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A week of market whiplash, with political rumours becoming reality

THE WEEK IN PERSPECTIVE

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The past few days presented a story of abrupt reversals. After precious metals raced to record highs, last Friday brought a historic rout, with gold tumbling and commodity markets swinging wildly. The shockwaves rippled through equities and currencies, though the rand – while weaker from last week - held up better than might have been expected. The turmoil coincided with a major political development in the US, where Kevin Warsh was confirmed as Trump's nominee to succeed Fed Chair Jerome Powell, adding another layer of uncertainty to the global policy outlook. For SA, the episode was another reminder of how exposed local markets remain to abrupt moves in global commodities, with mining equities once again amplifying international swings.

The key local political development this week was Democratic Alliance (DA) leader John Steenhuisen's announcement that he will not seek a third term as leader of the party, clearing the way for a managed succession likely centred on Cape Town mayor Geordin Hill-Lewis. The move reflects growing concern within the DA about the stagnation of electoral support since its 2016 peak and the need for a strategic reset ahead of the 2026 local government elections. While the party's participation in the GNU is seen as historically significant, declining voter turnout and flatlining support underscore the risk that leadership renewal alone may not be enough unless it translates into broader voter appeal and stronger bargaining power within coalition politics.

Premium Insights clients can read our latest comment, Beyond the Moonshot: Can a new DA leader boost its flatlining electoral fortunes?, here.

At the time the Weekly was published last week, we noted that precious metal prices were already turning, but Friday ultimately delivered a historic market rout. After gold hit record highs above $5 600/oz and silver peaked near $121/oz earlier in the week, both metals suffered dramatic reversals. Gold tumbled by as much as 11% in a single session and slid roughly $1 000 from its peak, settling back into the low-to-mid $4 600/oz range, while silver plunged about 30% in one day to near $77/oz.

The commodity shock quickly spilt over into broader financial markets, with gold mining equities bearing the brunt of the sell-off. The sharp slump in precious metal stocks weighed heavily on the JSE ALSI, underscoring the market's sensitivity to abrupt moves in global commodity prices. The JSE fell by 6% on Monday, before recovering somewhat. The rand weakened but clawed back most of its losses over the course of the week –

even before commodity prices started to recover. Following impressive rebound rallies, precious metal prices slumped once more later in the week, capping off an exceptionally volatile week for commodity markets.

Meanwhile, the cryptocurrency rout dragged on with Bitcoin falling below $65 000 – wiping out all the gains since Trump took office. US equity markets also came under pressure following the launch of new productivity tools by the artificial intelligence company Anthropic, triggering a fresh sell-off in companies deemed potential losers in the AI revolution.

While we flagged the speculation in last week, it was confirmed on Friday that Kevin Warsh would be Trump's nominee to succeed Fed Chair Jerome Powell, whose term ends in May. Analysts are divided on whether Warsh is a good pick: some argue his track record points to a more hawkish stance than his recent rhetoric, which has tilted more dovish, reportedly to appease Trump, while others see such shifts as a normal evolution. On the flip side, Trump may well be disappointed that appointing Warsh does not automatically lead to lower interest rates. Warsh does have experience at the Fed, but concerns have also been raised about his crisis-management credentials and whether being perceived as a partisan choice could complicate his ability to lead the Fed effectively. His appointment still needs to be approved by the US Senate – this could take a while. Some Senate Banking Committee members have said they do not want to consider any nomination, while the Department of Justice continues to investigate Powell.

Trump signed a bill to end the partial government shutdown on Tuesday, with funding now in place until 30 September – a few months before the US midterm election in early November. The exception is the Department of Homeland Security, which received funding only until 13 February (next week), so negotiations can continue. As part of the funding bill, Congress also approved a one-year extension of AGOA (until December 2026), which Trump later signed into law. Last year, while AGOA was still valid, the reciprocal 30% tariff on SA goods superseded the AGOA concessions. SA trade data showed that merchandise exports to the US (excluding gold) fell by 6% in 2025, with vehicles down by more than 44%. Total exports were up by 1.9%, just outpacing 1.8% import growth.

After the US said that India had agreed to stop buying Russian oil and would buy more than $500bn of US goods, it lowered its tariff from 50% to 18%. India has not definitively confirmed the commitments and has, in the past, continued buying oil from Russia after earlier promises to stop. The US-India 'deal' comes a week after the European Union announced the "mother of all deals" with India.

Moving to monetary policy, as expected, the Bank of England (BoE) and the European Central Bank (ECB) kept rates on hold (although the BoE vote was much tighter than anticipated, 5 hold – 4 cut). In contrast, Australia *increased* its policy rate, as expected. This is just six months after the last cut and is the first major central bank to tighten policy after the largely synchronised global easing cycle.

Weekly Key Indicators		
	Close	w-o-w
R/$	R16.23	2.3%
R/€	R19.13	1.1%
R/£	R21.95	0.5%
$/€	$1.18	-1.1%
Brent	$68.01	-3.8%
Gold	$4 821	-8.5%
Platinum	$2 024	-27.5%
JSE ALSI	120 814	-3.5%
10y gov. bond	8.08	12bps
FRA (1x4)*	6.69	-2bps
*Forward rate agreement		

France's final adoption of its 2026 Budget brought some political certainty to Europe. The Prime Minister survived two no-confidence votes in the process. While the fiscal consolidation is not as significant as hoped following pushback, it does mark a change in direction. Across the North Sea, UK Prime Minister Sir Keir Starmer came under pressure amid a scandal involving the UK's ambassador to the US, Lord Peter Mandelson, and his relationship with Jeffrey Epstein and Starmer's knowledge thereof.

