Market Update

August 2026

August presented a mixed global picture. The US recorded stronger job creation, while China's recovery remained uneven and eurozone inflation increased as energy prices rose. Despite these cross-currents, many global equity markets ended the month higher.

Closer to home, SA inflation slowed in July as fuel prices fell, and private-sector activity expanded slightly in August. The rand strengthened and the local share market delivered a strong headline return, although gains were concentrated in resources companies.

Global economy: Uneven growth and renewed inflation pressure

The global economy continued to navigate a difficult balance between inflation, growth and interest rates. Higher oil and gas prices, linked in the source report to the conflict in Iran and disruption to shipping through the Strait of Hormuz, increased cost pressures in several developed economies.

Economic momentum varied across countries. The US labour market improved, China's domestic economy remained weak, and the UK services sector showed resilience. At the same time, rising US Treasury yields reflected concern about inflation and the longer-term economic outlook. Higher bond yields generally translate into higher borrowing costs for households and businesses.

US: Job creation rebounds

The US economy added 162 000 jobs in August, its strongest monthly increase in five months and well above the market expectation of 56 000. July's figure was revised up to 23 000 jobs, while the unemployment rate remained unchanged at 4.1%.

The improvement was encouraging, but the broader labour market remained subdued. Job openings, layoffs and the number of employees voluntarily leaving their jobs showed little movement in July, suggesting that both hiring activity and worker confidence remained restrained.

Other key US indicators included:

- Annual inflation increased from 2.4% in February to 3.4% in July, after reaching 4.2% in May.
- Real gross domestic product, which measures economic output, grew at an annual rate of 1.5% in the second quarter, compared with 2.1% in the first quarter.
- The source report noted expectations that the US Federal Reserve could raise interest rates at least once more before year-end.

What this means for you:

Stronger employment can support consumer spending, but persistent inflation and higher borrowing costs may place pressure on households, businesses and investment markets. Investors should expect continued sensitivity to new economic data and interest-rate decisions.

China: External strength, but weak domestic demand

China's economy continued to lose momentum in August, with a widening gap between strong international trade and weak domestic activity.

Exports rose 18.5% year-on-year (y/y) during the first seven months of 2026, but retail sales and fixed investment fell to post-pandemic lows.

The property sector and credit growth also continued to contract. Policymakers responded with targeted support rather than a large stimulus package, including faster use of existing fiscal resources, increased bond issuance and wider consumer-loan subsidies.

The measures may provide some support, but their effect is expected to be modest. With growth slowing, inflation easing and demand for credit remaining weak, the report considered a further 0.10 percentage point interest-rate cut before year-end likely.

What this means for you:

China remains important to global trade and commodity demand. Slower domestic growth may affect emerging markets and resource-sensitive investments, including parts of the South African share market.

Europe: Energy lifts inflation, while underlying pressure eases

Eurozone annual inflation increased to 3.3% in August from 2.9% in July. The main driver was energy, where annual inflation rose to 14.3% as oil and gas prices increased.

The underlying picture was slightly more encouraging. Services inflation slowed to 3.0%, while core inflation, which excludes volatile items such as energy and food, eased to 2.4%. This suggests that the energy-price increase had not yet spread significantly into the wider economy, although overall inflation remained above the European Central Bank's 2% target.

The UK services sector also performed better than expected. Its Purchasing Managers' Index rose to a six-month high of 52.8, with a reading above 50 indicating expansion.

What this means for you:

Energy prices remain an important risk to household costs, company profits and interest-rate expectations. However, easing underlying inflation provides some balance to the higher headline figure.

Japan: Foreign reserves decline sharply

Japan's foreign exchange reserves fell 6.18% in August to US$1.207 trillion. The US$80 billion decline from July was the largest percentage fall since official records began in 2000 and was linked in the source report to large-scale currency intervention.

