RUTHERFORD
ASSET MANAGEMENT

Market Perspective

Third Quarter 2026

Current Outlook – Market Volatility

Portfolio Position – Defensive

Global economic growth is projected at 2.5% for 2026, remaining below pre-pandemic norms due to energy market disruptions, regional conflicts and tightening monetary policies. Shipping through the Strait of Hormuz remains severely restricted, resulting in rising energy and food prices and higher inflation. The full effects of these disruptions will only become clear in the coming months.

South Africa

South Africa's GDP is expected to grow by a modest 1.6%, signalling a slow but positive recovery that remains highly dependent on policy implementation to support growth and job creation. Continued improvements in infrastructure, regulatory efficiency and targeted sector support could lift growth, but the continuing Middle East conflict and ongoing political tensions within our GNU risk hampering efforts to push the SA economy back above 3% annual growth.

After a strong start to the year and reaching an all-time high of 129,000 at the end of February, the JSE Alsi is down to 110,000 due to increasing risk aversion triggered by the Iran war.

South Africa's annual inflation rate accelerated for a fourth consecutive month to 5% in June 2026 from 4.5% in May and above expectations of 4.7%. This marked the highest inflation rate since June 2024, driven primarily by a sharp increase in transportation costs reflecting a 34.3% surge in fuel prices linked to the conflict with Iran

South Africa is benefitting from stronger commodity prices, notably gold and platinum, which despite some pull-back are still trading at much higher levels than their 5 year averages.

Developed Markets

Global growth was forecast to remain steady in 2026, led by resilient US support from consumer spending and additional fiscal stimulus, However, the conflict in the Middle East has required the International Monetary Frund (IMF) to revise its outlook downwards. "All roads now lead to higher prices and slower growth" according to the IMF.

The S&P500 index reached an all-time high of 7620 in June 2026 on the back of the AI investment boom and despite the risks arising from the Iran war and high oil prices. However, analysts warn that US and European equity markets have shown excessive complacency in the face of significant geopolitical and economic risks.

On the other hand, US & Developed market 30 year bond yields have risen to levels last seen more than two decades ago, as bond investors, who focus on capital preservation, are pricing in the likelihood of higher inflation due to higher oil prices.

Global inflation, which was trending toward central bank targets through 2026, is now expected to rise sharply on the oil shock. The prospects of a worldwide recession become more real the longer the Iran conflict continues, which raises the likelihood of equity market corrections, especially in highly priced sectors.

The Iran war has continued far longer than markets anticipated, resulting in oil prices remaining elevated into the second half of 2026. The longer oil prices stay high, the greater the inflationary shock that will be felt throughout the global economy heading into 2027.

THE RUTHERFORD WAY