

Local Markets

The International Monetary Fund warned of a widening global divergence between AI-benefiting nations and energy importers as it downgraded growth expectations for nearly half of the world's economies; including South Africa, which saw its 2026 growth forecast trimmed to 1.0%.

Finance Minister Enoch Godongwana will present the mid-year budget update (the MTBPS) to Parliament on Wednesday, 21 October 2026.

Mining production declined 12.7% on a YoY basis (-5.4% MoM) in August, after a revised drop of 7.0% recorded in the previous month.

The local equity market (ALSI) gained 2.3% over the week, with all major indices ending in the green.

Financials led the market higher with a return of 3.7%, followed by Industrials with 2.1% and Resources with 1.6%.

The SA Listed Property sector and the Preference Share Index ended the week flat, both gaining 0.1%.

Regarding the market-cap indices, Large Caps (Top 40 Index) were the winners with a gain of 2.5%, followed by Mid-caps (+2.0%), while Small Caps lagged with a gain of 1.2%.

The SA bond market produced a return of 0.9% over the week, while inflation-linked bonds retreated by 0.6%.

The rand was relatively steady against the US dollar and the euro but lost slightly against the British pound.

Global Markets

United States: The Nasdaq fell 4.5% amid an AI-related sell-off, while the Russell 2000 dropped 3.1%. The Dow gained 0.7%, and value stocks significantly outperformed growth stocks as investors shifted toward more defensive investments.

Inflation exceeded expectations as September CPI rose 3.7% year over year, while core CPI increased 2.6%. Producer price inflation surged to 6.3%, raising concerns about persistent price pressures and the Federal Reserve's interest rate decisions.

Consumer spending showed mixed signals, with retail sales rising 0.8% in September, largely driven by a 6.4% jump in gas station receipts. Underlying control-group sales grew just 0.1%, suggesting weaker momentum in broader consumer spending.

The labour market remained resilient with initial jobless claims holding at 199k, the fifth consecutive week below 200k, while continuing claims declined to 1.71 million, indicating relatively limited layoffs.

Despite inflation concerns, Treasury prices rose as investors sought safer assets amid the technology sell-off. The 10-year Treasury yield fell from 5.24% to 5.09%, investment-grade corporate bonds gained, and high-yield bonds faced increased selling pressure.

Europe: The STOXX Europe 600 gained 2.1%. The UK's FTSE 100 led major indices, rising 3.1%, followed by Germany's DAX (+2.1%), France's CAC 40 (+2.0%), and Italy's FTSE MIB (+0.2%).

Geopolitical tensions supported energy prices as attacks on Saudi infrastructure and shipping near the Strait of Hormuz heightened concerns about regional conflict and kept European natural gas prices elevated.

Investors questioned the financing, revenue potential, and returns of large-scale AI infrastructure investments, triggering selling in semiconductor stocks. Technology shares partially recovered toward the end of the week.

The European earnings season shifted attention to company fundamentals. Disappointing results from some luxury companies weighed on sentiment, while solid semiconductor results received a muted response amid high expectations and market uncertainty.

In the UK, inflation remained elevated, but economic data improved: Spanish inflation reached 4.9%, while French inflation was revised to 3.1%. Eurozone industrial production fell 0.5% in August for a third consecutive monthly decline. In contrast, UK GDP grew 0.1% in August, beating expectations, supported by stronger manufacturing and industrial output.

Asia: The Nikkei 225 fell 5.4%, while the TOPIX dropped 1.0%. Technology and semiconductor shares led losses amid concerns about AI investment costs, high valuations, rising US inflation, and geopolitical risks.

Japanese bonds strengthened, while the yen remained stable, with the 10-year Japanese government bond yield falling to 2.94% as investors sought safer assets. The yen traded near JPY 158 per US dollar. Markets largely expected the Bank of Japan to hold rates steady in October while potentially raising them in December.

Japanese economic indicators were mixed as corporate goods price inflation eased to 6.8% year over year in September, while core machinery orders rebounded 5.2% in August, suggesting stronger business investment.

Chinese stocks also weakened, led by technology shares. The CSI 300 fell 3.4%, the Shanghai Composite declined 2.6%, and Hong Kong's Hang Seng slipped 0.1%. AI investment concerns and mutual fund redemptions weighed on markets, although some shares recovered on Friday amid buybacks and positive corporate earnings forecasts.

China's producer inflation and exports surged as producer price inflation accelerated to 5.0% in September, its fastest pace since June 2022, while consumer inflation remained subdued at 0.9%. Exports jumped 36.3% year over year, imports rose 31.0%, and the trade surplus reached a record USD 133.5 billion, supported by strong global demand for technology-related goods.



