January 2026

Monthly Houseview Tactical Asset Allocation

We have decided to maintain a moderately overweight position in SA equity, funded by local cash.

Figure 1: Houseview Tactical Asset Allocation

Asset Class	--	-	Neutral	+	++
SA Cash					
SA Bonds					
SA Inflation-Linked Bonds					
SA Listed Property					
SA Equity					
Foreign Cash					
Foreign Bonds					
Foreign Equity					
Foreign Property					

Synopsis

Here is our investment case for February 2026:

- We have kept a moderately overweight position in SA equity as we believe it will continue to outperform local cash on the basis of attractive valuations, improving sentiment, ample global liquidity, structural support for gold and the sustained recovery of foreign investors' appetite for EM and SA assets amid dollar weakness and the need for geographical diversification.
- We have moved from moderately underweight in offshore cash to neutral, as a weaker US dollar has boosted EM assets and commodity prices, but it is unclear if this weakening will persist over the near term as US economic growth remains relatively resilient.

TAA overview

While equity valuations may be challenging, macro data does confirm a better-than-expected global growth environment, albeit with a dimmer outlook amid heightened geopolitical risk. Cooling inflation and rate cuts may extend the current rally. It is, however, important to adopt a cautious approach as the backdrop may remain turbulent as we head into the US mid-term elections later this year and possible increased turbulence over the remainder of Trump's term.

Global economic activities continued to expand into the festive season, with most regions' composite PMI indices above the neutral level of 50, driven by booming services sectors. Manufacturing sectors' recovery is, however, showing modest signs of lost momentum. For most major regions, macro data in the last few months of 2025 was better than market expectations, except for China and the UK. For China, macro-level data was somewhat resilient, delivering a full year GDP growth rate of 5%, and net exports were up. In contrast, micro-level data remained lacklustre, with industrial profitability falling and the property sector yet to stabilise and recover, signalling more stimulus is needed from the Chinese government. Investor risk sentiment continued to improve in China as non-banking deposit growth surged. For the UK, consumer spending was subdued for the quarter due to a weak labour market and easing wage growth, while business confidence was negatively impacted by cost pressures and policy uncertainty as headwinds from global trade challenges persisted.

Global inflation slowed to 3.3% in December, with services inflation remaining somewhat sticky, but inflation surprise indices point to a sustained easing of inflationary pressure, which peaked in April/May last year for major economies. While the anti-involution policies in China have reined in excessive goods deflation, Germany's PPI deflation deepened to -2.5%, signalling limited upside risk to global goods inflation over the near term. In the US, core services inflation trickled down from 3.8% in July to 3.3% in December, with a slower-than-anticipated rate of disinflation. However, rental disinflation also supports further core services disinflation.

Figure 2: Composite PMI

	Jun-25	Jul-25	Aug-25	Sept-25	Oct-25	Nov-25	Dec-25
Global Composite PMI	51.7	52.5	52.9	52.4	52.9	52.7	52
Global Services PMI	51.8	53.5	53.4	52.8	53.4	53.2	52.4
Developed Markets	51.6	53.1	53.1	52.4	53.3	53	51.9
Emerging Markets	51.7	51.6	52.8	52.6	52.5	52.3	52.1
Eurozone	50.6	50.9	51	51.2	52.5	52.8	51.5
France	49.2	48.6	49.8	48.1	47.7	50.4	50
Germany	50.4	50.6	50.5	52	53.9	52.4	51.3
Italy	51.1	51.5	51.7	51.7	53.1	53.8	50.3
Spain	52.1	54.7	53.7	53.8	56	55.1	55.6
Ireland	52.8	52.5	51.3	52	53.7	55.8	53.6
Australia	51.6	53.8	55.5	52.4	52.1	52.6	51
Sweden	53.6	50.5	53.9	57.1	55.3	57.9	56.3
UK	52	51.5	53.5	50.1	52.2	51.2	51.4
US	52.9	55.1	54.6	53.9	54.6	54.2	52.7
Japan	51.5	51.6	52	51.3	51.5	52	51.1
China	51.3	50.8	51.9	52.5	51.8	51.2	51.3
India	61	61.1	63.2	61	60.4	59.7	57.8
Brazil	48.7	46.6	48.8	46	48.2	49.6	52.1
Russia	48.5	47.8	49.1	46.6	50.2	50.1	50

