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Global markets ride another wave of volatility, but the rand shines

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

Since the previous Weekly, markets have effectively been confronted with another episode of what has become known in market shorthand as a 'TACO' moment — Trump Always Chickens Out. President Donald Trump threatened to impose trade tariffs on European allies unless they were willing to engage in a deal to acquire Greenland, while also deploying aggressive rhetoric suggesting that military options were not off the table. As the week progressed and the rhetoric remained unchanged, markets appeared increasingly unsettled, particularly as Europe signalled a greater willingness to respond more forcefully than in previous episodes.

Tensions ultimately eased after NATO Secretary-General Mark Rutte and Trump agreed on a framework for a way forward at the annual Davos gathering. That said, this did not amount to a full resolution, with issues around sovereignty left untouched. Reports from Davos suggest that Western leaders remain on edge. Belgium's prime minister remarked that the "idea of appeasing Trump has reached its endpoint", while Canada's prime minister, Mark Carney, delivered a defiant speech warning of a rupture in the global order and urging countries to push back against what he described as an alternative US narrative of reality.

Trump's newly announced 'Board of Peace' was launched at Davos, drawing a mixed response: several European leaders declined to participate, while representatives from more populist-leaning countries were more receptive. Russia, meanwhile, floated the idea of contributing funding to the initiative. Against this backdrop, renewed peace talks between Trump and Volodymyr Zelenskiy, as well as talks between a US delegation and Vladimir Putin, are set to take place over the coming days.

Following the Greenland episode - or Iceland, as Trump referred to it on multiple occasions - attention at the World Economic Forum shifted back to the war in Ukraine. Zelensky criticised Western countries for continuing to supply components that, in his view, indirectly support Russia's war effort.

Financial markets had a volatile week. Global equity indices initially posted their sharpest declines since April's reaction to Trump's so-called "Liberation Day", before rebounding toward the end of the week. However, the most notable market action occurred in global bond markets, particularly in Japan. Yields on Japan's 40-year government bond climbed above 4% - for the first time since the maturity was introduced in 2007 - to around 4.2% before easing slightly. This marked a significant shift for a market that has long been characterised by ultra-low yields and subdued volatility. Longer maturities, including 20- and 30-year JGBs, also moved higher, while the benchmark 10-year yield approached levels not seen in decades, amid fiscal uncertainty and expectations that the Bank of Japan may allow higher yields as part of a gradual policy normalisation process.

Closer to home, the focus remained on the rand, which extended its strong run against the US dollar. A softer dollar has been an important tailwind, alongside firm commodity prices, with gold and platinum both up by more than 5% w-o-w, supporting South Africa's terms of trade. In recent months, the rand has also benefitted from relatively high domestic yields and improved global risk sentiment, which have helped compress currency volatility. While the rand appears comfortable at current strong levels and some market participants are calling for a move below R16/$, a level that technical dynamics could well test, it is harder to identify the fundamental catalysts required to sustain a materially stronger trend beyond this point.

WEEK AHEAD: FED AND SARB INTEREST RATE MEETINGS IN FOCUS

Much of the domestic data will be released later in the week, but the key local event is the SARB interest rate decision on Thursday. As signalled last week, we see scope for another 25bps cut, although it is a tight call. The 2025Q4 inflation outcome undershot the SARB's November forecast, while the Q4 BER survey showed inflation expectations falling to record lows, signalling growing confidence in the 3% target. Looking ahead, the rand has strengthened materially relative to the SARB's Q1 assumption, fuel prices are easing despite oil volatility, and major domestic risk events (such as the Budget) are still some way off. These factors support near-term disinflation momentum and leave the MPC with room to move next week.