What this means for you:

Currency movements can add to or reduce offshore investment returns when measured in rand, even when the underlying investment performs well in its home market.

SA: Inflation slows and activity improves slightly

SA's annual consumer inflation rate slowed to 4.3% in July from 5.0% in June, below the 4.5% median forecast. Consumer prices still increased by 0.2% during the month, meaning that the cost of living continued to rise, but at a slower annual pace.

Lower fuel prices were the main reason for the improvement:

- The fuel component of inflation fell by 7.8% between June and July.
- Transport costs declined by 2.7%, reducing the monthly inflation rate by 0.4 percentage points.
- Annual inflation was 2.9% for the lowest-spending households and 4.6% for the highest-spending households, reflecting different spending patterns.

The South African Reserve Bank kept its benchmark interest rate unchanged in July and remained focused on guiding inflation towards its 3% target over the following two years. Business conditions also improved slightly, with the S&P Global South Africa Purchasing Managers' Index rising to 50.5 in August. A reading above 50 signals expansion.

What this means for you:

Lower fuel prices offered some near-term relief, but transport, electricity and other living costs remain important household pressures. Stable interest rates mean borrowers should not assume that repayment relief will follow immediately.

Market overview: Positive returns, but uneven performance

Financial markets generally advanced during August as investors responded to changing economic and interest-rate expectations.

The results were positive overall, but performance differed meaningfully across asset classes, regions and sectors.

Global markets

Global shares ended the month higher. The MSCI World Index gained 2.58% in US dollars and reached 13.4% for the year-to-date (YTD), while MSCI Emerging Market Index rose 3.40% during August and 24.35% YTD.

Other notable market movements included:

- The S&P 500 gained 2.72% month-on-month (m/m) in US dollars, the Euro Stoxx 50 rose 1.04% m/m in euros, and Japan's Nikkei advanced 3.08% m/m in yen.
- Global bonds returned 0.40% m/m in US dollars.
- Global listed property declined 3.06% m/m in US dollars.

Market leadership broadened beyond the momentum-driven shares that had led performance in recent months, suggesting a renewed focus on company fundamentals.

What this means for you:

Different asset classes do not move together. A balanced portfolio can participate in market growth while reducing dependence on one market segment.

Domestic markets

The FTSE/JSE All Share Index gained 4.65% m/m in rand and was the best-performing major equity market during August. However, the headline return concealed very different sector outcomes.

Local market performance was characterised by:

- A 24.46% m/m gain from resources shares, which drove most of the overall market return.
- Declines of 1.22% m/m from Financials and 4.92% m/m from Industrials.
- A 3.81% m/m decline from local listed property, alongside positive returns of 0.58% m/m from cash and 0.69% m/m from the FTSE/JSE All Bond Index.
- Rand gains of 2.60% m/m against the US dollar, 1.63% m/m against the euro and 1.84% m/m against the pound.

What this means for you:

A stronger rand can reduce rand-denominated offshore returns over the short term. The concentration of local equity gains in resources also shows why the headline index performance should be considered alongside the underlying sectors.

Key takeaways for investors

- US job creation improved, but inflation and higher bond yields kept interest-rate uncertainty elevated.
- China's strong exports contrasted with weak domestic demand and continued pressure in the property sector.
- Eurozone inflation rose because of energy costs, while underlying inflation eased slightly.
- South African inflation slowed and business activity expanded marginally, but household cost pressures remained.
- Global and local shares gained, although the JSE's return was heavily concentrated in resources companies.

Why this matters for your financial plan

Economic conditions can change quickly, and markets often respond to new information about inflation, interest rates, growth, currencies and global events. August showed how different regions, sectors and asset classes can react differently to the same environment.

Short-term uncertainty is a normal part of investing. Remaining focused on long-term goals and maintaining a well-diversified investment plan can help manage the effect of changing market conditions. If you are unsure how recent developments may affect your portfolio, speak to your financial adviser before making changes.

for your future