Figure 3: Manufacturing PMI

	Jun-25	Jul-25	Aug-25	Sept-25	Oct-25	Nov-25	Dec-25
Global Manufacturing PMI	50.4	49.7	50.9	50.8	50.8	50.5	50.4
Developed Markets	50.5	49.2	50.9	50.3	50.6	50.5	50.5
Emerging Markets	50.4	50.1	50.9	51.2	51.1	50.5	50.4
Eurozone	49.5	49.8	50.7	49.8	50	49.6	48.8
France	48.1	48.2	50.4	48.2	48.8	47.8	50.7
Germany	49	49.1	49.8	49.5	49.6	48.2	47
Italy	48.4	49.8	50.4	49	49.9	50.6	47.9
Spain	51.4	51.9	54.3	51.5	52.1	51.5	49.6
Greece	53.1	51.7	54.5	52	53.5	52.7	52.9
Ireland	53.7	53.2	51.6	51.8	50.9	52.8	52.2
Australia	50.6	51.3	53	51.4	49.7	51.6	51.6
Sweden	51.8	52.1	55	55.6	55.1	54.7	55.3
UK	47.7	48	47	46.2	49.7	50.2	50.6
US	52.9	49.8	53	52	52.5	52.2	51.8
Japan	50.1	48.9	49.7	48.5	48.2	48.7	50
China	50.4	49.5	50.5	51.2	50.6	49.9	50.1
Indonesia	46.9	49.2	51.5	50.4	51.2	53.3	51.2
South Korea	48.7	48	48.3	50.7	49.4	49.4	50.1
Taiwan	47.2	46.2	47.4	46.8	47.7	48.8	50.9
India	58.4	59.1	59.3	57.7	59.2	56.6	55
Brazil	48.3	48.2	47.7	46.5	48.2	48.8	47.6
Mexico	46.3	49.1	50.2	49.6	49.5	47.3	46.1
Russia	47.5	47	48.7	48.2	48	48.3	48.1
South Africa	48.5	50.8	49.5	52.2	49.2	42	40.5

