

Market Overview

January 2026

Morningstar Investment Management
February 2026

For Financial Advisers & Their Clients

Global Market and Economic Summary

Global markets remained resilient in the first month of 2026, despite a turbulent start to the year driven largely by geopolitical uncertainty. Equity markets carried their positive momentum into the new year, with Emerging Market (EM) equities outperforming Developed Market (DM) equities. In the U.S., sector performance diverged: Basic Materials and Energy delivered strong gains, while the Technology sector had a weak start to the year and posted negative returns. Within EM, South Korea and Brazil extended their rallies, each recording strong double-digit returns in January. Fixed-income markets experienced a more volatile start to 2026. Developed Market government bond yields moved higher — most notably in Japan, where longer-dated yields spiked — resulting in price declines for long-duration bonds. In contrast, Emerging Market Debt (EMD) remained resilient, generating solid returns as investors were attracted to relatively high yields. EMD allocations were further supported by a weaker U.S. dollar over the month.

Turning to central bank actions, the U.S. Federal Reserve (Fed) left the federal funds rate unchanged at its January 2026 meeting, maintaining the target range at 3.50%–3.75%, in line with expectations. This followed three consecutive rate cuts in 2025, which brought borrowing costs to their lowest level since 2022. The Bank of Japan (BoJ) also held policy steady at its first meeting of the year, keeping its key short-term interest rate at 0.75%. This maintains Japan's borrowing costs at their highest level since September 1995, as policymakers remain cautious amid domestic political uncertainty ahead of February's snap election. On the inflation front, U.S. annual inflation remained stable at 2.7% in December 2025, unchanged from November and in line with market expectations. In the Eurozone, inflation eased to 1.9% year-on-year, down from 2.1% previously and slightly below the preliminary estimate of 2.0%, marking the first reading below the European Central Bank's 2% target since May 2025. Meanwhile, Japan's annual inflation rate slowed to 2.1% from 2.9%, its lowest level since March 2022.

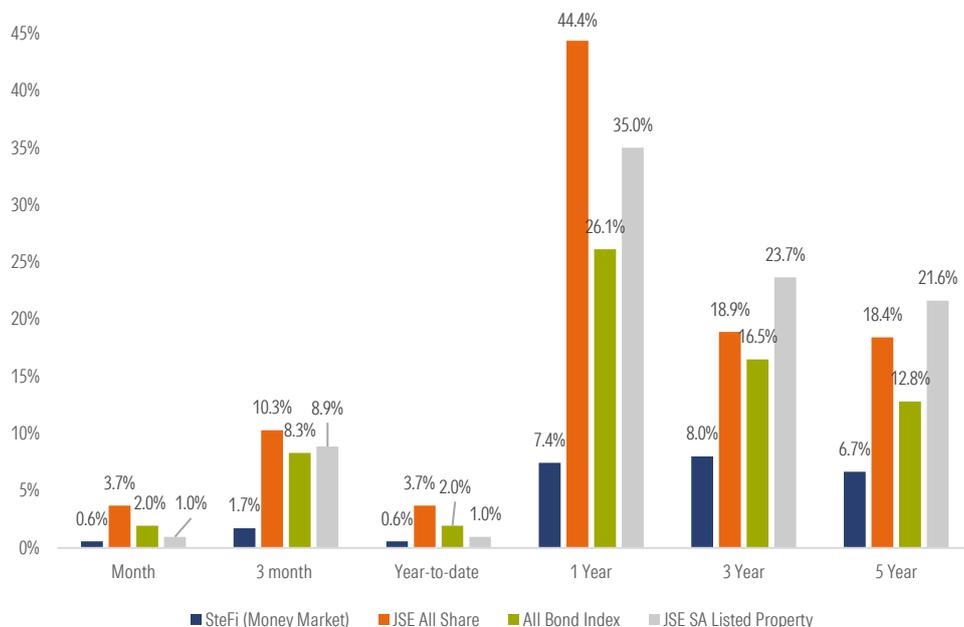
In other economic news, President Trump has nominated Kevin Warsh to succeed Jerome Powell as Chair of the U.S. Federal Reserve. Warsh, a former Fed governor, is seen by many market participants as a credible and experienced choice whose background could help preserve the central bank's credibility even as the current administration pushes for lower interest rates. Turning to geopolitical news, on 3 January 2026, U.S. forces carried out a military operation inside Venezuela, attacking military positions and capturing President Nicolás Maduro and his wife. Maduro was flown out of the country and later taken to the U.S. to face legal charges. The U.S. government described the action as part of a broader campaign against narcotics trafficking and criminal networks tied to the Venezuelan leadership. The intervention boosted oil prices and safe-haven assets temporarily, as investors priced in geopolitical risks in energy markets and global risk sentiment.

