



Financial markets review and outlook summary: April 2026

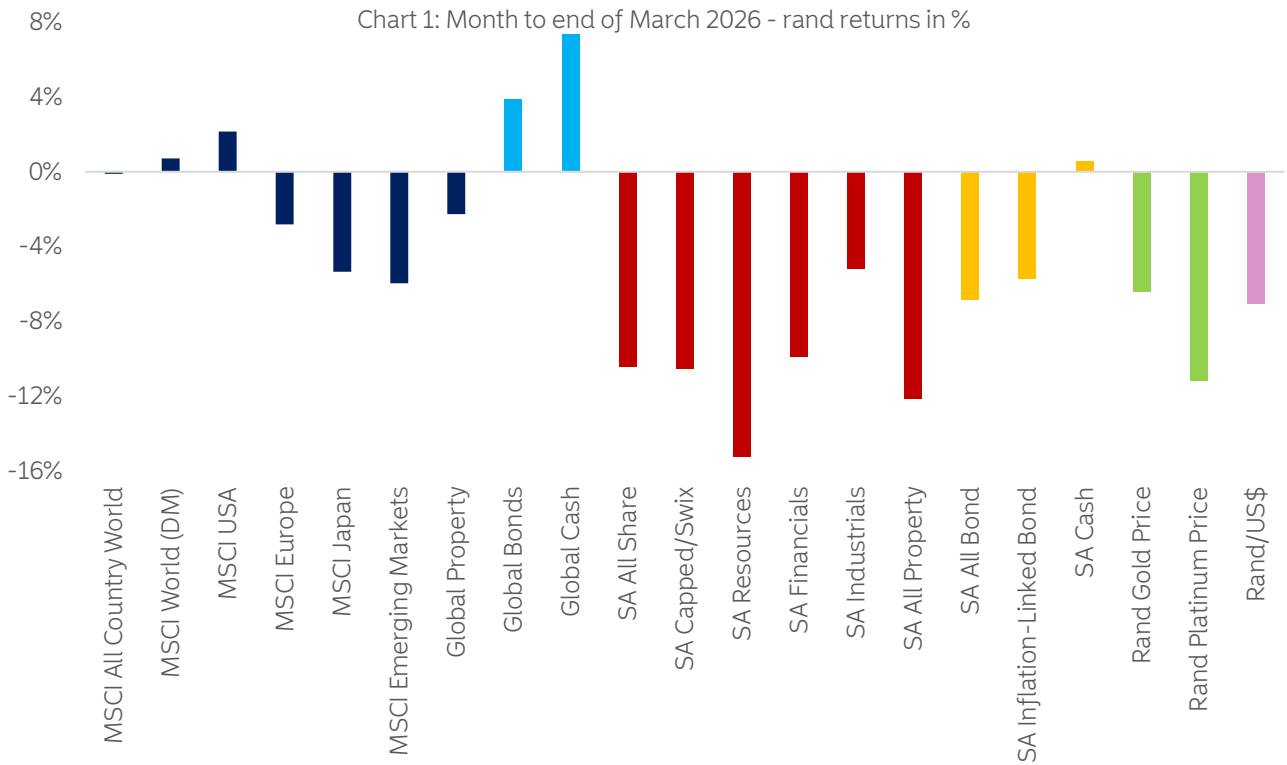
Key financial markets review takeaways for the first quarter of 2026