Figure 4: China industrial enterprises total profits YoY%

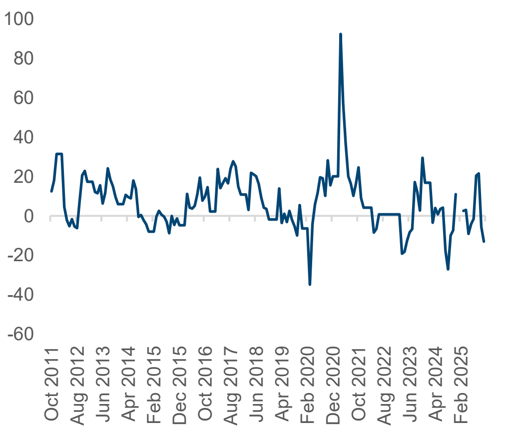


Figure 5: China yuan deposits YoY

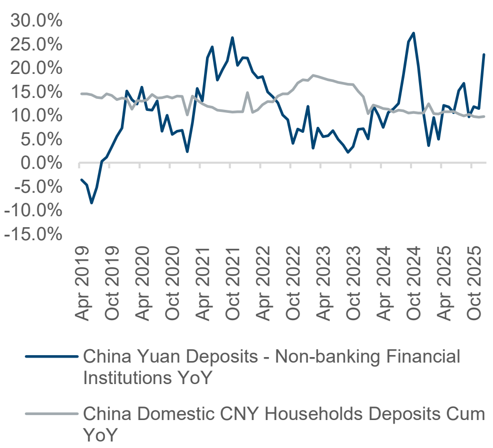


Figure 6: Global inflation data

	Dec 2024	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025	Aug 2025	Sept 2025	Oct 2025	Nov 2025	Dec 2025
Global	4.5	4.4	4.3	3.7	3.7	3.7	3.6	3.6	3.4	3.3	3.4	3.4	3.3
Citi Inflation Surprise Index - Global (RHS)	-5.7	-6.2	-0.3	-2.1	-9.1	-12.5	-14.7	-13.9	-10.0	-10.7	-13.7	-11.1	-8.8
Citi Inflation Surprise Index - Major Economies (RHS)	2.8	3.6	11.9	10.5	-0.7	-8.9	-13.5	-12.3	-4.8	-4.9	-10.7	-8.1	-6.0
Citi Inflation Surprise Index - Emerging Markets (RHS)	-18.5	-20.8	-18.5	-20.9	-21.8	-17.8	-16.5	-16.3	-17.7	-19.2	-18.1	-15.7	-13.0
France	1.3	1.6	0.8	0.8	0.8	0.7	1.0	1.0	0.9	1.2	0.9	0.9	0.8
Germany	2.6	2.3	2.3	2.2	2.1	2.1	2.0	2.0	2.2	2.4	2.3	2.3	1.8
Greece	2.6	2.7	2.5	2.4	2.0	2.5	2.8	3.1	2.9	1.9	2.0	2.4	2.6
Ireland	1.4	1.9	1.8	2.0	2.2	1.7	1.8	1.7	2.0	2.7	2.9	3.2	
Italy	1.3	1.5	1.6	1.9	1.9	1.6	1.7	1.7	1.6	1.6	1.2	1.1	1.2
Spain	2.8	2.9	3.0	2.3	2.2	2.0	2.3	2.7	2.7	3.0	3.1	3.0	2.9
Sweden	0.8	0.9	1.3	0.5	0.3	0.2	0.7	0.8	1.1	0.9	0.9	0.3	0.3
Switzerland	0.6	0.4	0.3	0.3	0.0	-0.1	0.1	0.2	0.2	0.2	0.1	0.0	0.1
United Kingdom	2.5	3.0	2.8	2.6	3.5	3.4	3.6	3.8	3.8	3.8	3.6	3.2	
United States	2.9	3.0	2.8	2.4	2.3	2.4	2.7	2.7	2.9	3.0		2.7	2.7
Australia	2.4			2.4			2.1			3.2			
Japan	3.6	4.0	3.7	3.6	3.6	3.5	3.3	3.1	2.7	2.9	3.0	2.9	
Brazil	4.8	4.6	5.1	5.5	5.5	5.3	5.4	5.2	5.1	5.2	4.7	4.5	4.3
China	0.1	0.5	-0.7	-0.1	-0.1	-0.1	0.1	0.0	-0.4	-0.3	0.2	0.7	0.8
India	5.2	4.3	3.6	3.3	3.2	2.8	2.1	1.6	2.1	1.4	0.3	0.7	1.3
Indonesia	1.6	0.8	-0.1	1.0	2.0	1.6	1.9	2.4	2.3	2.7	2.9	2.7	2.9
Mexico	4.2	3.6	3.8	3.8	3.9	4.4	4.3	3.5	3.6	3.8	3.6	3.8	3.7
Russia	9.5	9.9	10.1	10.3	10.2	9.9	9.4	8.8	8.1	8.0	7.7	6.6	
South Africa	3.0	3.2	3.2	2.7	2.8	2.8	3.0	3.5	3.3	3.4	3.6	3.5	
South Korea	1.9	2.2	2.0	2.1	2.1	1.9	2.2	2.1	1.7	2.1	2.4	2.4	2.3
Taiwan	2.1	2.7	1.6	2.3	2.0	1.6	1.4	1.5	1.6	1.3	1.5	1.2	1.3

