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world of change



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# Beyond the rally

2025 has been  
an exhausting year.

Growth forecasts at the beginning of the year were strong and the world was optimistic. Three months later, Donald Trump “tariffed” the world on 2 April – so-called Liberation Day. Suddenly “worst-case” tariff forecasts were factored into growth expectations and equity markets plunged.

Fund managers globally, finding their portfolios way overexposed to US assets (the average global equity fund was 72% invested in US equities), started to reallocate out of the US and into Europe, the UK and emerging markets. It’s important to stress that this was not a bet against the US, nor a reason to exit the US, but more prudent diversification after years of portfolios becoming increasingly overweight the US.

So, as we near the end of the year, let’s take stock of where we are and **what we can expect from 2026.**

| What can we  
expect from 2026?

Global markets post April's trauma seem to have largely **digested the tariff news**. However, Trump needs tariffs lower. Having Brazil, India and China at 50% or above will be felt by Americans, and he can't risk a spike in inflation, so expect a softening of tariffs shortly: Brazil, India, China and hopefully even South Africa.

## | Trump needs tariffs lower.

Thank heavens for the **oil price**, which has played a major role in keeping inflation low and providing relief to consumers. Having started the year at US\$75 per barrel, the oil price has spent most of the year around current levels of US\$65. The US consumer is thus fairly robust, and given that they constitute 70% of the US GDP number, the economy is in reasonable shape.

In terms of geopolitics, the **ceasefire in the Middle East** is holding, and hopefully the momentum can see both sides adhering to the agreement details.

As we approach the fourth year of the **Russia-Ukraine** conflict, it is, first of all, amazing that Ukraine has managed to hold back mighty Mother Russia for this long. But what's becoming clear is that no amount of Trump shouting is going to get Volodymyr Zelensky to forfeit land, while Vladimir Putin needs something to save face. He can't put Russia through war for four years, with close to a million men killed or wounded, and then walk away with just a ceasefire. Any solutions, however, would be beneficial in terms of stimulating a risk-on environment, supporting emerging markets – the so-called “risk dividend”.

## | Any solutions would be beneficial in terms of stimulating a risk-on environment.

Looking ahead, lower oil prices keeping inflation under control, softer tariffs, and interest rates heading down (with a few extra cuts for Trump) all point to firming growth, healthy corporate earnings and market opportunities. However, sky-high technology share prices, stretched valuations and leveraged retail investors, not to mention an unpredictable president, are a dangerous cocktail, so tread carefully.

By contrast, as global investor attention finally turns to **emerging markets**, South Africa too is feeling better.

We have indeed come a long way since the dark depths of mid-2023. To me, that was when we as a country hit “**rock bottom**”.

We have indeed come a long way since the dark depths of mid-2023.

It was pre-GNU, the ANC was large and in charge, and everything was broken. We were limping post “state capture”, we had just been grey-listed, we had level 6 load-shedding (with rumours it could go up to level 15), the railways and ports were broken, and on top of that, the US had just accused us of supplying Russia with weapons.

Adding insult to injury, it was midwinter and South Africans were cold and depressed. It was essentially our **Winter of Discontent!**

Two years later, things are looking better. The GNU is functioning, albeit imperfectly, and progress is being made. Visa backlogs have been cleared; Home Affairs is being digitised; Operation Vulindlela has essentially fixed electricity; and railways and ports have made significant progress. Their next focus is on water, crime and municipalities – fixing the country one step at a time.

We’re off the grey list, growth is improving, gold is up 50% this year, and the JSE is one of the top-performing stock markets globally in dollar terms this year – yet it remains reasonably priced.

## Bottom line

From the depths of despair mid-2023, South Africa has been trending slowly in the right direction. Momentum looks set to continue, with a positive medium-term outlook for the next couple of years.

It’s a long time since we’ve been able to say that.

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