South African Market Update

South African assets also extended their strong momentum into 2026. South African equities (+3.7%) posted strong performance over the month, despite a sizable selloff on the last trading day of the month. Sector performance largely mirrored the trends seen in 2025. The Resource sector (+12.5%) led the market, rallying on the back of higher precious metal prices. Similarly, the Financials sector (+3.0%) posted decent performance over the month. In contrast, the Industrial sector (-3.4%) continued to lag, as large index constituents such as Naspers (-10.2%), Prosus (-9.1%) and Richmont (-14.5%) detracted from performance. Similarly, the Retail sector remained under pressure, with Spar (-7.2%), Woolworths (-3.3%) and Shoprite (-1.4%) detracting from performance. The Property sector (+1.0%) ended the month slightly higher.

South African bonds (+1.9%) continued their strong performance, recording their 13th consecutive month of positive returns — the longest streak for local bonds in more than 26 years. Performance was supported by broad rand strength and a decline in yields across the curve, which lifted bond prices overall. The yield curve shifted lower for a fifth consecutive month as both global and domestic conditions aligned to create a more supportive environment for South African fixed income allocations.

Exhibit 1 | SA Market Performance (total returns)

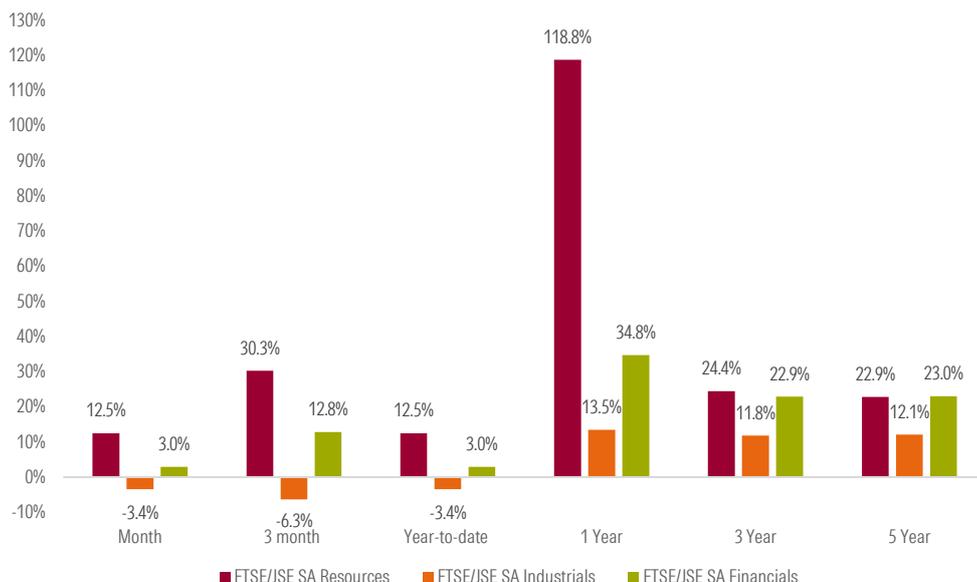


Source: Morningstar Direct as at 31/01/2026. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African Economic Update

The South African Reserve Bank (SARB) kept its key repo rate unchanged at 6.75% on 29 January 2026, as widely expected, after a 0.25% rate cut in November. Policymakers noted that, although the inflation outlook is improving, they aim for a further drop in inflation expectations and remain watchful of potential price pressures from electricity tariffs. On the inflation front, South Africa’s annual inflation rate edged up to 3.6% in December 2025 from 3.5% in the prior month, in line with analysts’ expectations. Notably, the average inflation rate for 2025 was 3.2%, marking the lowest inflation level in 21 years.

Exhibit 2 | SA Sector Performance (total returns)



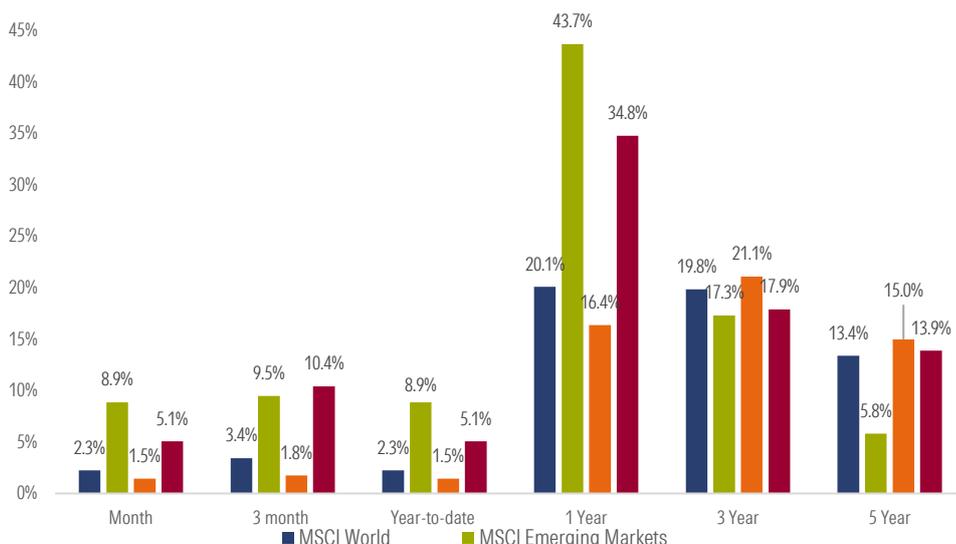
Source: Morningstar Direct as at 31/01/2026. Returns are in South African Rand and have been annualised for periods longer than 1 year.

