Market Overview
July 2026

Morningstar Investment Management
August 2026

For Financial Advisers & Their Clients

Global Market and Economic Summary

July was shaped by two major shocks that pulled markets in opposite directions. Renewed conflict between the United States and Iran, and the disruption to shipping through the Strait of Hormuz, pushed Brent crude back above $100 per barrel for the first time in over two months, with the oil price gaining +23.6% during the month. At the same time, investors became increasingly sceptical about the economics of artificial intelligence (AI), shifting their focus from how much companies were spending on AI infrastructure to the returns those investments would ultimately generate. The combination produced a deceptively calm headline result. The MSCI World Index gained just 0.5%, masking one of the widest dispersions in market performance seen all year.

Developed Markets (DM) outperformed Emerging Markets (EM) for a second consecutive month. The MSCI World Index posted lacklustre returns, while the MSCI Emerging Markets Index fell, weighed down primarily by weakness in Asia. Korea's KOSPI - the index that has defined the 2026 AI trade - suffered a drastic unwind, and Japan's Nikkei 225 followed it lower. Even after July's reversal, EM equities remain well ahead of DM on a year-to-date (YTD) basis (+20.3% versus +10.5%), and the KOSPI is still up 59.4% for the year. The dispersion within EM was itself remarkable: China's onshore Shanghai SE Composite (-5.9%) fell back to flat for the year, while the offshore Hang Seng Index rallied +13.1%. Fixed income was the weakest-performing asset class, as central bank rhetoric failed to reassure markets. The US Federal Reserve (Fed), the Bank of England (BoE) and the European Central Bank (ECB) all left policy rates unchanged, all on split votes, while offering little guidance on the future policy path. Faced with renewed inflation risks following the oil price shock and no meaningful policy response, yields pushed higher, leading global bond prices lower over the month. On the other hand, emerging market debt (EMD) was broadly flat and proved relatively resilient.

The return of triple-digit oil prices is the most significant development for the global inflation outlook. Higher energy prices feed into headline inflation and, with a lag, into inflation expectations. Markets have responded by reinforcing the “higher-for-longer” interest rate narrative, with the focus shifting away from slowing growth and towards persistent inflation risks. The steepening of developed-market yield curves - with long-term yields rising while policy rates remain relatively unchanged, suggests investors are demanding greater compensation for inflation uncertainty, rather than pricing in stronger economic growth. As a result, central banks face an increasingly difficult balancing act between containing inflation and supporting growth.

