



Financial markets review for Q3 2026 and outlook summary

Key financial markets review takeaways for the third quarter of 2026

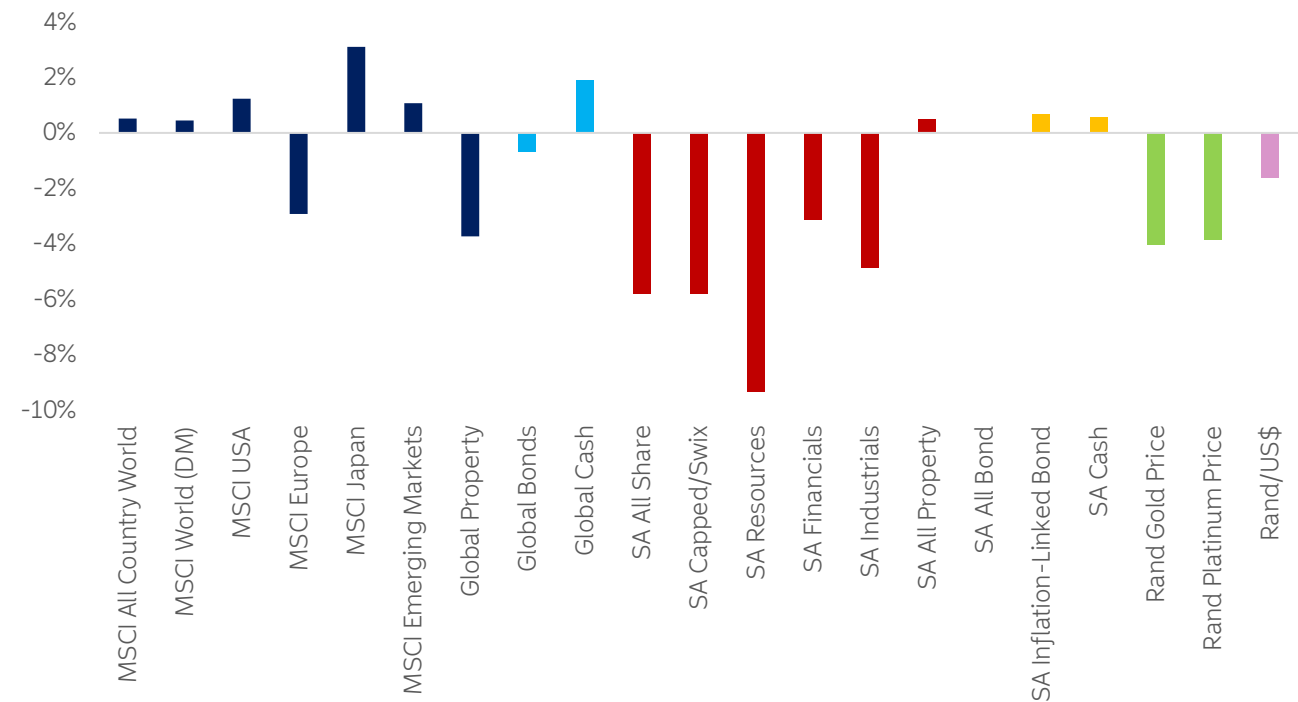
- A sharp rebound in oil prices and higher agricultural commodity prices driven by an escalation in the United States (US)-Iran conflict reignited global inflation concerns. The combination of tighter monetary policy, elevated inflation projections, solid economic growth forecasts and concerns about fiscal sustainability resulted in negative global bond returns in the quarter. Rising bond yields also caused global listed property to produce the weakest overall asset class returns, reversing almost all the positive returns achieved in the second quarter.
- With indicators continuing to point to a robust global growth picture and reported profit numbers remaining strong, global equity returns outpaced all other global asset classes in the third quarter, with developed market (DM) equities sharply outperforming emerging market (EM) equities. Within EM, semiconductor-heavy Korea produced significantly negative returns during the quarter after a phenomenal run in recent quarters, with returns still up by almost 100% year to date. Outside equities, cash was the only other global asset class to record positive returns during the quarter.
- Sharp increases in their underlying commodity prices propelled the platinum and gold exchange-traded funds (ETFs) to the highest returns among all asset classes in the third quarter, while also driving strong returns in the Resources subsector of the South African (SA) equity market. However, negative returns from the Financials sector and, particularly, the Industrials sector pushed the overall SA equity market into slightly negative territory for the quarter.
- Although SA bonds could not escape the downdraft from global bonds in the third quarter, the 49 basis points (bps) rise in local yields was smaller than the increases recorded in many DMs. Consequently, both SA nominal bonds and listed property posted smaller negative returns than their global counterparts. Rising local inflation expectations and higher policy rates meant that SA cash and inflation-linked bonds (ILBs) were the only SA asset classes outside the commodity ETFs to deliver positive returns in the third quarter.

