LOCAL MARKETS
- RESOURCES BOOST JSE

The JSE delivered another strong month. After a shaky start amid global volatility and commodity jitters, the local bourse again flexed its resource muscles, pushing the All Share Index higher (+7.0% MoM/+10.9% YTD) for a twelfth consecutive month. The rand firmed by 1.3% MoM (+3.9% YTD) against a slightly stronger greenback – US Dollar Index +0.6% MoM (-0.7% YTD). Performance was once again led by resources (Resi-10 +13.4% MoM/+28.4% YTD), supported by elevated precious metals prices. Financials also contributed (Fini-15 +7.4% MoM/+10.5% YTD), while the SA Listed Property Index gained 6.3% MoM (+7.3% YTD). Industrials (Indi-25 -0.1% MoM/-4.1% YTD) were broadly flat as weakness in large investment holdings (conglomerates Naspers and Prosus recorded double-digit declines) offset gains elsewhere.

Commodity shares on the JSE dominated performance in February, with metals and energy-linked companies, especially miners, delivering notable gains. Pan African Resources (+31.9% MoM) was the best-performing share as 2025's gold price windfall saw it declaring a maiden 1H26 dividend of ZAc12/share. AngloGold Ashanti (+30.3% MoM) reported record FY25 profits and significant shareholder payouts. Its headline earnings nearly tripled (+186% YoY) to US$2.725bn, driven by the gold price boom, integration of the Sukari mine and higher production. Sasol gained 27.2% MoM, despite reporting a 95% YoY plunge in half-year earnings caused by lower average oil prices and weaker chemical prices.

The worst-performing shares were consumer-facing retailers, and those companies which are less tied to commodities and global cyclicals. Two major SA food retailers, SPAR Group and Pick n Pay Stores, took the first and second spot, with MoM declines of 21.3% and 19.2%, respectively. Bytes Technology Group (-12.4% MoM) was the third-largest detractor, extending its recent share price weakness.

BUDGET PROJECTS DEBT TO PEAK

The 2026 National Budget largely reaffirmed fiscal consolidation, with national debt projected to peak this year. While fiscal discipline remains essential and SA continues to navigate constrained economic conditions, the overall tone was measured and pragmatic. Encouragingly, soaring gold and platinum prices have seen tax revenues from mines increase, and a R21bn stronger-than-expected revenue collection relative to prior forecasts has supported the fiscal framework, allowing the National Treasury to avoid material tax increases.

The SA economic data were broadly stable. January headline inflation eased slightly to 3.5% YoY from 3.6% in December, while core inflation remained contained at 3.4%, advancing from December's 3.3% and undershooting market expectations. December SA retail sales rose 2.6% YoY, following November's 3.6% YoY (revised) lift. The 4Q25 Quarterly Labour Force Survey (QLFS) showed that the country's official unemployment rate continued its easing trajectory, decreasing from 31.9% in 3Q25 to the current 31.4%. The number of unemployed people fell to 7.84 million from 8.01million previously.

BEST MONTH FOR VEHICLE INDUSTRY SINCE 2013

Aggregate domestic new vehicle sales in February 2026, at 53,455 units, was the best February monthly performance since 2013, reflected an increase of 5,461 units, or 11.4%, compared to the 47,994 vehicles sold in February 2025. Export sales decreased to 24,221 units, representing a decline of 28.1% compared to the 33,684 vehicles exported in February 2025.

The February 2026 new passenger car market at 37,576 units recorded an increase of 3,826 units, or 11.3%, compared to the 33,750 new cars sold in February 2025. Sales in the medium and heavy commercial vehicle segments reflected a positive performance. Medium commercial vehicle sales at 720 units were exactly the same as in February 2024, while heavy trucks and buses at 1,941 units reflected a 13.6% increase compared to the 1,708 units sold in February 2025.

PMI DECLINES, BUSINESS CONFIDENCE IMPROVES

Absa's purchasing managers index (PMI) for February came in well below expectations as stubborn economic headwinds drove activity in the manufacturing sector back into contractionary territory.

The disappointing reading suggests that despite a hopeful start to 2026, local factories remain too cautious about their outlook to increase investment or hire new workers in the near term, the Stellenbosch-based Bureau of Economic Research (BER) said.

The RMB/BER business confidence index, however, rose to 47 in Q1 2026, the highest since Q2 2021, from 44 in the previous quarter. The survey revealed that sentiment improved amid a stable government, supportive interest rate environment and favourable exchange rate movements, despite geopolitical concerns. "A sustained improvement in confidence will ultimately depend on stronger demand, continued policy credibility and progress on structural reforms. For now, sentiment is improving but translating that into durable growth remains the key test for 2026," said Isaah Mhlanga, chief economist at RMB.

INTERNATIONAL MARKETS

- VOLATILE MONTH DELIVERS MIXED RESULTS

Most major global equity markets delivered a mixed but resilient performance in February (MSCI World +0.8% MoM/+3.0% YTD) with major indices oscillating between losses and rebounds amid volatility linked to artificial intelligence (AI) sentiment, questions about AI disruptions to various industries and ongoing macroeconomic and geopolitical pressures. Historically, February has been a mediocre month for equities and is often characterised by moderate market volatility.