Source: Bloomberg

Figure 7: China and Germany PPI

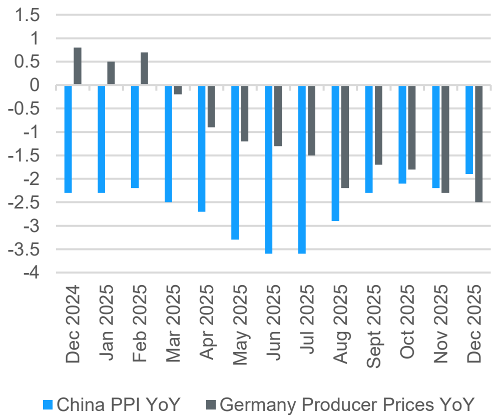
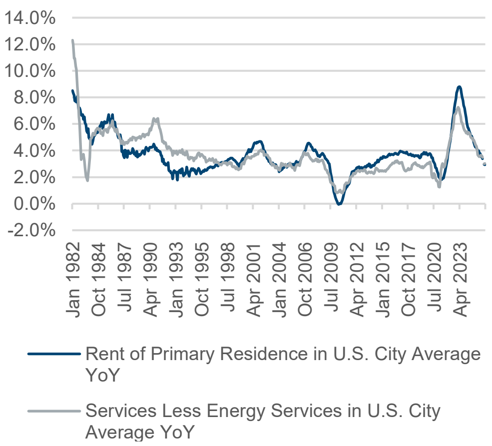


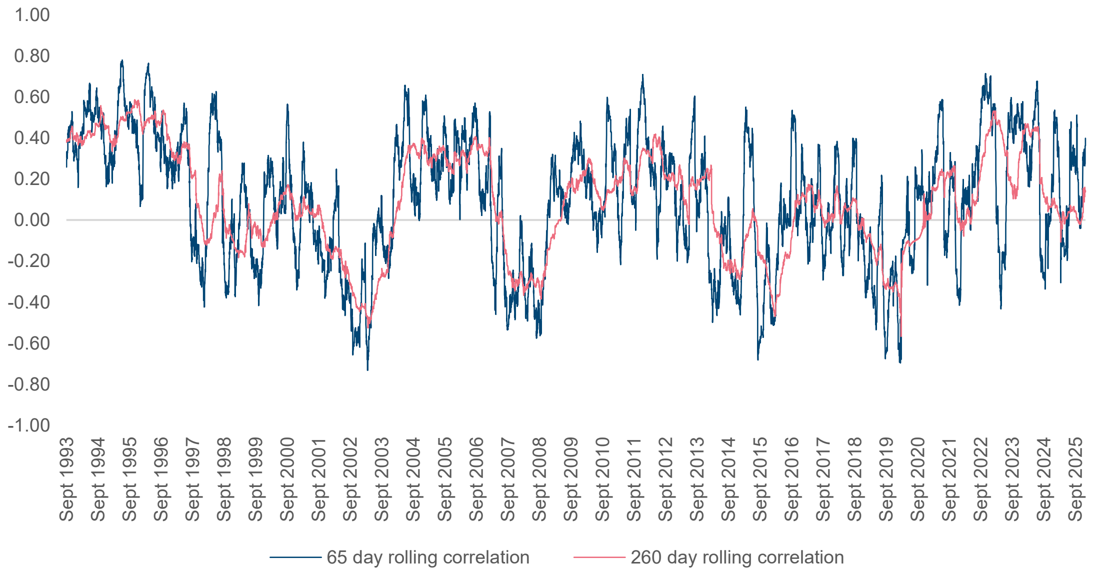
Figure 8: US rental and core services inflation YoY



Source: Bloomberg

This benign growth and easing inflation backdrop is generally conducive to risk assets. However, as we have seen so far this year, global economic defragmentation and unpredictable US policies under President Trump can pose a significant downside risk to global growth; not to mention that the world is also going through a phase of jobless growth amid increasing AI adoption, which could weigh further on consumer sentiment and spending. For offshore bonds, the recent pick up in correlations and concerns around fiscal sustainability limit their diversification potential.