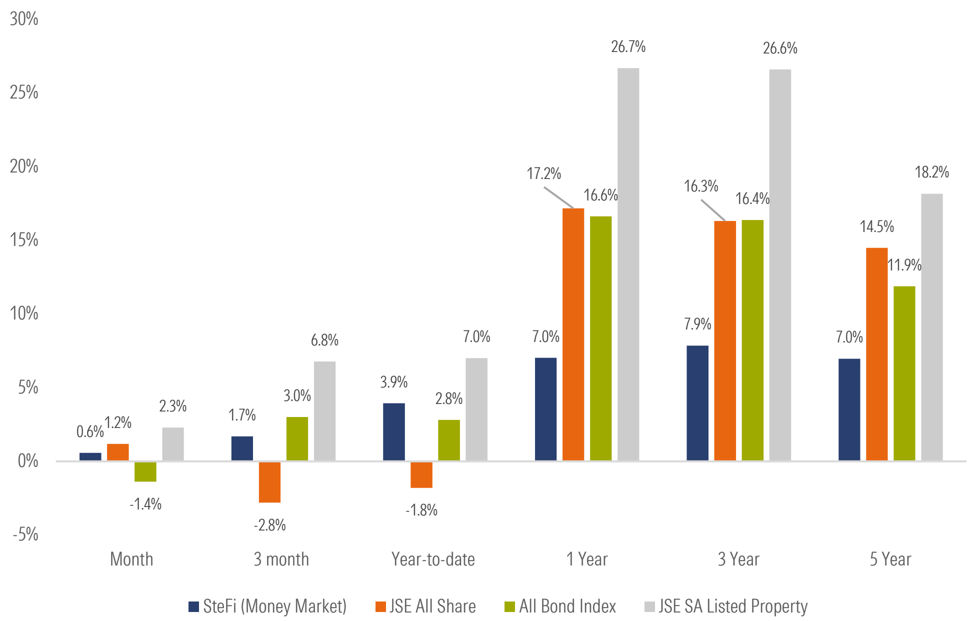
South African Market Update

South African equities recovered some ground in July, with the FTSE/JSE All Share Index gaining +1.2% after June's -3.7% decline. Despite the rebound, the index remains marginally negative year-to-date (-1.8%). As has been the case throughout the year, the headline return masked a wide dispersion in sector and stock-level performance.

Higher oil and industrial commodity prices were key drivers of market performance. Local energy counter Sasol (+20.2%) was among the largest contributors to index returns, benefiting from the increase in oil prices. However, the broader Industrials sector (+0.3%) was the worst-performing local sector equity, as local retailers such as Woolworths (-6.7%), Foschini (-5.4%), Tiger Brands (-5.4%) and Pepkor (-3.7%) all fell over the month. Resources (+2.1%) reversed a four-month losing streak, although performance within the sector was uneven, with Valterra Platinum (+12.1%), Thungela (+10.0%), Glencore (+7.7%), Impala Platinum (+4.4%) and Sibanye-Stillwater (+3.0%) advanced on the back of firmer platinum and copper prices, while gold stocks such as AngloGold Ashanti (-5.7%) and Gold Fields (-2.4%) were among the laggards. Financials (+1.2%) also contributed positively, supported by gains across the banking sector, with Investec (+11.3%) being the standout performer.

South African bonds reversed June's gains, with the All Bond Index down -1.4% as local yields moved higher alongside global bond markets. The yield curve bear steepened: the short end remained relatively anchored following the South African Reserve Bank's (SARB) decision to hold rates steady, while the long end sold off in line with rising 30-year yields in the US, UK and Europe. Inflation-linked bonds comfortably outperformed nominals over the month. Cash, as measured by STeFI (+0.6%), quietly beat bonds for the month while SA Listed Property (+2.3%) was the best-performing local asset class, mainly driven by offshore-focused counters.

Exhibit 1 | SA Market Performance (Total Returns)



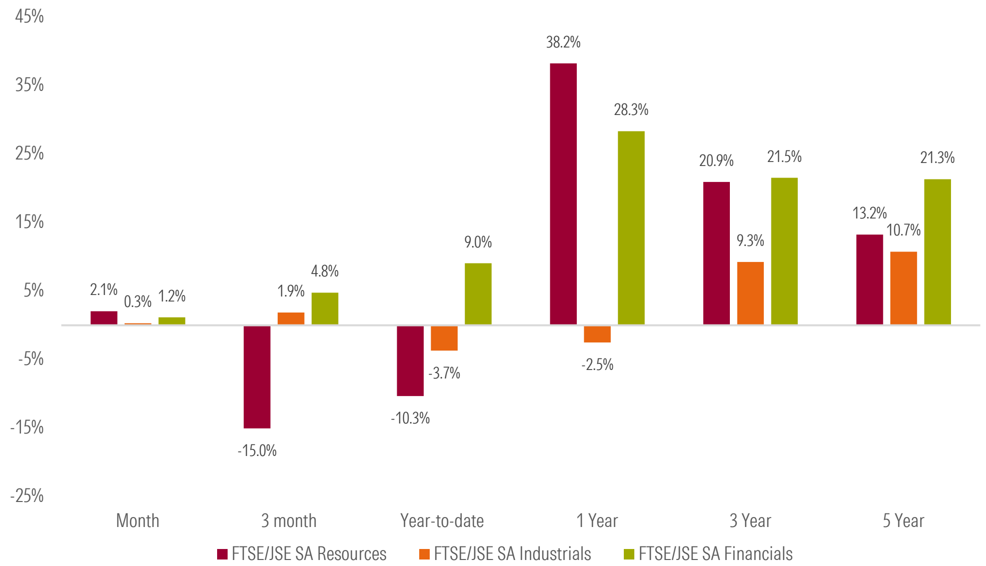
Source: Morningstar Direct as of 31 July 2026. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African Economic Update