Currencies

Description	Classification*	Currency	Exchange Rate	Week	Month	Month-to-Date	Year-to-Date
ZAR/USD	USD/ZAR	ZAR	16.5	-0.2%	0.5%	0.3%	-0.5%
ZAR/Pound	GBP/ZAR	ZAR	22.0	0.5%	0.2%	0.8%	-1.6%
ZAR/Euro	EUR/ZAR	ZAR	18.5	0.2%	-1.4%	-0.5%	-4.8%
USD/Euro	USD/EUR	EUR	0.9	-0.3%	2.0%	0.8%	4.5%
USD/Yen	USD/YEN	YEN	158.0	-0.2%	1.1%	0.4%	0.8%

*Return denoted in former quoted currency

Commodities

Description	Classification	Currency	Commodity Price	Week	Month	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	4165.6	-0.7%	-2.3%	0.2%	-3.6%
Brent Crude Oil	ICE Brent Futures	USD	109.9	4.9%	3.8%	6.1%	80.5%
Platinum	Platinum Spot	USD	1635.1	-3.4%	-6.9%	-4.7%	-20.6%
Copper	LME 3 month Copper	USD	657.4	-1.8%	2.2%	-0.7%	15.7%
Silver	Silver Spot	USD	57.3	-6.1%	-10.9%	-5.4%	-18.8%

Global Equity Indexes (Total Return Indices)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
Global	MSCI World	USD	4907.8	-1.1%	0.7%	0.1%	11.9%
United States	S&P 500	USD	7659.4	-1.9%	1.5%	0.1%	12.6%
Europe	Euro Stoxx 50	EUR	6204.2	0.5%	-0.8%	-1.0%	9.2%
United Kingdom	FTSE 100	GBP	10881.9	3.2%	1.9%	2.7%	12.5%
Germany	DAX	EUR	25622.6	2.1%	0.3%	1.7%	4.6%
Japan	Nikkei 225	JPY	65324.3	-5.4%	2.8%	-2.1%	31.7%
Emerging Markets	MSCI Emerging Markets	USD	1620.6	-5.1%	-3.7%	-4.9%	17.3%

South African Equity Indexes (Total Return Indices)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Share	JSE All Share	ZAR	110934.20	2.3%	-1.6%	2.6%	-0.7%
Top 40	JSE Top 40	ZAR	103230.20	2.5%	-2.0%	2.8%	-1.0%
Shareholder Weighted	JSE Capped All Share	ZAR	55525.95	2.3%	-1.6%	2.6%	-0.6%
Mid Caps	JSE Mid Cap	ZAR	107725.20	2.0%	1.7%	3.5%	-3.3%
Small Caps	JSE Small Cap	ZAR	105942.00	1.2%	2.0%	1.0%	3.9%
Resources	JSE Resources	ZAR	66694.28	1.6%	-6.1%	1.7%	2.7%
Industrials	JSE Industrials	ZAR	130052.30	2.1%	1.8%	4.1%	-10.0%
Financials	JSE Financials	ZAR	64128.35	3.7%	-0.5%	2.5%	6.3%
SA Listed Property	JSE SA Listed Property	ZAR	482.28	0.1%	0.9%	-0.2%	3.2%
Preference Shares	JSE Pref Shares	ZAR	5944.94	0.1%	-0.5%	0.2%	5.6%

South African Fixed Interest

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Bond	ALBI Total Return	ZAR	1428.99	0.9%	1.1%	0.8%	4.3%
Inflation Linked Bonds	Inflation Linked Total Return	ZAR	458.98	-0.6%	-0.9%	-1.1%	5.6%
Cash	STEFI Composite	ZAR	674.30	0.1%	0.6%	0.3%	5.4%

**Asia**

Date Time	Event	Period	Surv(M)	Prior
10-19-2026 4:00	GDP YoY	3Q	4.50%	4.30%
10-19-2026 4:00	Retail Sales YoY	Sep	1.10%	0.40%
10-19-2026 4:00	Industrial Production YoY	Sep	5.50%	5.20%
10-21-2026 1:50	Trade Balance	Sep	--	-¥1105.6b
10-21-2026 1:50	Exports YoY	Sep	--	19.30%
10-21-2026 1:50	Imports YoY	Sep	--	28.00%

South Africa

Date Time	Event	Period	Surv(M)	Prior
10-21-2026 10:00	CPI YoY	Sep	--	4.40%
10-21-2026 10:00	CPI Core YoY	Sep	--	4.10%

United Kingdom

Date Time	Event	Period	Surv(M)	Prior
10-21-2026 8:00	CPI YoY	Sep	--	3.10%
10-21-2026 8:00	CPI Core YoY	Sep	--	2.60%

United States

Date Time	Event	Period	Surv(M)	Prior
10-20-2026 14:15	ADP Weekly Employment Change	3-Oct	--	24.750k
10-20-2026 14:30	Housing Starts	Sep	--	1275k

Eurozone

Date Time	Event	Period	Surv(M)	Prior
10-22-2026 16:00	Consumer Confidence	Oct P	--	-16.5

Disclaimer: The document should not be seen as an offer to purchase any specific product and is not to be construed as advice or guidance in any form whatsoever. Investors are encouraged to obtain independent professional investment advice before investing. Investors should be aware that investing in a financial product entails a level of risk which depends on the nature of the investment. The merits of any investment should be considered together with the investor's specific risk profile and investment objectives. Past performance is not necessarily a guide to future performance. Fluctuations in exchange rates and underlying investments may cause the value of international investments or underlying investments, if included in the mandate, to go up or down. Illustrations are not guaranteed but are for illustrative purposes only. Merchant West Investments is an Authorised Financial Service Provider (FSP 44508).