



FG ASSET MANAGEMENT

ECONOMIC EXPRESS

JANUARY 2026

South African financial markets enjoyed another positive month of performance. Local equities were again driven by a very strong performance from the resources sector. Geopolitical shocks supported demand for safe-haven assets, with gold benefiting significantly. The metal surged to a new all-time high of \$5,300 per ounce during the month and given that gold miners account for roughly 20% of the local equity market, this provided a substantial boost to overall performance. Emerging equity markets outperformed developed markets, supported by US dollar weakness and strong commodity prices.

Geopolitical developments drew close attention as the new year began, with headlines dominated by the capture of Venezuelan President Nicolás Maduro by U.S. authorities. He was extradited to face charges which included cocaine trafficking into the United States. Financial markets, however, largely brushed off the news, and oil prices remained stable given Venezuela's modest role in global supply of less than 1%.

Midway through the month, concerns resurfaced when US President Trump announced that Washington was exploring ways to gain control of Greenland. He argued that Greenland is strategically vital to America's missile defence system, known as the "Golden Dome." Markets steadied again after Trump, speaking at the World Economic Forum in Davos, ruled out the use of military force in pursuing this objective.

In the United States, the Justice Department opened a criminal investigation into Federal Reserve (Fed) Chairman Jerome Powell, focusing on renovations at Federal Reserve buildings. Powell suggested the probe may have been politically motivated, stemming from the Fed's refusal to lower interest rates despite pressure from President Trump.

Toward the end of the month, President Trump nominated Kevin Warsh to succeed Powell when his term expires in May, pending Senate confirmation. Warsh has historically criticized the Fed's quantitative easing during the global financial crisis, particularly the expansion of its balance sheet. Currently, he advocates for lower interest rates, arguing that AI-driven productivity gains will support stronger growth without fuelling inflation. Markets reacted swiftly to the nomination: the U.S. dollar strengthened while precious metals declined, as investors discounted the likelihood of a more dovish candidate and welcomed reduced uncertainty over future Fed leadership.



The Federal Reserve held its first meeting of the year at the end of January, leaving interest rates unchanged at 3.5% to 3.75% range, in line with expectations. Given that US inflation has held steady at 2.7% and there were no adjustments to the Fed's outlook, the decision drew little market reaction and was largely overshadowed by other developments at the central bank during the month.

Locally, South African annual inflation ticked up slightly to 3.6% from 3.5%, in line with expectations as rental housing inflation increased on the month. Core inflation which excludes volatile food, fuel and energy prices remained at a subdued level of 3.3% which should also be supportive for the decision to lower rates at the SARB's next meeting. The calendar year of 2025's average inflation averaged at 3.2%, declining from 4.4% in 2024. The rand's appreciation together with lower oil prices helped drive inflation lower.

The SARB (South Africa Reserve Bank) held their first MPC (Monetary Policy Committee) in the final week of the January, leaving the repo rate unchanged at 6.75%. The decision was not unanimous, with two of the five members voting for a 25 basis point cut. The SARB maintained a cautious stance, noting that inflation expectations have been easing. Strength in the rand and lower fuel costs led to a downward revision in the near-term inflation forecast. However, the Bank highlighted ongoing risks from rising food prices, particularly meat, and anticipated increases in electricity prices.

Index	Asset Class	JANUARY 2026
STEFI Composite Index	Local Cash	0.57%
FTSE/JSE All Bond (Total Return)	Local Bonds	1.95%
FTSE/JSE SA Listed Property (Total Return)	Local Property	0.98%
FTSE/JSE Africa All Share (Total Return)	Local Equities	3.72%
Bloomberg Global Aggregate (USD)	Global Bonds	0.94%
FTSE EPRA/NAREIT Global Index (USD)	Global Property	3.05%
MSCI AC World (USD)	Global Equities	2.98%

Source: Morningstar