A central theme was the scale and sustainability of technology investment. Major US tech firms announced their 2026 AI-related capital expenditure (capex) plans, projected to increase by 40%-plus to US$650bn, following an estimated US$450bn spent in 2025. While AI demand continues to exceed expectations, supporting significant investment across cloud platforms and chipmakers, investor focus has shifted from enthusiasm to return discipline, with markets increasingly differentiating between companies generating sustainable earnings growth and those primarily expanding spending.

Geopolitics and policy also contributed to the uncertainty. Tensions between the US and Iran intensified, while the US Supreme Court ruled that several tariffs introduced by President Donald Trump were unconstitutional, citing Congress's authority over taxation. Trump's State of the Union address reinforced his uncompromising stance on tariffs, sustaining policy uncertainty. The three major US indices ended February mixed, with the S&P 500 down 0.8% MoM (+0.7% YTD), while the Nasdaq fell 3.4% MoM (-2.5% YTD). The Dow ended 0.2% firmer (+1.9% YTD) – its tenth straight monthly gain.

US macroeconomic data were mixed. January headline inflation moderated modestly to 2.4% YoY vs December's 2.7% reading, though core inflation, which strips out volatile food and energy prices, remained sticky at 2.5% YoY (vs the prior month's 2.6%). US 4Q25 GDP growth slowed to 1.4% annualised, well below consensus estimates for a 2.5% gain and 3Q25's 4.4% growth. December's core personal consumption expenditure (PCE), excluding food and energy, the US Federal Reserve's (Fed) preferred inflation gauge, printed at 3.0% YoY, up from November's 2.8%. December retail sales momentum softened, coming in flat after rising 0.6% in November. Consumer confidence rebounded more than expected in February, rising above prior months following January's slump. The minutes of the Fed's last meeting highlighted the differing views among policymakers regarding the appropriate path for interest rates.

EUROPEAN AND UK MARKETS CLOSE HIGHER

European equities extended their YTD gains, supported by improving economic data and capital flows seeking diversification from US equity markets and especially mega-cap concentration. The Euro Stoxx 50 Index climbed 3.3% MoM (+6.2% YTD), its eighth consecutive monthly advance. France's CAC gained 5.6% MoM (+5.3% YTD), and Germany's DAX advanced 3.0% MoM (+3.2% YTD). On the data front, eurozone annual inflation printed at 1.7% in January, down from 1.9% in December.

UK equity markets were particularly strong, with the FTSE 100 climbing to record levels (+7.0% MoM/+10.2% YTD). January inflation moderated to 3.0% YoY vs December's 3.4% print – its lowest level since March 2025. Core inflation slipped to 3.1% YoY from December's 3.2%. The UK economy experienced modest 4Q25 growth of 0.1% (unchanged from 3Q25) as business investment shrank and services stagnated. For 2025, GDP rose 1.3%. Earlier in February, the Bank of England voted narrowly to keep rates on hold at 3.75%, given persistent inflationary pressures.

MARKETS IN CHINA MIXED

Performances in Asia diverged. In China, equity markets have shown resilience but were relatively subdued despite positive policy expectations amid anticipated meetings, including this week's National People's Congress (NPC), with expectations of further government stimulus and policy support. The Shanghai Composite gained 1.1% (+5.0% YTD), while Hong Kong's Hang Seng declined 2.8% MoM (+3.9% YTD).

Japan was a standout performer. The benchmark Nikkei ended February up 10.4% (+16.9% YTD), hitting new highs during the month, driven by renewed investor interest in domestic cyclicals, consumer and financial counters and companies leveraged to AI-related supply chains. Japan headline inflation decelerated sharply, falling to 1.5% in January vs December's 2.1% YoY – the first time since 2022 that overall inflation has dropped below the Bank of Japan's target.

Commodities strengthened amid heightened geopolitical tension as investors got increasingly jittery over an escalation in the US/Iran conflict. Possible Strait of Hormuz disruptions sent Brent crude prices higher (+2.5% MoM/+19.1% YTD). A flight to safety saw the gold price jump 7.9% MoM (+22.2%YTD), while platinum group metals (PGMs) posted solid advances – platinum +7.9% MoM (+15.0% YTD), palladium +4.4% (+10.4% YTD), and rhodium +7.2% MoM (+29.2% YTD) – reinforcing positive sentiment towards resource-heavy markets.

Sources: Anchor Capital; Business Day; Naamsa; Trading Economics

SMART TIP

DISCRETIONARY OFFSHORE ALLOWANCE INCREASED

The National Budget presented in February was well received and the tax changes welcomed. The significant changes to take note of.

GREATER OFFSHORE FLEXIBILITY:
The Single Discretionary Allowance increases from R1 million to R2 million per year, although this may take time to be implemented.

TAX-FREE SAVINGS:
The tax-free annual investment limit increases from R36,000 to R46,000.

RETIREMENT SAVINGS:
The retirement fund deduction limit increases from R350,000 to R430,000, allowing individuals to invest more each year on a tax-efficient basis.

INFLATION RELIEF FOR INDIVIDUALS:
Personal income tax brackets and rebates adjusted for inflation, after two years of limited relief.

MEDICAL TAX CREDITS INCREASED:
Offering additional support to households facing rising healthcare costs.

SUPPORT FOR SAVING AND INVESTMENT:
Higher thresholds, exclusions and allowances that encourage long-term wealth building and diversification.

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