Weekly Key Indicators		
	Close	w-o-w
R/$	R16.17	-1.1%
R/€	R18.97	0.0%
R/£	R21.78	-0.5%
$/€	$1.17	1.1%
Brent	$64.25	0.7%
Gold	$4 874	5.5%
Platinum	$2 507	5.1%
JSE ALSI	121 501	0.5%
10y gov. bond	8.26	-3bps
FRA (1x4)*	6.66	-1bps

*Forward rate agreement

The US Federal Reserve (Fed) is widely expected to keep its policy rate unchanged at next week's FOMC meeting, with markets pricing a high probability of a hold. While the decision itself is anticipated to be uneventful from a policy perspective, attention will focus on Chair Jerome Powell's press conference and commentary. The Fed is navigating heightened political scrutiny following a Department of Justice subpoena related to Powell's testimony about the central bank's headquarters renovation, which some critics have used to question Fed independence. Powell has denied wrongdoing and characterised the inquiry as politically motivated. Separately, legal proceedings continue in *Trump v. Cook*, a case brought by Fed governor Lisa Cook challenging her removal by Trump on statutory grounds. The initial take is that the court seems hesitant to allow her removal.

Trump is also expected to announce his nominee to succeed Powell as Fed chair in the coming weeks, a development markets will watch for forward guidance on monetary policy. Markets may also be attentive to recent political developments, including reports that President Trump has filed a lawsuit against JPMorgan Chase and its chief executive, Jamie Dimon. The suit seeks at least $5bn in damages, with Trump alleging that the bank unfairly closed his accounts for political reasons.

Eurozone growth figures will be in focus on the data front, alongside China's PMI releases over the weekend, which will kick off the January PMI cycle in the week ahead. Markets will be watching for indications of how China has started 2026, following the economy's achievement of its 5% growth target in 2025 (see the international section below).

Date	Event	Latest
Monday (26 Jan)	DE: IFO Business Climate (Jan)	87.6
Wednesday (28 Jan)	US: Fed interest rate decision	3.75%
Thursday (29 Jan)	SA: SARB Interest rate decision	6.75%
Thursday (29 Jan)	US: Balance of Trade (Nov)	-$29.4B
Friday (30 Jan)	EZ, FR, DE: GDP Growth Rate (flash, Q4)	0.3% ; 0.5%; 0.0% q-o-q
Friday (30 Jan)	SA: Budget balance; Trade balance; Private sector credit (Dec)	-R15B; R37.7B; 7.79% y-o-y
Friday (30 Jan)	DE: Consumer inflation Rate (Prel, Jan)	1.8% y-o-y
Friday (30 Jan)	US: PPI (Dec)	0.2% m-o-m
Saturday (31 Jan)	CN: NBS Manufacturing PMI (Jan)	50.1

SA POLITICS UPDATE

Natasha Marrian

MADLANGA COMMISSION SET TO RESUME NEXT WEEK

The Commission of Inquiry into criminality, political interference and corruption in the criminal justice system, chaired by former Constitutional Court Justice Mbuyiseli Madlanga, resumes on Monday. The 'Madlanga Commission' was established by President Cyril Ramaphosa to investigate allegations by KwaZulu-Natal (KZN) police commissioner Nhlanhla Mkhwanazi that police minister Senzo Mchunu and senior police officials, including deputy commissioner Shadrack Sibiya, were working with criminal cartels. These allegations relate, among other issues, to the disbandment of a specialised unit tasked with addressing a rise in political killings in KZN.

It is an opportune moment for the commission to resume its work, following a stark admission by acting police minister Firoz Cachalia on Wednesday, who indicated that police lack the capacity to deal effectively with the growing threat of organised crime. During a visit to the Nelson Mandela Bay Municipality in the Eastern Cape on Thursday, Cachalia said the police were "not in a position" to defeat gangs, who are growing in wealth and influence and taking on increasingly transnational characteristics. Cachalia described this as a "new development" afflicting the Western and Eastern Cape provinces most acutely.

Last year, the commission heard damning testimony about the extent to which alleged organised crime bosses, attempted murder accused Vusimuzi Matlala and murder-accused Katiso Molefe, had infiltrated key institutions in the criminal justice system, including the Ekurhuleni Metro Police, the Directorate for Priority Crime Investigation (Hawks) and the Investigating Directorate Against Corruption (IDAC).

Madlanga submitted an interim report to Ramaphosa in December. This phase of its work provides those implicated by Mkhwanazi, police commissioner Fannie Masemola and crime intelligence head Dumisani Khumalo with the opportunity to respond to the allegations against them.

Mchunu is expected to return to the witness stand after providing evidence at the end of November and in early December last year. His testimony centred on the process which led to his directive to disband the political killings task team on December 31, 2024.

