

We have decided to maintain an all-neutral position for the TAA.

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 July 2026:

Our houseview remains unchanged heading into July, with the committee maintaining a neutral stance across all major asset classes. While sentiment improved into June, supported by easing geopolitical tensions in the wake of the US–Iran peace framework, resilient growth and AI-driven earnings, the durability of this improvement remains uncertain, particularly given the fragile nature of the ceasefire. Markets have shifted towards a more balanced and cautious backdrop, with inflation remaining sticky, bond yields elevated and policy expectations anchored in a higher-for-longer regime. At the same time, valuations across most asset classes appear broadly fair following the recent recovery, limiting the scope for further rerating. While the backdrop remains largely risk-on, elevated valuations and geopolitical uncertainty continue to constrain conviction. At the same time, increased market concentration and rotation dynamics point to a more volatile environment ahead. In the absence of clear valuation dislocations, the committee maintains a neutral allocation, retaining flexibility to act opportunistically as conditions evolve.

TAA overview

May and month-to-date June were characterised by a gradual stabilisation in global risk sentiment, supported by the announcement of a US–Iran peace framework, the reopening of the Strait of Hormuz and the easing of sanctions. However, the durability and credibility of this agreement remain uncertain, with markets continuing to reassess the sustainability of the ceasefire and the potential for renewed geopolitical tension in the short term or post the US mid-term elections. As a result, while the backdrop remained broadly risk-on, uncertainty, elevated inflation and higher bond yields increasingly tempered sentiment, reinforcing a higher-for-longer interest rate narrative.

Emerging markets (EM) continued to outperform developed markets (DM), supported by stronger macroeconomic surprises, improving capital flows and continued leadership from Asian equity markets. However, this outperformance became more selective and differentiated, driven by exposure to AI-related growth, commodity price dynamics and domestic macro resilience. Taiwan, South Korea and Japan remained the strongest performers, benefiting from robust semiconductor demand and sustained AI-driven capital expenditure. In contrast, US equities showed signs of consolidation into June, reflecting a rotation away from technology into more defensive sectors, alongside sensitivity to a more hawkish Federal Reserve and rising valuation concerns.



EM dispersion remained evident. Brazil underperformed due to persistent foreign outflows, political uncertainty and fiscal concerns, while India rebounded into June, supported by improved sentiment and strength in rate-sensitive sectors. South African equities followed a similar trajectory, showing some stabilisation from recent months' weakness on the back of stronger-than-expected GDP growth, improved sovereign sentiment and some steadiness in precious metals after the recent pullback.

In fixed income, global bonds remained under pressure as yields moved higher, reflecting sticky inflation, fiscal concerns and reduced foreign demand for US Treasuries, contributing to rising term premia. In contrast, South African bonds outperformed global peers, supported by strong foreign inflows, rating upgrades and improving fiscal credibility, although valuations have become less attractive following this repricing. Listed property delivered mixed outcomes, with local property showing resilience supported by improved earnings, corporate activity and rating momentum, while global property remained constrained by elevated bond yields and uncertainty around the rate outlook.

In commodities, the dominant theme was normalisation following earlier geopolitical disruptions, with oil prices declining below \$80 per barrel as supply risks eased after the announcement of a preliminary peace deal and roadmap between the US and Iran. Industrial metals remained supported by structural demand linked to electrification and AI infrastructure, although positioning appears increasingly stretched. Precious metals weakened due to a combination of hawkish Federal Reserve signals, a strengthening US dollar and speculative liquidation following a broad technology-led market sell-off later in June. Currency dynamics reflected a more nuanced environment, with the US dollar strengthening on the back of hawkish policy expectations and resilient US data, while the rand also appreciated, supported by improved domestic fundamentals, capital inflows and enhanced policy credibility.

From a macroeconomic perspective, global growth remained resilient but uneven, with the US and China maintaining steady expansion, while the Eurozone lagged amid weaker services activity and ongoing energy-related pressures. Inflation remained the central theme, with US and South African inflation rising due to energy costs, while services inflation remained sticky, reinforcing expectations of persistent second-round effects. In general, central banks maintained a hawkish bias, with the Federal Reserve on hold but signalling no near-term cuts, the ECB tightening and the SARB raising rates, collectively reinforcing the higher-for-longer policy environment. A key structural support that remained was the AI-driven capex cycle, which continued to underpin global growth, earnings and market leadership, particularly across technology and semiconductor sectors. However, this concentration has also led to narrower market breadth, elevated valuations and increased vulnerability to rotations, as reflected in June's shift towards more defensive positioning.

Main Asset Classes

SA Bonds – Neutral

South African bonds remain supported by improved fiscal credibility, rating upgrades and strong foreign inflows. However, valuations have become less compelling, with yield spreads compressing towards historical lows and real yields appearing less attractive relative to emerging market peers. Upside inflation risks, driven by energy costs and currency dynamics, increase the



probability of further SARB tightening or extended pauses. Given this balance, we maintain a neutral stance.

SA Inflation-Linked Bonds – Neutral

Inflation-linked bonds continue to provide effective protection in an environment of persistent inflation and second-round effects. However, breakeven levels suggest this is priced in to some extent, while higher duration and thus exposure to further increase in real yield remains a risk. The balance between inflation protection and tightening risk supports a neutral view.

SA Listed Property – Neutral

Despite recent positive performance supported by improved sentiment and fundamentals, the asset class remains highly sensitive to interest rates. With inflation risks elevated and rate cuts uncertain, the upside remains constrained. We maintain a neutral stance.

SA Equity – Neutral

South African equities offer attractive relative valuations (trading at roughly half the S&P 500 on a PE basis) and could benefit from improved global sentiment, diversification needs away from US concentration, commodity stability and EM inflows. However, a fragile growth outlook, potential cost inflation-induced margin pressure and dependence on external factors limit conviction. The committee remains neutral, though selective opportunities exist.

Foreign Cash – Neutral

The US dollar remains supported by higher yields and strong economic data. Some reversal is possible, although the timing is uncertain, if inflation moderates and geopolitical risks ease. With currencies broadly fairly valued, we retain a neutral stance.

Foreign Bonds – Neutral

Global bond yields are elevated and increasingly attractive, but risks remaining skewed to further increases due to ongoing economic expansion, inflation worries, fiscal concerns and reduced foreign demand. Historically low risk premia and the possibility of a more opaque Fed under new Fed Chair Warsh, may exert upward pressure on bond yields. Given this uncertain risk–reward profile, we maintain a neutral position.

Foreign Equity – Neutral

Global equities remain supported by strong earnings, particularly in AI and technology, but face headwinds from elevated valuations, higher rates and geopolitical uncertainty. Continued rapid growth in earnings will become increasingly difficult, while increased rotation and narrower breadth suggest a more volatile path ahead. A neutral stance remains appropriate.

Foreign Property – Neutral

Foreign property has benefited from rotation into defensives but remains constrained by higher-for-longer rates and insufficient yield compensation. Structural headwinds persist, supporting a neutral allocation.