Headline inflation rose to 5.0% year-on-year (y/y) in June (released in July), up from 4.5% in May and 0.3% above consensus, the largest upward surprise since late 2023. Core inflation also accelerated to 4.1% from 3.8%, missing consensus by 0.2%. Transport remains the dominant contributor, rising 12.7% y/y (up from 9.4%) and accounting for 1.8 percentage points of the 5.0% headline figure.

The SARB's Monetary Policy Committee (MPC) unexpectedly held the repo rate at 7.0% in a split decision, with only two of six members preferring a 25bps hike. The decision surprised markets: only three of nineteen economists surveyed by Bloomberg had anticipated a hold, while the Forward Rate Agreement (FRA) market was also pricing in a rate increase. The decision is difficult to reconcile with the SARB's own forecasts, which see inflation returning to target only in Q3 2028 and risks skewed to the upside. Weak growth appears to have been the SARB's primary motivation, with the statement highlighting the deterioration in consumer and business confidence and noting that municipal dysfunction has become a binding constraint on growth.

Exhibit 2 | SA Sector Performance (Total Returns)



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

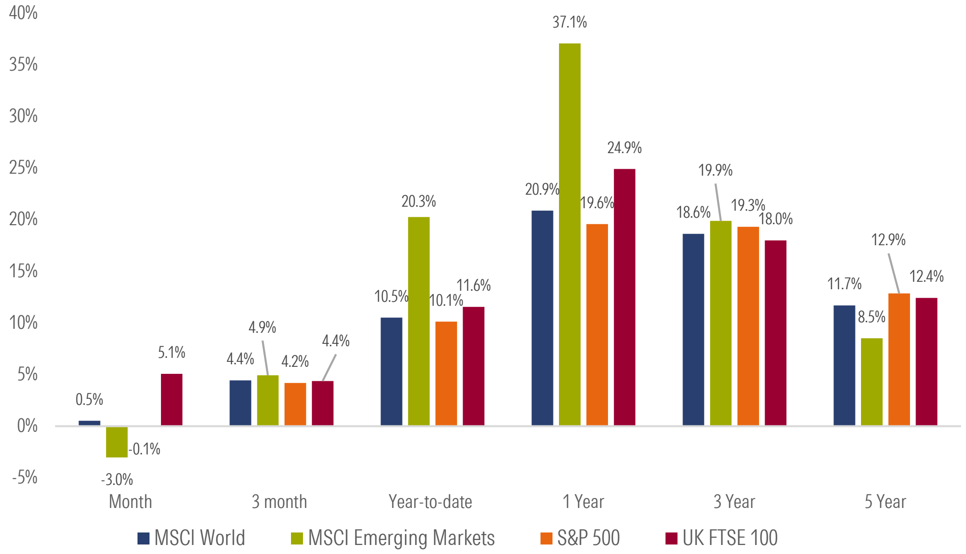
Global Market Update

The MSCI World Index (+0.5%) posted a marginal gain. For a second consecutive month, DM outperformed EM, with the **MSCI Emerging Markets Index** (-3.0%) falling as the region gave back more of its exceptional start to the year. On a YTD basis, EM nonetheless remains comfortably ahead of DM (+20.3% versus +10.5%).

Within emerging markets, the dispersion among regions was notable. China's **Shanghai SE Composite** (-5.9%) fell back to flat for the year (0.0% YTD), even as the offshore Hang Seng rallied 13.1%. The broader EM index was dragged down by Korea's tech-heavy **KOSPI** (-15.4%), which suffered a severe unwind as investors turned sceptical on AI capital expenditure and the memory names that had driven it, though it remains the standout performer of 2026 (+59.4% YTD). In Europe, the **MSCI Europe Ex UK Index** (+0.6%) was modestly positive, while the UK's **FTSE 100** (+5.1%) was the best-performing developed market of the month, supported by its heavy energy weighting and outperformance from financials. Japan's **Nikkei 225** (-5.4%) fell with the wider AI complex.