- The Iran war was the overarching theme dominating global financial market returns in March (and the first quarter of 2026). The associated risk-off and rand weakness drivers caused global assets to outperform South African (SA) assets in rand terms. Global cash was the best-returning asset class internationally in the quarter, with global property a close second. Global bonds outperformed global equities, while the strong returns from emerging market (EM) equities in the first two months of the year cemented a quarterly outperformance over developed market (DM) equities (where Japan had the highest returns due to the election-related rally earlier in the year).
- Among the SA asset classes, the strong dollar gold price showing in January and February helped the gold ETF to produce the highest returns among all asset classes in the first quarter of 2026 (despite a sharp March sell-off), with cash the only other rand-based asset class providing positive returns. Listed property was the worst performer in SA year-to-date, followed by nominal bonds and ILBs. The higher gold price in the first quarter supported the Resources sector, negating the large negative returns from Industrials to leave overall SA equity returns only slightly negative.
- When financial markets experience such severe sell-offs as seen in March this year, it is important for investors to keep perspective. Firstly, unless the oil price spike is sustained for so long and at such a high level that it causes a US recession (a low-probability scenario, in our view), we expect markets to broadly follow the historical playbook and retrace to pre-shock levels in around six months. Secondly, many of the asset classes that saw the biggest return declines in March had very strong performance momentum during 2025 and the first two months of 2026. As such, they were only back at levels of a few months ago at the end of March 2026 and were still sharply up on the Trump tariff-induced lows of April 2025.
- We view our well-diversified portfolios, with exposures across a broad range of asset classes, as the most effective safeguards against the uncertainty and volatility associated with geopolitical shocks. Severe market declines, as experienced in March, also provide us with opportunities to add exposures to asset classes at cheaper levels where fundamentally justified. For investors, historical experience shows that reactive portfolio selling during such periods often erodes long-term value by locking in short-term losses ahead of the recoveries that markets typically deliver.