Key financial markets outlook takeaways

- Our overarching asset allocation stance favours EM and SA equities, SA listed property and local nominal bonds, complemented by an allocation to gold for portfolio diversification. Our highest-conviction Underweights are global and SA cash. Following the sharp rise in global government bond yields, we see little to distinguish global bonds from DM equities going forward and therefore hold similar small Underweight positions in both asset classes. For our detailed financial markets outlook, please click [here](#).

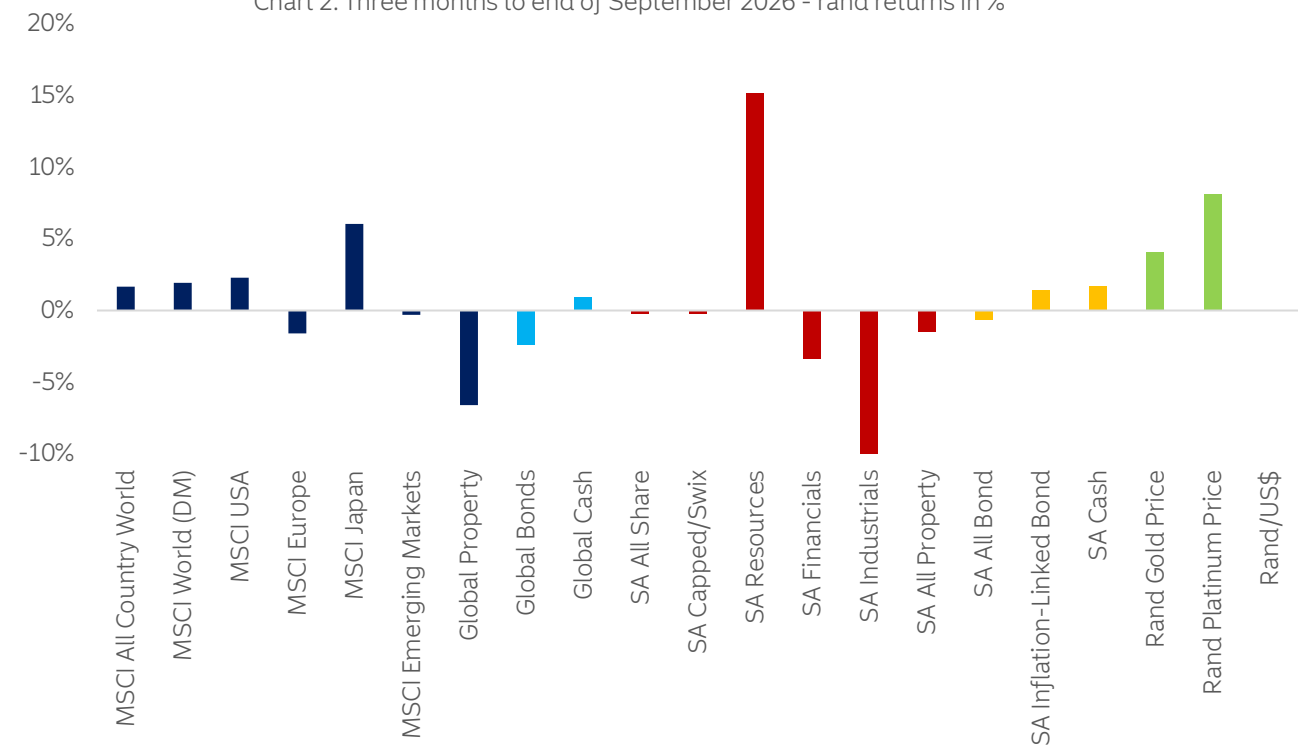
Asset class returns

Chart 1: Month to end of September 2026 - rand returns in %

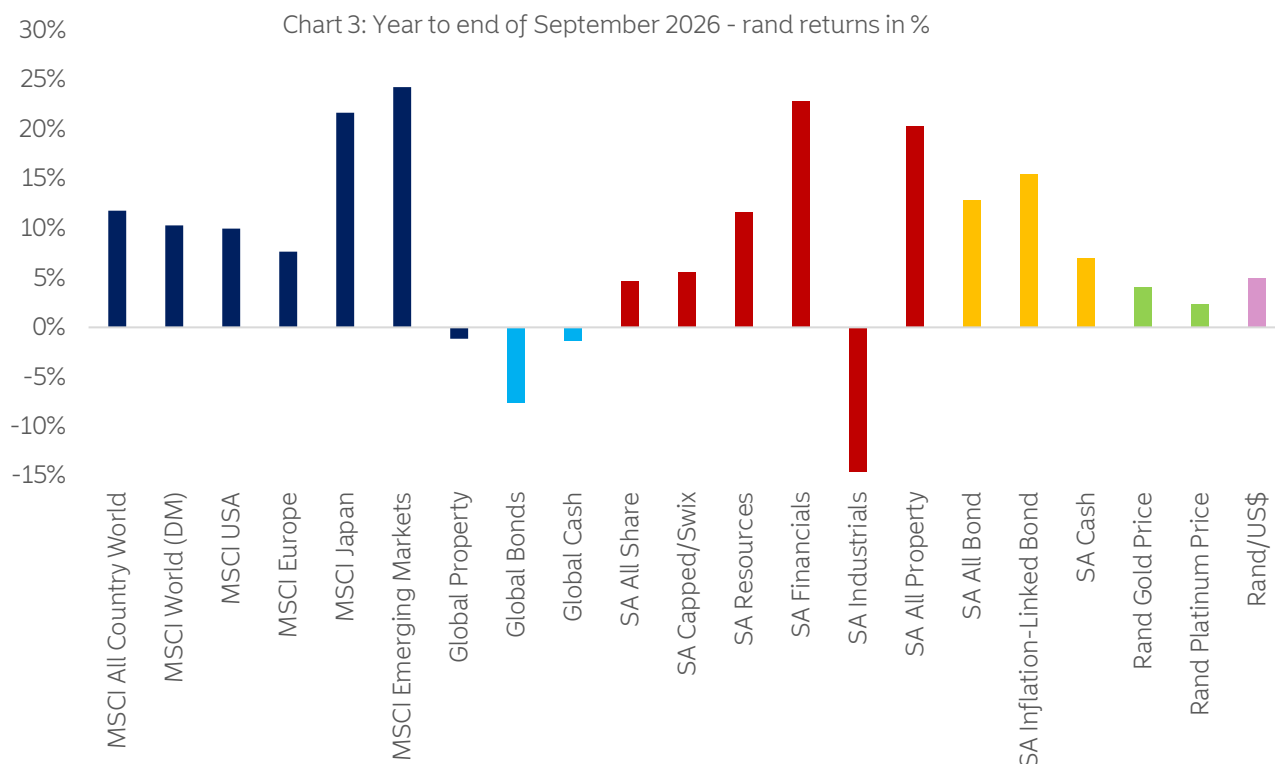


Source: Momentum Investments, various sources

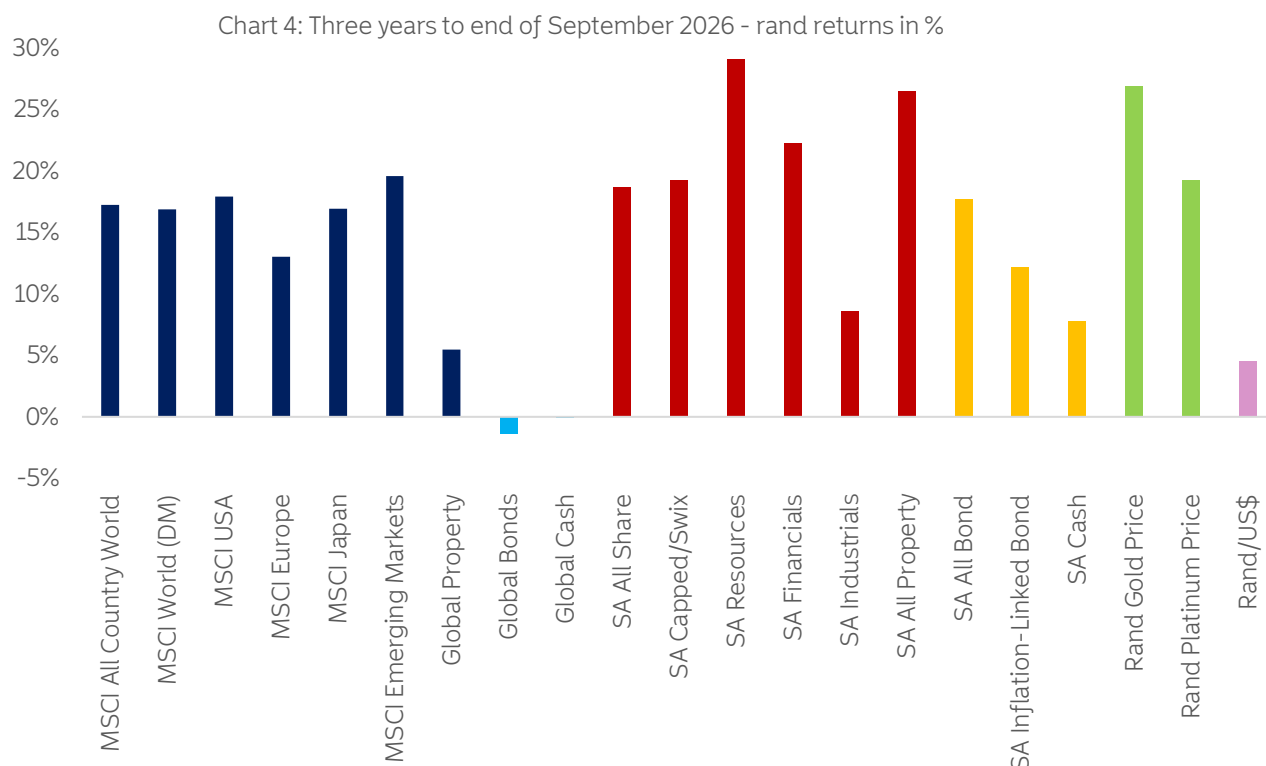
Chart 2: Three months to end of September 2026 - rand returns in %



Source: Momentum Investments, various sources



Source: Momentum Investments, various sources



Source: Momentum Investments, various sources

A sharp rebound in oil prices reignited inflation fears worldwide, hurting bonds and property