Figure 9: US treasury and equity correlations



Source: Bloomberg

For South African assets, bonds may still be relatively attractive to offshore fixed income. However, from a real-yield, implied-yield and hedged-yield perspective, spreads have narrowed significantly over recent months. Meanwhile, SA equity and MSCI Emerging Markets remain attractive relative to developed-market peers.

Figure 10: Price-to-earnings ratios

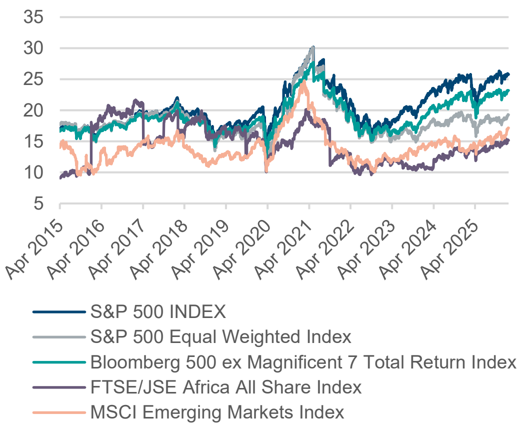
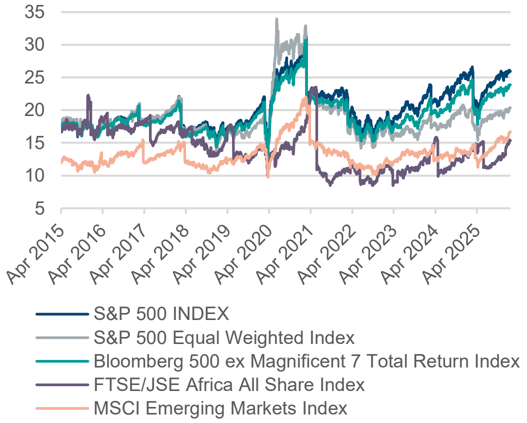


Figure 11: Forward price-to-earnings ratios



Source: Bloomberg

Sentiment towards SA has been supported by the country's removal from the greylist and S&P Global's upgrade in Q4 last year, with structural drivers of dollar weakness providing further support to emerging markets. One of the potential catalysts, which we expect will provide further support to both SA equity and bonds, is the sustained recovery of net foreign inflows, from the nascent signs observed.

Figure 12: South Africa bond sales to foreigners, net USD

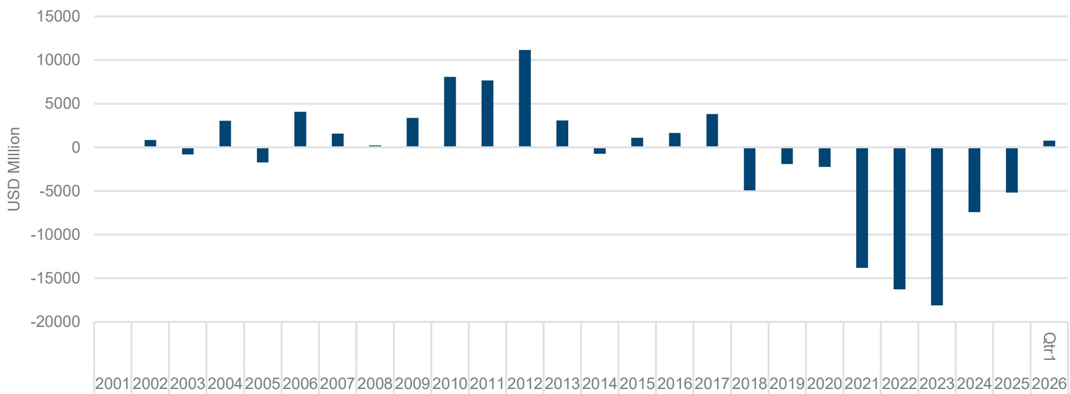
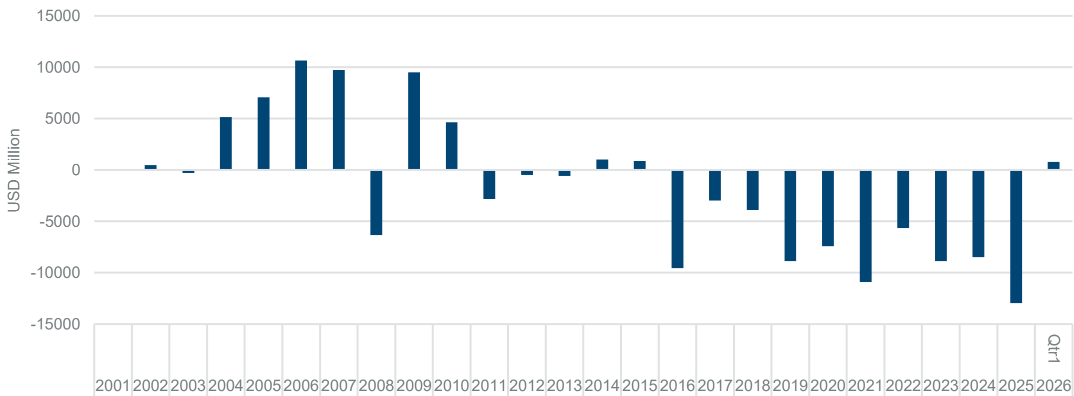