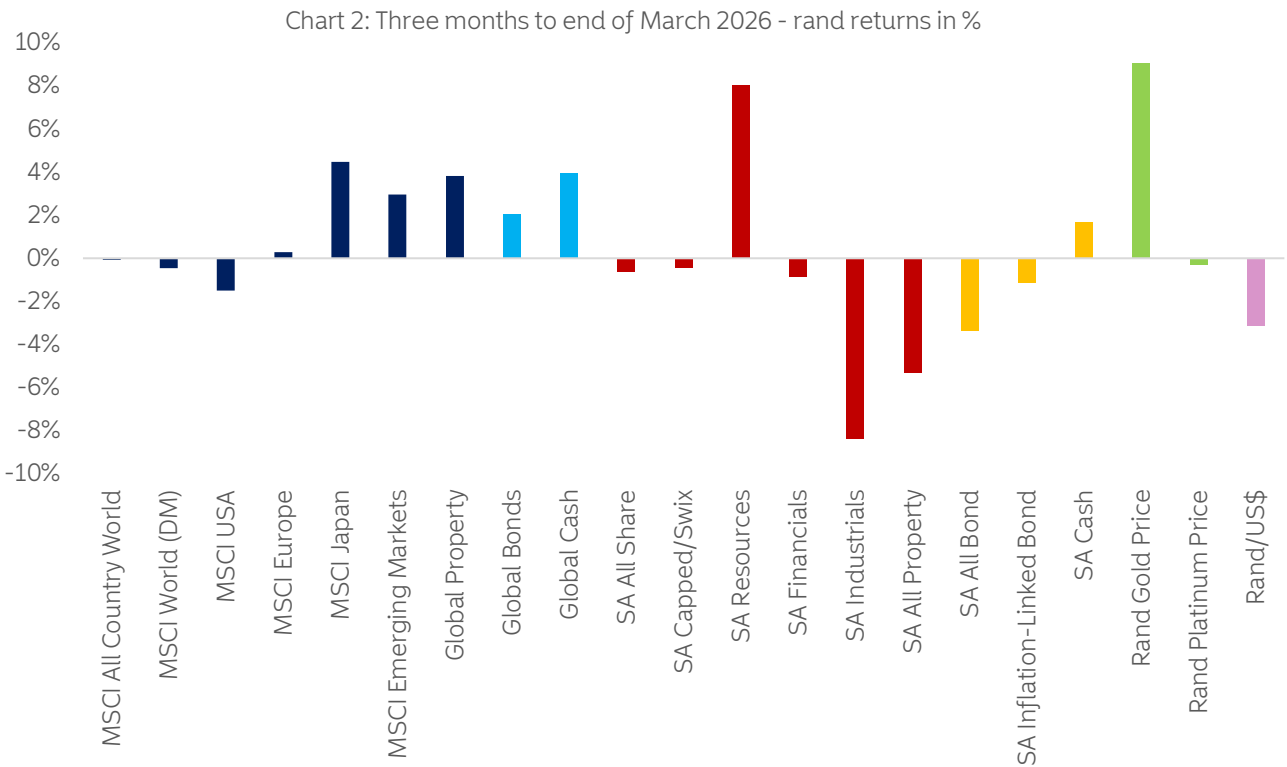
Key financial markets outlook takeaways

- We see SA assets as preferable to global assets, with the combination of positive growth momentum (albeit from a low base), resumption of a falling interest rate cycle, contained inflation and renewed foreign investor interest providing strong support for local assets in a post-Iran war world. SA equities remain deeply discounted relative to both their own history and EM peers, while listed property is benefiting from improving sector fundamentals and declining funding costs. SA nominal bonds offer attractive real yields in a global and historical context, particularly given improving fiscal credibility. In global markets, we see equities as preferable to bonds, supported by synchronised regional earnings growth, fiscal expansion and the lagged impact of previous interest rate cuts, while global bonds face inflation risks and poor supply dynamics. In our view, EM equities offer superior value and earnings momentum to DM equities. For our detailed financial market outlook, please click [here](#).

