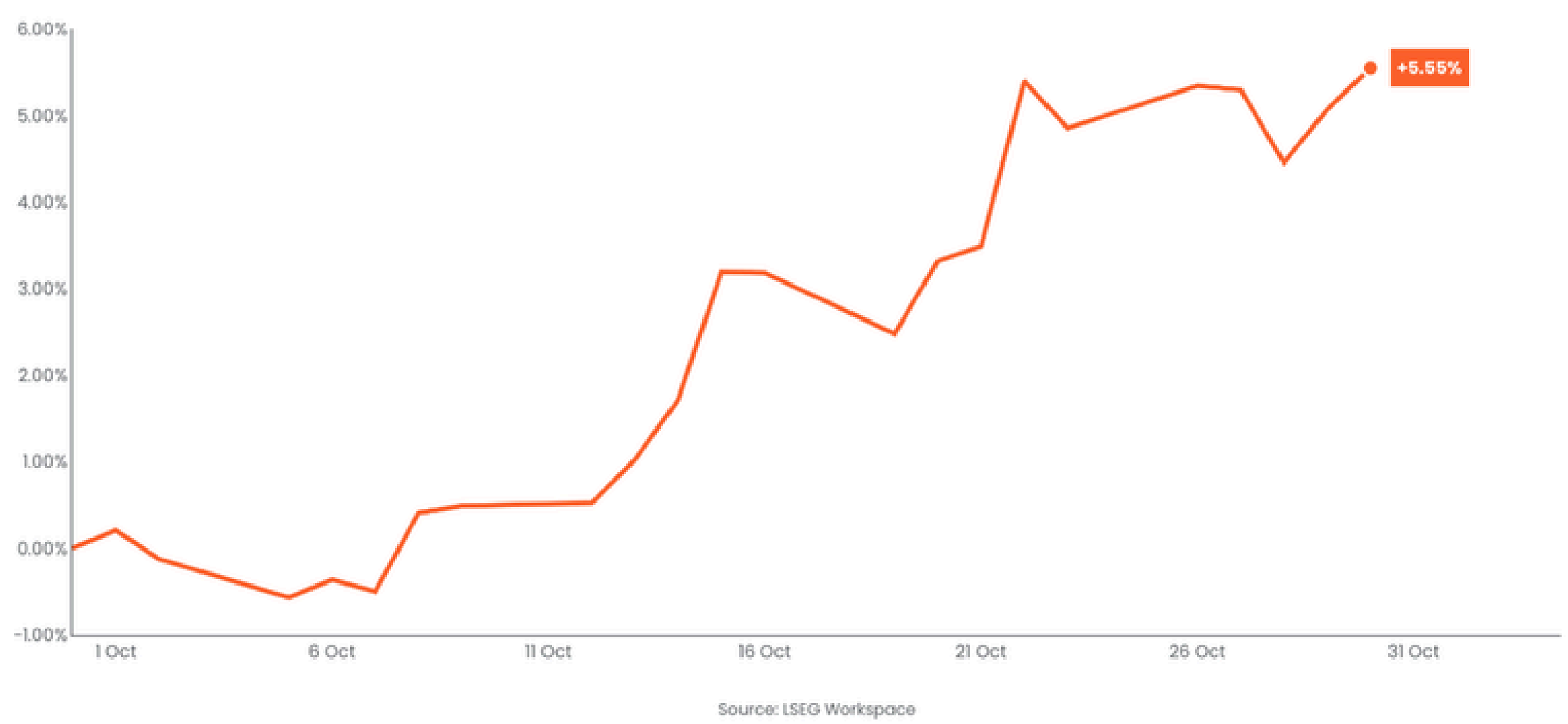
Source: LSEG Workspace

FTSE G7 Total Return



Source: LSEG Workspace

ICE US Treasury 20+ Year Index Total Return



Source: LSEG Workspace

- South African bonds delivered a particularly strong performance during October, with the local bond market gaining approximately 2%.
- The yield curve experienced a notable shift, with yields at the longer end declining while shorter-dated yields moved somewhat higher. The decline in longer-dated yields reflects increased demand for longer-term South African bonds, supporting capital appreciation.
- This performance has been particularly beneficial for our portfolios, given our existing allocation to longer-dated South African government bonds. We continue to find the yields on offer attractive.
- International bond markets also delivered positive returns, with G7 government bonds gaining approximately 1.6% over the month.
- US long-dated government bonds were a standout performer, with bonds of 20 years and longer returning approximately 5.5% in US dollar terms.
- We maintain exposure to longer-dated US government bonds, particularly for their defensive characteristics during periods of heightened uncertainty and market volatility. Their strong performance during October demonstrates the diversification and capital-protection benefits they can offer when equity markets come under pressure.
- Overall, October reinforced the role of high-quality government bonds in providing portfolio resilience. Both local and offshore bond holdings contributed positively to performance during a month characterised by considerable market uncertainty.



Prefer to watch?

Catch up on October in five minutes

Our CIO, Paul Fouché, unpacks the month's market moves in the latest Monthly Wrap-up video.

Watch on YouTube →

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