BRENTHURST WEALTH

LOCAL MARKETS

- UNLIKE GLOBAL MARKETS, JSE ENDS FLAT

The JSE consolidated in May, with the JSE All Share Index (-0.3% MoM/-1.0% YTD) ending the month basically flat. Mining shares remained under pressure as precious metals prices pulled back, weighing on large index constituents such as Gold Fields (-9.9%), Sibanye Stillwater (-1.8%), Northam (-1.4%), and Impala Platinum (-0.2%), which closed May lower. These losses offset firmer financial and property shares, leaving the market largely rangebound. Unlike many global peers, the South African equity market lacks significant exposure to large tech companies and thus benefited less from the global AI-driven rally.

Resources were again the weakest segment (Resi-10 -1.7% MoM/+1.0% YTD), while the SA Listed Property Index advanced by 0.2% MoM (-1.0% YTD) and financials firmed (Fini-15 +0.8% MoM/+2.6% YTD). Industrials ended May lower (Indi-25 -0.9% MoM/-7.8% YTD). The rand strengthened 2.7% MoM (+2.1% YTD) against the dollar, helped by a combination of domestic rate hikes and softer US economic data, which caused a weakening of the US dollar.

May's winning shares included companies from sectors such as technology, industrials and select financials, while hospitality and gaming shares showed some resilience.

Altron, one of the JSE's most credible domestic tech constituents, which operates across managed services, digital transformation, its own platforms (including vehicle recovery business Netstar) and its fintech and health tech businesses, was May's best performer with a 32.1% gain.

The share price leapt more than 15% on 25 May after Altron reported a hike in its FY26 dividend and a special R500mn dividend payout. Montauk Renewables, the US Nasdaq-listed biogas company with a secondary listing on the JSE, had another strong month with its share price up 19.1% in May. In third place, Bytes Technology, listed locally and on the London Stock Exchange, rose 18.8% MoM.

The SPAR Group (-24.6% MoM), which has been under pressure due to operational challenges following its troubled SAP system implementation, continued weakness in its European business, was last month's worst-performing share. SPAR was followed by Sappi Ltd with a 23.0% MoM share price decline. Clothing retailer The Foschini Group was in third place, down 18.7% MoM.

INFLATION TICKS UP, INTEREST RATE INCREASED

SA headline inflation accelerated to 4.0% YoY in April from 3.1% in March. Over the same period, core inflation rose to 3.6% YoY from 3.2% previously. The higher inflation reflects the initial pass-through of elevated global oil prices into domestic inflation. At its meeting on 28 May, the South African Reserve Bank (SARB) raised the repo rate by 25 basis points to 7%, citing heightened inflation risks and the increasing likelihood of second-round effects. Thanks to the rising inflation and the impact on living costs, Business Day reported that households are facing increased pressure and that household debt is rising.

The South African trade surplus halved in April to R15 billion from a revised R30 billion in March. The March surplus preliminary estimate was R32 billion. The first quarter 2026 surplus of R74.6 billion was almost triple the first quarter 2025 surplus of R26 billion.

MORE VROOM FOR VEHICLE SALES

Despite the many economic headwinds facing South Africa, as rising fuel prices filter through to the economy, the country's new vehicle market continues to outperform expectations.

According to Naamsa, new vehicle sales rose to 51,071 units in May, an increase of 12.8% versus the same month last year. It was also the best May performance since 2013. Dealer sales made up the bulk of local volume, accounting for 90.1% of domestic sales, followed by rental sales (5.3%), corporate fleets (2.5%) and government sales (2.1%).

Passenger car sales led the way at 36,871 units, representing year-on-year growth of 16.3%, while light commercial vehicle and bakkie sales, at 11,251 units, grew by 2.5% versus the same month in 2025. Medium and heavy commercial vehicle sales grew by 13.6% and 12.9%, respectively.

Exports remained under pressure, however, declining by 4.8% year-on-year to 30,859 units.

Toyota topped the manufacturer charts in May, followed by Suzuki and Volkswagen. The Chinese brands found themselves firmly in the top 10, with GWM in 6th, Chery in 7th and Jetour in 8th.