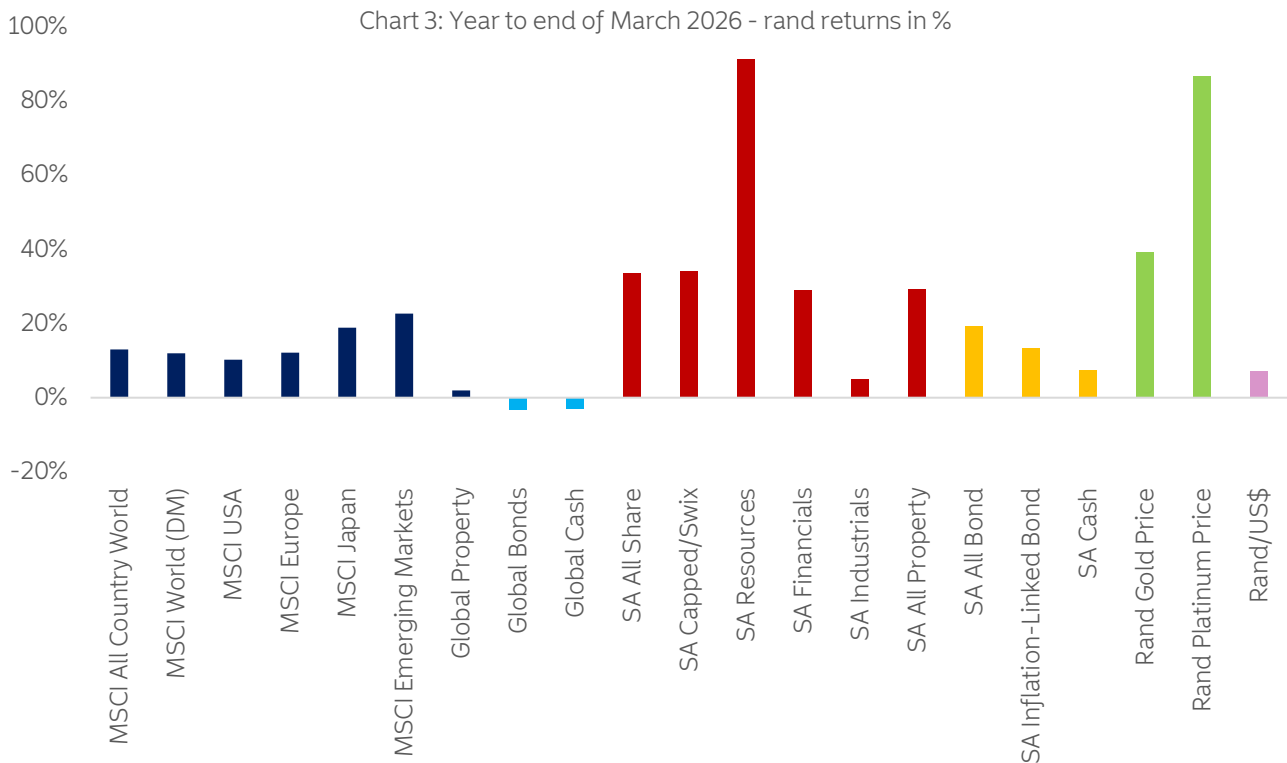
Asset class returns



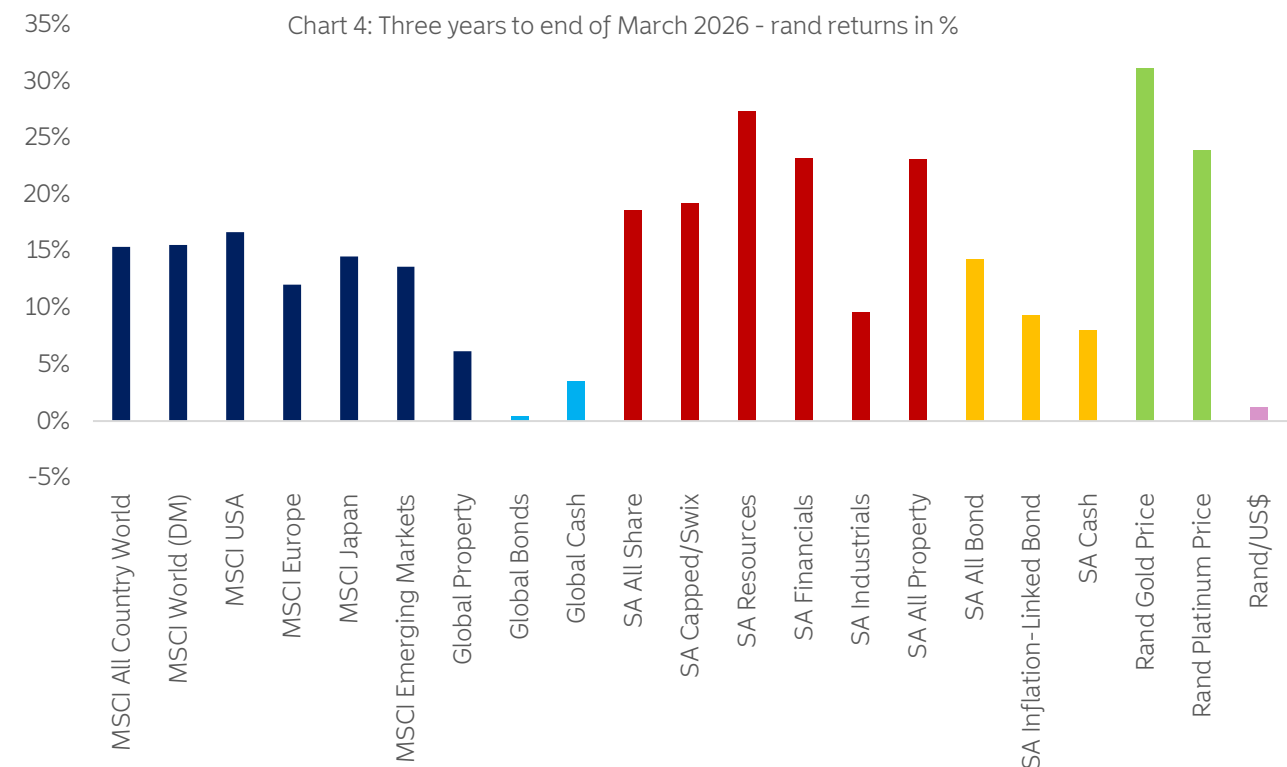
Source: Momentum Investments, various sources



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Iran war ignited an “Ides of March” sell-off in financial markets, but keep this in perspective

The overarching theme dominating global financial market returns in March (and as a result also the first quarter of 2026 as a whole) was the escalation of the Iran conflict from worries about a possible US strike on Iran in January and February into a full-blown war between the US/Israel and Iran starting on 28 February 2026.