Global markets remained resilient in the first month of 2026, despite a turbulent start to the year driven largely by geopolitical uncertainty. Equity markets carried their positive momentum into the new year. The **MSCI World Index** (+2.3%) posted positive returns. However, DM underperformed EM over the month, with the **MSCI Emerging Markets Index** (+8.9%) posting strong returns.

Within emerging markets, China's **Shanghai SE Composite** (+4.3%) and Korea's **KOSPI** (+24.1%) posted strong returns over the month, as strong demand for AI-related stocks (such as semiconductors) continued. In Europe, the **MSCI Europe Ex UK Index** (+4.3%) posted positive returns for the month, outperforming the broader DM composite, with the UK's **FTSE 100** (+5.1%) also ending the month meaningfully higher. Additionally, Japan's **Nikkei 225** (+7.3%) posted strong performance over the month, ahead of their snap election in February.

In the U.S., tech-heavy **NASDAQ 100** (+1.2%) posted positive returns over the month, as concerns surrounding AI capex and the prospects of future revenue negatively affecting various tech stocks. The **S&P 500** (+1.4%) posted positive performance, as Basic Materials, Energy and Consumer Staples contributed to returns.

Exhibit 3 | International Market Performance (total returns)



Source: Morningstar Direct as at 31/01/2026. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on Client Portfolios

Portfolios delivered strong performance in the first month of 2026, with asset class and sector trends largely continuing those seen in 2025. Despite a volatile market backdrop, global equities supported returns, with our overweight exposure to attractively valued areas such as Korea and broader emerging markets benefiting investors. Sector positioning also added value, as tilts toward Energy and Telecommunication Services, alongside underweights in Technology, contributed to portfolio performance. Global fixed income returns were more muted. Long-duration U.S. Treasury exposure detracted as longer-term yields declined, though this was largely offset by positive contributions from UK Gilts and global credit allocations. Locally, active equity managers performed well, supported by broad market strength. Overweight positions in the attractively valued Financials sector and the strong-performing Resources sector further enhanced returns. In the bond market, longer-duration positioning outperformed as yields fell across the curve, driving gains in local fixed income. The rand strengthened meaningfully against the U.S. dollar during the month, creating a currency headwind for offshore assets when translated into local terms and moderating the contribution from global exposures.

We remain comfortable with the current positioning of client portfolios, both from an asset allocation and a manager selection perspective. We will continue to follow our valuation-driven approach by allocating assets to the most attractive areas of the market from a reward-for-risk perspective and ensure we build robust portfolios. We are confident that we will continue to deliver on the specific investment objectives of each client portfolio, independent of the prevailing market environment.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	3.72	3.72	44.35	18.90	18.42	16.18
JSE SA Listed Property	0.98	0.98	35.00	23.67	21.64	6.71
All Bond Index	1.95	1.95	26.11	16.52	12.80	11.51
STeFI	0.57	0.57	7.44	8.01	6.65	6.52
Local Market Sectors	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE Top 40	3.98	3.98	48.69	19.07	18.64	16.89
JSE Mid Cap	6.26	6.26	38.13	19.27	17.59	12.15
JSE Small Cap	1.07	1.07	28.68	21.83	24.97	16.81
FTSE/JSE SA Resources	12.49	12.49	118.65	24.44	22.86	23.73
FTSE/JSE Ind/Financials	2.97	2.97	34.73	22.93	22.96	11.09
FTSE/JSE SA Industrials	-3.43	-3.43	13.45	11.80	12.10	12.77
Global Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
MSCI World	2.26	2.26	20.08	19.85	13.39	14.47
MSCI Emerging Markets	8.86	8.86	43.67	17.32	5.81	8.54
S&P 500	1.45	1.45	16.35	21.11	14.99	16.24
NASDAQ 100	1.23	1.23	19.82	29.30	15.51	21.56
FTSE 100	5.07	5.07	34.75	17.88	13.88	10.30
SSE Composite	4.26	4.26	32.60	17.28	11.60	12.25
KOSPI TR KRW	4.35	4.35	32.44	7.14	1.91	6.34
Nikkei 225	24.07	24.07	113.80	24.74	8.55	11.07
FSE DAX	7.34	7.34	38.05	20.39	7.60	11.02
US T-Bill 3m	0.31	0.31	4.23	4.96	3.47	2.81
Commodities	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
Oil Price Brent Crude	16.17	16.17	-7.57	-5.77	4.81	1.92
Gold	14.06	14.06	77.16	37.32	21.73	20.85
Platinum	3.32	3.32	135.90	31.83	15.69	15.85
Copper	4.26	4.26	30.52	7.63	8.04	8.87

Note: The performance of Local Market Indices and Local Market Sectors is quoted in rands and the performance of Global Market Indices and Commodities is quoted in US dollars. All data is sourced from Morningstar Direct as at 31/01/2026.

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