An escalation in the US-Iran conflict was the overriding theme for financial markets during the third quarter of 2026. As oil flows from the Middle East continued to be hindered by limited tanker traffic through the Strait of Hormuz and Houthi rebel attacks on Saudi Arabia's East-West oil pipeline, oil prices rose by more than a third during the quarter, after having fallen by 30% in the second quarter.

The sharp rebound in oil prices reignited inflation fears worldwide. In addition, substantial increases in agricultural commodity prices during the quarter (with sugar up 26%, maize up 21% and wheat up 15%) added to inflation concerns. These increases were linked to the blockage of fertiliser exports through the Strait of Hormuz, rising diesel input costs and transport output costs for farmers and concerns about crops amid approaching El Niño climate risks.

Higher inflation projections prompted global central banks to take preventative policy action, with the US Federal Reserve (Fed), European Central Bank (ECB) and Bank of Japan (BoJ) all raising rates in September, with further policy rate increases expected.

The combination of tighter monetary policy, elevated inflation projections, solid economic growth forecasts and concerns about fiscal sustainability propelled DM government bond yields to multi-year highs in the third quarter. The 10-year US Treasury yield rose by 88 bps, while the equivalent European yield increased by 66 bps and the Japanese yield by 38 bps. As a result, global bond returns were negative. Rising bond yields also caused global listed property to produce the weakest overall asset class returns in the third quarter, reversing almost all the positive returns achieved in the second quarter.

With economic growth indicators continuing to point to a robust global growth picture and reported profit numbers remaining strong, global equity returns outpaced all other global asset classes in the third quarter. DM equities sharply outperformed EM equities, driven particularly by solid returns from Japan, while Europe recorded negative returns. Within EM, semiconductor-heavy Korea produced significantly negative returns during the quarter after a phenomenal run in recent quarters, with returns still up by almost

100% year to date. Outside equities, cash was the only other global asset class to record positive returns during the quarter.