Whereas a risk-on global sentiment remained prevalent in January and February, extending the 2025 trend of outperformance of SA assets over global assets (and strong returns from EM and SA equities, SA listed property and nominal bonds), March saw a complete reversal of these trends during the war-induced sell-off in risk assets.

With the US dollar fulfilling the role of global safe-haven asset in March, the rand weakened even more than other EM currencies, while EM and SA risk assets experienced severe selling pressure. This resulted in a sharp outperformance of global assets against SA asset classes in the month.

“Cash was king” in capital markets in March, as its capital preservation properties reigned supreme – global and SA cash were the only asset classes with positive base currency returns in the month. In rand terms, global cash was the top performer in March, with global bonds also providing decent returns, global equities flat for the month and global property the clear global laggard. Unsurprisingly, in the severe risk-off environment, EM equities declined sharply even in rand terms, while DM equities outperformed solely due to US equities being perceived as less risky than equities in Europe and Japan.

Barring the marginally positive returns from local cash, all SA asset class returns were significantly negative in March. Local listed property had the worst returns, followed by the platinum exchange-traded fund (ETF) and SA equities. Sharp declines in the rand platinum and gold prices put severe pressure on the Resources sector, while rising bond yields negatively impacted Financials. As oil-related inflation fears surfaced, SA ILBs had slightly less negative returns than nominal bonds in March.

The risk-off and rand weakness drivers of the March return trends also largely determined the outcome for the first quarter of 2026, with global assets outperforming SA assets in rand terms. While global cash was the best-returning asset internationally, global property was a close second. Global bonds outperformed global equities (which were flat in rands), while the strong returns from EM equities in the first two months of the year cemented a quarterly outperformance over DM equities (where Japan had

the highest returns due to the election-related rally in January and February).

Among the SA assets, the strong dollar gold price showing in January and February (on top of a weaker rand in the quarter) helped the gold ETF to produce the highest returns among all asset classes in the first quarter of 2026 (despite the sharp March sell-off), with cash the only other rand-based asset class providing positive returns. Listed property was the worst performer in SA year-to-date, followed by nominal bonds and ILBs. The higher gold price in the quarter supported the Resources sector, negating the large negative returns from Industrials to leave overall SA equity returns only slightly negative in the first quarter.

When financial markets experience such severe sell-offs as seen in March this year, it is important for investors to keep perspective. Firstly, the March sell-offs were induced by a geopolitical oil shock that in the past typically faded relatively quickly unless the oil price spike was sustained for so long and at such a high level that it caused a US recession. In our view, a US recession is still a low-probability scenario, as the US economy entered the Iran war with strong momentum and will receive further support in 2026 from past interest rate cuts and fiscal stimulus. As such, we currently expect markets to broadly follow the historical playbook and retrace to pre-shock levels in around six months, as shown in research by UBS.

Secondly, many of the asset classes that saw the biggest return declines in March had very strong performance momentum during 2025 and the first two months of 2026. As such, they were only back at levels of just a few months ago at the end of March 2026 and were still sharply up on the tariff-induced lows of April 2025 (see table 1).

Table 1: Keeping the March '26 asset class declines in perspective

	Previous month at end-March '26 level	End-March '26 % change from Trump tariff low in April '25
SA equities (ALSI)	Mid-Dec '25	40%
SA bonds (ALBI)	Late-Nov '25	22%
SA listed property	Mid-Nov '25	36%
\$ Gold price	Mid-Jan '26	52%
\$ Platinum price	Mid-Dec '25	115%
Rand/US\$	Mid-Dec '25	14%
DM equities	Mid-Nov '25	30%
EM equities	End-Dec '25	41%

Source: IRESS, Momentum Investments

We view our well-diversified and carefully constructed portfolios, with exposures across a broad range of asset classes, as the most effective safeguards against the uncertainty and volatility associated with geopolitical shocks. However, severe market declines as experienced in March do provide portfolio managers and investors alike with the opportunity to add exposures to asset classes at cheaper levels where fundamentally justified, thus following the prudent investment advice most commonly attributed to the 19th-century British financier Nathan Mayer Rothschild to “buy on the sound of cannons, sell on the sound of trumpets”.