INTERNATIONAL MARKETS

- GLOBAL MARKETS EXTEND APRIL GAINS

May was an exceptional month for global equity markets (MSCI World +4.6% MoM/+10.7% YTD), which extended April's gains, defying historical seasonal trends. Equity markets were driven by three dominant themes: the artificial intelligence (AI) capex super cycle, robust 1Q26 US earnings, and growing optimism around a possible US-Iran deal that will ease the oil price shock.

US macroeconomic data released in May showed that April headline inflation rose 3.8% YoY vs March's 3.3% print, the highest since May 2023. Core inflation, which strips out food and energy, increased by 2.8% YoY from 2.6% previously, well above the US Federal Reserve's (Fed) 2% goal. US equities soared to record highs, driven by impressive earnings (83% of S&P 500 companies beat estimates), AI capex spending, and reports on 29 May that the US and Iran had reached a memorandum of understanding to extend the ceasefire.

The tech-heavy Nasdaq led the gainers (+8.4% MoM/+16.1% YTD), notching new highs with NVIDIA being the primary catalyst. The S&P 500 rose 5.1% MoM (+10.7% YTD), while the Dow ended 2.8% higher MoM (+6.2% YTD).

European equity markets advanced but lagged the US and Japan, with the Euro Stoxx 50 up 2.9% MoM (+4.5% YTD), remaining below pre-Iran War levels. With fewer AI and tech-focused companies vs the US and Asia, the region is less able to benefit from the AI rally that helped drive outperformance elsewhere. France's CAC rose 0.8% MoM (+0.4% YTD), and Germany's DAX jumped 3.3% MoM (+2.5% YTD). April eurozone inflation rose to 3.0% vs March's 2.6%, driven largely by higher energy costs. As a major net energy importer, Europe is especially vulnerable to energy shocks.

May was a volatile month for UK equity markets, with the FTSE 100 barely changed vs end-April's level (+0.3% MoM/+4.8% YTD). April inflation surprised to the downside, printing at 2.8% YoY vs March's 3.3%. The Office for National Statistics said energy costs had fallen due to a combination of lower wholesale prices and the government's energy bill support measures introduced before the start of the Iran conflict. Unfortunately, this improvement in inflation is likely to be short-lived.

CHINESE MARKETS LOWER, NIKKEI SOARS

In China, equity markets, which had a broadly positive May, saw gains fade into the month-end as investors took profit in tech and semiconductor shares. The Shanghai Composite was down 1.1% MoM (+2.5% YTD) and the Hang Seng declined 2.3% MoM (-1.7% YTD). May's official manufacturing PMI printed at 50 vs April's 50.3, matching the 50-point mark that separates expansion from contraction.

Japan's benchmark Nikkei soared 11.9% (+31.8% YTD), the strongest performance among major global equity indices and surpassing the 66,000 level for the first time in its history. The equity market was powered by the AI-investment cycle and an ongoing structural rerating of Japanese equities. Headline inflation printed at 1.4% in April vs March's 1.5%, remaining below the Bank of Japan's 2% target for a fourth consecutive month.

OIL PRICE CLOSE LOWER

Brent crude (-19.3% MoM/+51.3% YTD) had another volatile month, as oil prices swung wildly in May, before ending the month lower at US$92.05/bbl. Outside of oil, commodity performance was mixed. Gold (-1.7% MoM/+5.1% YTD) was notably weak, continuing a correction from all-time highs set earlier this year. Platinum group metals remained under pressure, mirroring the broader precious metals correction. Platinum declined 3.4% MoM (-6.8%YTD), despite tight supply from SA and Russia and strong demand from China, with palladium down 11.2% MoM (-16.0% YTD) and rhodium falling by 12.0% MoM (-4.1% YTD).

Sources: Anchor Capital; Business Day; Business Report; TheSouthAfrican

CONTACT ANY OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS AT OUR NINE OFFICES COUNTRYWIDE TO DISCUSS YOUR INVESTMENT STRATEGY

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