Sharp increases in their underlying commodity prices propelled the platinum and gold ETFs to the highest returns among all asset classes in the third quarter, while also driving strong returns in the Resources subsector of the SA equity market. However, negative returns from the Financials sector and, particularly, the Industrials sector pushed the overall SA equity market into slightly negative territory for the quarter. Within the Industrials sector, the share prices of food producers and retailers declined sharply in the third quarter amid local inflation concerns and a second interest rate hike from the SA Reserve Bank. Meanwhile, MTN Group's shares faced additional downward pressure from Iran-related asset write-downs and changes to Nigerian regulations that suspended airtime credit services.

Although SA bonds could not escape the downdraft from global bonds in the third quarter, the 49 bps rise in local yields was smaller than the increases recorded in many DMs. Consequently, both SA nominal bonds and listed property posted smaller negative returns than their global counterparts. Rising local inflation expectations and higher policy rates meant that SA cash and ILBs were the only SA asset classes outside the commodity ETFs to deliver positive returns in the third quarter.

Asset class outlook summary (our view for the year ahead)

SA cash Local cash is less attractive than it was at the 2024 SA policy rate peak. Even so, the ex-ante real cash yield is still 0.4 standard deviations above the post-inflation-targeting average. Although SA cash remains useful for liquidity, the opportunity cost of a large strategic allocation is high, particularly as other local asset classes show much higher return potential.	SA nominal government bonds Even after incorporating sovereign and supply-demand risk premia above those currently priced by the market, our fair-value estimate for SA bond yields remains well below prevailing levels. Furthermore, the SA real yield remains slightly above its historical average. This offers a meaningful income cushion and potential capital appreciation once inflation moderates and the Iran-induced risk premium normalises.
SA inflation-linked bonds (ILBs) Although breakeven inflation should rise in response to the near-term, oil-driven inflation spike, SA ILBs offer a less compelling medium-term investment case. Inflation is expected to fall below 4% in the second half of 2027, while accruals are likely to remain below average over the next year. ILBs may thus provide near-term tactical protection against rising inflation, but we see nominal bonds offering a stronger strategic combination of carry and potential capital gains beyond the immediate horizon.	SA listed property SA listed property combines improving fundamentals with an attractive expected return profile. Retail is the strongest segment, with improving distributions and dividends driven by falling vacancy rates, positive and accelerating rental reversions, healthy rent affordability and planned store expansions that exceed supply. The solar rollout adds a further earnings lever for SA listed property companies, with estimated yields on solar capex comfortably above typical funding costs and acquisition yields. Balance sheets are also solid.
SA equities With no positioning overhang in SA equities either domestically or in the EM space, if sentiment or domestic fundamentals improve, both investor bases may need to rebuild positions from a low base, creating the potential for a powerful catch-up phase for SA equities. Even under conservative assumptions, SA equities offer an attractive valuation and return proposition. The substantial margin of safety embedded in current SA equity valuations creates significant asymmetric upside should fundamentals or risk appetite outperform expectations.	Global equities Global equity returns continue to receive substantial support from strong earnings, which have more than offset valuation declines in 2026. Profit growth has also been robust across regions, with positive earnings revisions becoming more broad-based. However, equity markets are increasingly sensitive to rising bond yields, as higher discount rates compress valuation multiples even when underlying profits remain sound. Correlations indicate that positive US macroeconomic surprises are now negative not only for US bonds but also for US equities, as investors fear that stronger growth could prompt the Fed to raise rates further.
Global bonds US bond yields appear high relative to the post-global financial crisis (GFC) period, but less exceptional over a longer history. In our view, the path of Fed policy rates remains the key anchor for the US bond outlook. The critical question is whether a sustained decline in inflation and confidence in the Fed's credibility will allow markets to begin pricing lower policy rates from later in 2027.	Global listed property Global listed property fundamentals are resilient. Occupancy levels remain high outside the Office subsector, new supply has declined and recent company results show an acceleration in same-property net operating income. Looking ahead, funds-from-operations (FFO) growth is expected to rise from roughly 4% towards about 6.5% to 7% a year over the next three years, despite the continuing headwind from high funding costs.

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