Madlanga has been given until 17 March to conclude the inquiry, although the latest presidential proclamation allows for the deadline to be extended. We understand that the commission is unlikely to conclude by March 17 - the implication of potential delays is that the final report (which Ramaphosa has committed to make public) could be submitted around mid-year, with the local government election set to take place any time from November 1, 2026, implying that the outcome would be fresh in voters' minds as they cast their ballot in the upcoming poll.

Separately, local government minister Velinkosi Hlabisa, speaking in Gauteng this week, indicated that the election date is likely to be announced in August.

DOMESTIC DATA

Nadia Matulich

TICK UP IN DECEMBER INFLATION, BUT FULL-YEAR AT DECADES-LOW LEVEL

Headline consumer inflation edged up to 3.6% y-o-y in December from 3.5% in November, while prices increased by 0.2% m-o-m. Despite the marginal uptick, full-year inflation came in at a 21-year low of 3.2% in 2025.

Housing and utilities were the largest contributor to headline inflation, rising by 4.9% y-o-y and accounting for 1.2%pts of the annual rate. Food and non-alcoholic beverages inflation remained stable at 4.4% y-o-y, contributing 0.8%pts. Food inflation has slowed in recent months, amid lower price pressures in fruit and nuts, vegetables, sugar and confectionery, supported by ample supplies and favourable base effects. Cereal price inflation also remained subdued, reflecting an abundant domestic grain harvest. By contrast, meat price inflation remained elevated, with meat prices rising by 12.6% y-o-y in December

Core inflation, which excludes energy, fuel, food and non-alcoholic beverages, increased slightly to 3.6% y-o-y from 3.5% in November.

DISAPPOINTING NOVEMBER DATA

Mining production declined by 2.7% y-o-y – going against expectations for another improvement. Output fell in six of the twelve categories, with coal, iron ore, PGMs and gold down 7.9% (-2.1%pts), 7.6% (-1.1%pts), 2.8% (-0.8%pts) and 6.0% (-0.5%pts), respectively. Manganese ore output increased by 17.0%, contributing 1.1%pts, and was the largest positive contributor. In m-o-m terms, mining production fell by 5.9%, following an increase of 2.7% in October but is still marginally up in Q4 relative to Q3.

High-frequency domestic trade data was slightly more upbeat. Retail sales rose by 3.5% y-o-y (0.6% m-o-m). The largest contributors were general dealers (up 2.25%, contributing 1.0%pts), other retailers (up 8.0%, contributing 0.8%pts) and pharmaceuticals, medical goods, cosmetics and toiletries (up 10.1%, contributing 0.6%pts).

Wholesale trade sales declined by 0.8% y-o-y in November, although this follows a relatively strong base at the end of 2024. This represented an improvement from October, when sales contracted by 3.0% y-o-y. On a m-o-m basis, wholesale trade sales increased by 2.0% in November, compared with a 0.1% increase in October.

Motor trade sales were marginally lower in November, declining by 0.1% y-o-y. This outcome was largely driven by weaker fuel sales (-4.4%, contributing -1.1%pts) and lower workshop income (-8.2%, contributing -0.3%pts). By contrast, new vehicle sales increased by 6.4%, contributing 1.7%pts. This suggests that consumers may have opted to replace vehicles rather than undertake repairs during the month.

INTERNATIONAL DATA

Katrien Smuts

CHINESE ECONOMY HITS 5% GROWTH TARGET IN 2025

China's Q4 GDP data, released on Monday, show that economic growth remained solid, although momentum eased slightly. GDP expanded by 4.5% y-o-y in Q4, down from 5.3% in Q3, resulting in full-year growth of 5.0% in 2025 - exactly in line with the target set by Beijing at the start of the year. Growth outcomes improved as the year progressed, prompting many analysts, including the BER, to revise forecasts upward. A key upside contribution came from resilient export performance despite ongoing trade tensions with the US. China's trade surplus reached record levels in 2025, supported by stronger exports to Europe and the rest of Asia. Notably, Chinese electric vehicle (EV) exports increased by almost 25% over the year.

