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The economy

Oil-driven volatility

Oil prices rose by 71% between January and March 2026 following the outbreak of war between the United States, Israel and Iran on 28 February 2026. Before the conflict, economic conditions were broadly in line with expectations, and South Africa anticipated stronger growth than in 2025. In the national budget, National Treasury projected economic growth of 1.5% for 2026, supported by increased public and private infrastructure investment and relatively low interest rates. However, recent geopolitical developments have introduced material uncertainty around both interest rates and the feasibility of this growth outlook.

Disruptions to global oil and gas supplies are more severe than previously experienced. Oil prices initially spiked to USD115 per barrel and have since traded in a volatile range of USD100-112. Iran's closure of the Strait of Hormuz – through which approximately 20% of global oil and 25% of liquefied natural gas supplies pass – has triggered panic buying, particularly among countries with limited reserves. In addition, around 30% of global fertiliser supplies – including nitrates, phosphates and ammonia – have been disrupted, adding further upward pressure on input costs.

Graph 1 - Oil, Brent crude (USD/barrel) - Page 2

The most immediate impact has been sharply higher domestic fuel prices. Petrol, diesel and illuminating paraffin prices increased in April 2026, with further increases likely. Higher fuel costs are expected to push inflation above earlier forecasts. Despite the April increases, a significant under-recovery remains in the domestic fuel pricing system, implying additional price hikes may be required to recoup current losses. To provide temporary relief, the Minister of Finance reduced the fuel levy by R3 per litre.

Inflation was previously expected to average 3.5% in 2026 but may now exceed 4%, particularly if the Strait of Hormuz remains closed. As a result, expectations of two to three interest rate cuts during the year have fallen away, and a prolonged disruption could even necessitate rate increases.

Graph 2 - Petrol price, highest grade inland (ZAR/litre) - page 2

Global risk aversion has driven a flight to safety, strengthening the US dollar. This has coincided with a weaker rand and a sharp decline in the gold price.

Domestic sectors are also expected to come under increased pressure. Manufacturing has already been constrained before the conflict and is likely to face higher input costs. The transport, logistics and agricultural sectors are similarly exposed to the deteriorating operating environment.

The South African Reserve Bank (SARB) has announced that the repurchase rate will henceforth be referred to as the SARB policy rate, and that the prime lending rate will no longer be used, despite its historical role as a reference point in credit agreements.

Financial markets

Financial markets performed strongly in January and February 2026. The FTSE/JSE All Share TR Index rose by 11%, with the All Share Index reaching 128 500. The All Bond Index gained 3.7% over the same period, while gold prices rose by 20%.

Markets reacted sharply to the outbreak of war. In March 2026, the All Share TR Index fell by 10.5%, bonds declined by 7.8%, the rand weakened by 6%, and the gold price dropped 12%. For the quarter, the All Share TR Index fell by 0.6% and bonds declined by 3.4%. The rand weakened by 2.2% over Q1 2026, while gold prices remained 8.8% higher over the three months.

Despite the volatility in March, 12-month investment returns to March 2026 remain strong. The All Share TR Index rose by 33.6%, supported by robust gains in late 2025. Bonds returned 19.1%, offshore equities gained 11.4%, the rand strengthened by 8.1%, and gold rose by 35.1%.

The table on page 2 shows the investment returns for the large asset classes available to South African investors and the values for the rand, inflation and the rand gold price.

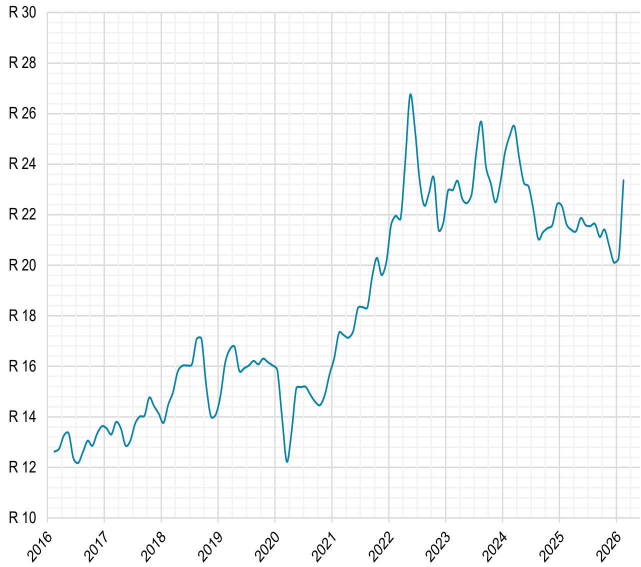
The outlook for the remainder of 2026 remains uncertain and will largely depend on the resolution of the conflict and the reopening of the Strait of Hormuz. While media coverage continues to report on ceasefire and negotiation prospects, developments remain highly uncertain. In this environment, investors are reminded of the importance of maintaining a disciplined, long-term investment strategy.

% Change March 2026	Most recent quarter	1 year	3 years (p.a.)	5 years (p.a.)	10 years (p.a.)
All Share Index (ALSI)	-0.6%	33.6%	18.6%	15.7%	11.9%
Listed Property	-4.9%	28.6%	22.9%	17.9%	3.6%
STeFI Composite	1.7%	7.3%	8.0%	6.8%	6.8%
All Bond Index (ALBI)	-3.4%	19.2%	14.3%	12.2%	10.4%
MSCI All Country World ZAR	-0.9%	11.4%	15.2%	13.0%	13.5%
Bloomberg Global Aggregate Bond Index ZAR	1.2%	-3.6%	0.9%	1.3%	2.0%
Rand (+ stronger, - weaker)	-2.2%	8.1%	1.7%	-2.6%	-1.4%
Inflation	1.4%	3.3%	3.9%	5.4%	5.7%
Gold ZAR	8.4%	35.1%	40.0%	42.1%	32.8%
Oil (Brent) USD	70.9%	39.1%	10.0%	13.1%	16.0%

Source: Iress

Graph 1 - Oil, Brent crude (USD/barrel)

Graph 2 - Petrol price, highest grade inland (ZAR/litre)



Source: Iress

Prepared by: Marcus Rautenbach, Principal Investment Consultant

Information for this article has been obtained from: Department of Mineral Resources and Energy, Stats SA, Iress

20 April 2026