For investors, adherence to clearly defined, rigorously constructed investment objectives is critical to preserving long-term outcomes. Provided investment goals remain unchanged, maintaining existing portfolio positioning is both sensible and appropriate. Historical experience shows that reactive portfolio selling during periods of market stress erodes long-term value by locking in short-term losses ahead of the recoveries that markets typically deliver. Inaction, in this instance, represents the optimal investment strategy.

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

<p>SA cash</p> <p>While SA cash still offers decent positive real yields above long-term averages, potential returns have declined from 2024 highs as interest rates fell. Although cash always plays a liquidity role in portfolios and serves a short-term capital preservation function during geopolitical stress periods, we currently see it as an inferior return-seeking asset on a one-year view.</p>	<p>SA nominal government bonds</p> <p>Due to the Iran-related sell-off in March 2026, SA nominal government bonds now offer more attractive real yields by both historical and global standards. Part of the current yield premium reflects the prevailing global risk-off environment, while improvements in local fiscal metrics and investor confidence have narrowed risk premia from the 2024 national election highs without fully eroding forward return potential.</p>
<p>SA inflation-linked bonds (ILBs)</p> <p>In contrast to nominal bonds, SA ILBs appear less attractive. Break-even inflation rates are unlikely to widen meaningfully given the expected broadly sideways inflation trajectory beyond the nearer-term oil price spike, while accruals are low relative to history. As a result, we expect ILBs to offer lower returns compared to nominal bonds.</p>	<p>SA listed property</p> <p>Fundamentals have improved markedly, particularly in the Retail and Industrial subsectors. Limited new supply, declining vacancies and rising rental reversions support earnings growth, while falling interest rates reduce funding costs and solar installations drive improved margins. Although recent listed property results have surprised to the upside and companies have increased their forward guidance, valuations remain depressed. As funding costs decline and earnings recover, the sector offers attractive income and capital growth potential.</p>
<p>SA equities</p> <p>SA equity valuations are exceptionally attractive against their own history and versus EMs, providing a strong margin of safety and meaningful rerating potential. Earnings growth is also expected to be robust, driven by improving domestic conditions, lower interest rates and operational leverage within many companies. In addition, ownership dynamics are favourable, with selling pressure from local institutional investors to fund increased offshore exposure having largely run its course, while foreign investors remain underweight SA within global EM portfolios.</p>	<p>Global equities</p> <p>Global equities are supported by synchronised regional earnings growth, fiscal expansion and the lagged impact of previous interest rate cuts, while a broadening of earnings growth outside the narrow cohort of mega-cap technology stocks underpins the US equity market. However, return dispersion is increasing. DM equities, particularly the US, face valuation headwinds and diverging prospects for perceived artificial intelligence (AI) winners and losers, while EM equities offer superior value and earnings momentum, supported by a structurally expensive US dollar and improving profit expectations.</p>
<p>Global bonds</p> <p>Global government bonds face a challenging outlook of inflation risk and deteriorating supply dynamics. Oil price increases linked to the Iran war have revived concerns around inflation, while fiscal deficits across major economies are widening again, pointing to increased bond issuance.</p>	<p>Global cash</p> <p>We think US cash currently offers a somewhat better alternative to long-duration fixed-income exposure, as expected returns are similar, while cash provides capital protection and optionality in an uncertain geopolitical environment. Nevertheless, real global cash returns remain modest and we rather prefer global equities and particularly most SA asset classes to global cash.</p>

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