In the US, the tech-heavy **NASDAQ 100** (-6.6%) dropped sharply as the AI trade de-rated, with Nvidia falling alongside Korean memory manufacturers SK Hynix and Samsung, and attention shifting to whether the capital expenditure of Alphabet, Meta and Microsoft can generate returns sufficient to justify current valuations. The **S&P 500** (-0.1%) was essentially flat, with its energy and defensive constituents offsetting the technology drag.

Exhibit 3 | International Market Performance (Total Returns)



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

Impact on Client Portfolios

July was uncomfortable in the areas that had been rewarding and rewarding in the areas that had been uncomfortable. Within global portfolios, exposure to emerging markets and to Korea — the top contributors earlier in the year — was a material headwind, while allocations to defensive sectors including Consumer Staples and Healthcare, and regional allocations to the UK, China and Brazil cushioned the impact. Within fixed income, emerging market debt (EMD) proved relatively resilient and outperformed developed market nominal bonds, which came under pressure as global yields moved higher. Locally, the recovery in Resources and the continued strength of Financials offset much of the weakness in the domestic consumer shares. However, the decline in South African bonds weighed on multi-asset portfolio performance.

We remain comfortable with the current positioning of client portfolios, from both an asset allocation and a manager selection perspective. Periods in which a single, crowded theme drives the majority of returns are precisely the periods in which valuation discipline feels least rewarding and matters most — and July is a reasonable illustration of why. We will continue to follow our valuation-driven approach, allocating to the most attractive areas of the market on a reward-for-risk basis, taking profits where optimism has become stretched, and building portfolios robust to a wide range of outcomes rather than to a single forecast.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	1.18	-1.81	17.16	16.32	14.49	14.24
JSE SA Listed Property	2.30	7.01	26.68	26.61	18.17	8.24
All Bond Index	-1.38	2.81	16.62	16.39	11.88	11.04
STeFI	0.57	3.94	7.02	7.85	6.97	6.48
Local Market Sectors	**1 Month**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**7 Years**
JSE Top 40	1.35	-2.57	17.48	15.78	14.62	14.61
JSE Mid Cap	1.39	-4.56	9.88	14.82	11.72	10.46
JSE Small Cap	-0.37	3.40	19.66	22.61	20.13	17.72
FTSE/JSE SA Resources	2.06	-10.32	38.20	20.93	13.24	18.05
FTSE/JSE SA Financials	1.16	9.05	28.32	21.54	21.32	13.23
FTSE/JSE SA Industrials	0.30	-3.69	-2.50	9.26	10.74	10.90
Global Market Indices	**1 Month**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**7 Years**
MSCI World	0.53	10.52	20.88	18.64	11.70	14.26
MSCI Emerging Markets	-3.03	20.27	37.06	19.89	8.52	9.99
S&P 500	-0.06	10.14	19.56	19.32	12.86	15.83
NASDAQ 100	-6.59	12.38	22.58	22.44	14.47	21.06
FTSE 100	5.07	11.56	24.90	18.01	12.42	10.65
MSCI Europe Ex UK	0.59	9.59	22.82	15.79	9.30	11.75
SSE Composite	-5.88	0.00	14.33	7.24	1.54	4.20
KOSPI TR KRW	-15.43	59.36	100.34	33.29	12.90	17.51
Nikkei 225	-5.42	26.93	50.66	22.29	12.37	12.86
US T-Bill 3m	0.32	2.21	3.91	4.71	3.86	2.91
Commodities	**1 Month**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**7 Years**
Oil Price Brent Crude	23.59	48.10	24.25	1.75	3.38	4.74
Gold	0.01	-7.81	22.06	26.89	17.14	15.97
Platinum	3.77	-26.95	24.50	19.66	9.27	9.29
Copper	3.38	10.49	40.30	11.94	4.42	10.55

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 of 31 July 2026.

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