# SELECT MANAGER

## Newsletter

May 2026

## MARKETS AND ECONOMICS

Global markets in May continued to be dominated by the ongoing Middle East conflict and its inflationary spillovers, with energy prices remaining the key transmission channel into macro data, policy expectations, and risk sentiment. While geopolitical tensions persisted through most of the month, intermittent de-escalation signals drove sharp swings in risk appetite.

Central bank policy guidance reflected a coordinated shift towards a cautious, higher-for-longer stance, with inflation risks driven by elevated energy prices and geopolitical tensions outweighing softer growth dynamics. The United States (US) Federal Reserve and European Central Bank both held rates, but maintained a hawkish bias. The Bank of England also kept rates on hold, but warned of second-round effects from higher fuel costs. Locally, the South African Reserve Bank (SARB) pre-emptively hiked the repurchase rate by 25 basis points to 7%, flagging that the Middle East conflict is a key upside risk to both inflation and the rand.

Despite the hawkish central bank rhetoric and lingering geopolitical anxieties, risk-on sentiment surged across several key regions, building on the positive momentum of the preceding months. US equities surged 5% as investors focused on the stellar corporate earnings season, where more than 80% of S&P 500 companies surpassed revenue and profit expectations. Japanese equities, once again, led their developed counterparts, surging 12%, fuelled by a weak yen and enthusiasm for ongoing corporate governance reforms that continue to attract capital.

Emerging markets (EMs) surged 9.7%, significantly outperforming their developed peers on a headline basis. However, this aggregate figure masks a divergence between soaring East Asian tech hubs and struggling localised markets. South Korea (+28.5%) and Taiwan (+15.5%) carried the broader market's positive gains, driven by a surge in demand for microchips and technology hardware.

Locally, the combination of a hawkish SARB and elevated domestic inflation risks meant that South African equities completely decoupled from the broader EM tech rally. Lacking structural exposure to the specific tech themes that have been driving EMs, the FTSE/JSE All Share Index finished the month down 0.3%, leaving local shares isolated from May's global gains.

Other highlights for the month included:

+ **Fuel costs drove South African inflation to a multi-year high of 4%:** Driven by a massive 18.2% month-on-month surge in fuel costs and higher airfares, the headline Consumer Price Index accelerated sharply from 3.1% in March to hit its highest level since August 2024.
+ **The Constitutional Court revived the Phala Phala impeachment probe:** The Constitutional Court ruled Parliament's prior handling of the scandal unconstitutional, restoring the impeachment process against President Cyril Ramaphosa. This heightens political risk and strains the fragile Government of National Unity, with the Democratic Alliance vowing to pursue evidence-based accountability rather than to shield political allies.

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| JSE All Share<br>- 0,27% \| 114 632,29 | MSCI World (USD)<br>4,55% \| 4 864,59 | MSCI EM (USD)<br>9,69% \| 1 752,15 |
| SA Bonds<br>2,91% \| 1 406,98 | SA Property<br>0,62% \| 482,71 | CPI (y/y)<br>4,00% \| 106,00 |
| Gold<br>- 1,69% \| 4 523,95 | Platinum<br>- 1,54% \| 1 922,30 | Oil<br>- 17,46% \| 91,12 |
| $/R<br>- 2,69% \| 16,22 | €/R<br>- 3,28% \| 18,92 | £/R<br>- 3,76% \| 21,83 |