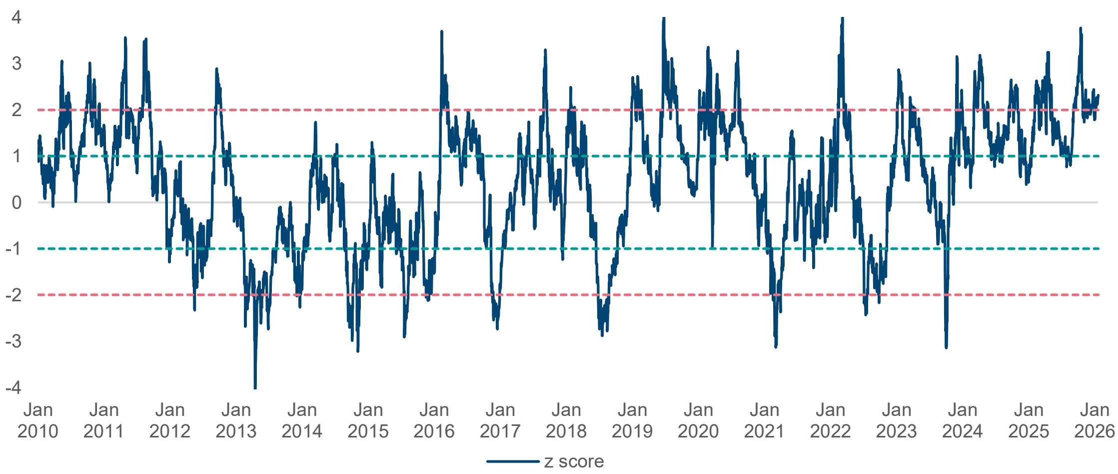
Figure 13: South Africa equity sales to foreigners, net USD



Source: Bloomberg

From a TAA perspective, we have kept our views unchanged from last month and remain moderately overweight in SA equities, funded by local cash. We prefer SA equities due to attractive valuations, upbeat sentiment, dollar weakness and gold's momentum. Gold remains bullish as investors are likely to hold onto precious metals to hedge geopolitical risks and the erosion of US and global institutional credibility. We did, however, move from moderately underweight in offshore cash to neutral after USD depreciation in recent months. Over the medium-term horizon, we expect there still to be a meaningful probability of the USD weakening, driven by the Trump administration's agenda and the consequences of the US government's policy stances. In the near term, US growth remains resilient, which may provide some stabilisation.

Figure 14: Gold price momentum



Source: Bloomberg

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