PCE INFLATION TICKS UP, BUT IN LINE WITH EXPECTATIONS

The personal consumption expenditures (PCE) price index rose to 2.8% y-o-y on both a headline and core basis in November, up from 2.7% in October (also released yesterday following the earlier government shutdown). While the uptick was widely expected, it underscores that the Fed's preferred inflation measure is drifting further away from its 2% target. The PCE and confirmation of a slightly faster Q4 GDP growth print (4.4% q-o-q, saar) have reinforced market expectations that the Fed will keep interest rates on hold at next week's meeting.

UK INFLATION COMES IN SLIGHTLY HIGHER THAN EXPECTED IN DECEMBER

The UK Office for National Statistics (ONS) released December CPI data on Wednesday. Headline consumer inflation rose by 0.4% m-o-m and 3.4% y-o-y, slightly above both November's 3.2% reading and market expectations. This brought average CPI inflation for 2025 to 3.4%. The December increase was driven mainly by higher prices for alcohol, tobacco, and transport. Core CPI inflation, excluding energy, food, alcohol, and tobacco, was unchanged at 3.2% y-o-y, indicating that underlying price pressures remain relatively contained. Looking ahead, inflation is expected to continue moderating as earlier cost pressures fade.

Meanwhile, Eurostat data show that headline inflation in the Eurozone slowed to 1.9% y-o-y in December, from 2.1% in November, resulting in an annual average of 2.1% for 2025. Services made the largest contribution to December inflation, while energy prices continued to weigh on the headline rate. Core inflation edged lower to 2.3% y-o-y from 2.4% previously. With inflation firmly at the ECB's target growth expected to recover modestly in 2026, the ECB is likely to have ended its interest rate cutting cycle for now.

GERMAN AND EUROZONE ECONOMIC SENTIMENT TICKS UP

Economic sentiment improved in both Germany and the broader Eurozone in January 2026. In Germany, sentiment rose sharply, with the index increasing by 13.8 points to 59.6, extending its recent upward trend. Expectations have turned positive, supported by improved industrial production orders and increased optimism about the Mercosur trade agreement, despite ongoing uncertainty about trade relations with the US.

Economic sentiment in the Eurozone also strengthened, rising by 7.1 points to 40.8—more than five points above market expectations. The latest readings point to a cautiously improving outlook, underpinned by easing inflation pressures, expectations of monetary easing, and a more stable global trade environment.

FORECAST UPDATE

We have made a downward revision to our 2026 CPI forecast, with a stronger rand exchange rate (also revised) contributing to the adjustment. As signalled in the Week Ahead, we expect the SARB to cut its policy interest rate by 25bps next week. If not next week, we see the cut shift out to later this year. We have pencilled in a total of 75bps of easing in 2026, leaving the repo rate at 6% (and prime at 9.5%) by year-end. We think all meetings will be live (i.e., with lively discussion and potential for rate changes) and split votes in at least some meetings.

Our high-frequency tracker is signalling downside risk to our Q4 forecast, but for now, we remain confident that 1.3% full-year growth is still within reach.

	Actual		Forecast			Next release/meeting	
	2025	2025Q4	2026Q1	2026			
Brent crude oil ($, spot, avg.)	68	64.24	63	62		n/a	
ZAR/USD (avg)	17.87	17.19	16.32	16.27		n/a	
Prime interest rate (%, end of period)	11.25	10.25	10	9.5		26-Jan-26	
Headline CPI (y-o-y % change)	3.2	3.6	3.2	3		18-Feb-26	Jan
FNAB inflation (y-o-y % change)	4.1	4.3	4.7	4.1		18-Feb-26	Jan
	2024	**2025Q3**	**2025Q4**	**2025**	**2026**		
Headline PPI (y-o-y % change)	3.1	1.9	3	1.5	2.3	29-Jan-26	Dec
Real GDP growth (seasonally adjusted)							
(y-o-y % change)	0.6	2.1	1.6	1.3	1.5	10-Mar-26	2025Q4
(q-o-q % change)	n/a	0.5	0.4	n/a	n/a		

Source: BER, Stats SA, Refinitv, SARB

Note: Changes from the previous week are indicated in orange. The table is updated ad hoc and is indicative of our latest view.

FNAB stands for food & non-alcoholic beverages.

Premium Insights Clients can access more complete summaries of our forecast (updated each quarter) here.

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