More unsettling was Russia's heavy attacks on Ukraine, the biggest yet this year, with missiles and attack drones. This was despite Russia's promises to spare energy infrastructure and cities as Ukraine battles a cold snap. The attacks left millions without energy ahead of scheduled peace talks between Russia and the US. Not exactly peace talks, but more de-escalation conversations are scheduled to take place between the US and Iran, in Turkey, later today. Talks are set to cover Iran's nuclear programme and Iran's ties to a proxy group in the region, with the US threatening military action if no agreement is reached – it already shot down a drone which "aggressively approached" a US aircraft carrier.

This escalation lifted oil prices a little, but amid new reports of easing tension, prices moved lower once more – trading about 4% below last Thursday's closing at the end of yesterday. Gold was down by 8.5% w-o-w, while platinum tumbled by a significant 27%. Platinum is still up more than 106% from this time last year, while gold is 68% higher than early February 2025. As flagged earlier, prices metal price are unusually volatile at the moment and experience large day-to-day price swings. It will take time for prices to settle and fundamentals rather than outright speculation and profit-taking to drive price trends.

WEEK AHEAD: RAMAPHOSA TO PRESENT SONA ON THURSDAY

The local data calendar is relatively light next week, with December mining and manufacturing production figures the key inputs into Q4 GDP dynamics. Manufacturing stuttered through the first two months of the quarter, and the sharp dip in the Absa PMI in December does not bode well. Mining had been on a solid run but tumbled in November, possibly due to heavy rains, which may have persisted into December.

Elsewhere, the focus will be on US and Chinese inflation figures, as well as Q4 GDP data from the UK. The much-anticipated January US jobs report, originally scheduled for later today, has been postponed due to the government shutdown. The Bureau of Labor Statistics suspended data collection, processing, and dissemination after funding ran out on 30 January. The release is expected to contain potentially significant revisions, with analysts suggesting they could show a weaker job market than initially projected.

On the local political front, President Cyril Ramaphosa will deliver his State of the Nation Address (SONA) on Thursday. With the country heading into an election year, the address is expected to strike a balancing act between reform signalling and political caution, though expectations for major policy surprises remain low.

While just over two weeks away, **a short Budget Preview can be found in Claire Bisseker's column in this Business Day this morning** – to be published on the BER's **In the** Media page on Monday.

Globally, Japanese voters will head to the polls this weekend for a snap election – just a year after the last election. Prime Minister Takaichi Sanae hopes to strengthen her party's position in parliament after taking office in October.

Date	Event	Latest
Tuesday (10 Feb)	US: Retail Sales (Dec)	0.6% m-o-m; 3.3% y-o-y
Wednesday (11 Feb)	CN: Consumer inflation, producer inflation (Jan)	0.8% y-o-y; -1.9% y-o-y
Wednesday (11 Feb)	US: Consumer inflation (Jan)	2.7% y-o-y
Thursday (12 Feb)	UK: GDP Growth Rate (Prel, Q4)	1.3% y-o-y
Thursday (12 Feb)	SA: Mining Production (Dec)	-5.9% m-o-m; -2.7% y-o-y
Thursday (12 Feb)	SA: Manufacturing Production (Dec)	-1.1% m-o-m; -1% y-o-y

DOMESTIC DATA

Nadia Matulich

PMIs SUGGEST IMPROVING MOMENTUM ALONGSIDE STRONG VEHICLE SALES

The **Absa PMI** recorded a notable improvement in January, rising by 8.2 points to 48.7. While the index remains in contractionary territory, the increase represents a substantial improvement on December's reading. Although the PMI can be volatile, the magnitude of this movement is significant. In particular, the business activity index rose above the neutral 50 mark to 51.4, increasing by 14.7 points over the past two months. New sales orders also improved, driven entirely by domestic demand, while export sales declined.

The S&P Global SA PMI came in at 50.0, suggesting broadly unchanged conditions relative to December. However, the index increased from 47.7 in December, indicating that activity was no longer deteriorating as it had during the fourth quarter. New business volumes and output were relatively stable. Inflationary pressures eased further, with salary increases partly offset by favourable exchange rates that reduced import costs. As a result, input prices rose at their slowest pace in three months. As with the Absa PMI, business optimism declined slightly relative to December but remained positive overall.

New vehicle sales continued their upward momentum in January, reaching 50 073 units, an increase of 3 479 vehicles or 7.5% compared to January 2025. Vehicle exports totalled 24 568 units, broadly unchanged from January 2025, when 24 432 vehicles were exported. Naamsa cautioned that rising protectionism in key export markets is likely to continue constraining the sector, although the improved inflation and monetary policy environment remains supportive. By buyer category, 85.4% of new vehicle sales were to dealers, 10.9% to the rental industry, 2.1% to corporate fleets, with the remainder sold to government. Passenger vehicles accounted for the majority of sales at 37 190 units. Sales of medium and heavy commercial vehicles, however, declined relative to January 2025, with infrastructure investment, logistics, electricity and the outlook for investment in broader terms remaining as key constraints.

Finally, in m-o-m terms, the volume of electricity generated declined by 1.4% in December, following decreases of 0.7% and 0.3% in October and November respectively. The sector is thus set to weigh on Q4 GDP. Electricity production was down by a cumulative 7.9% over the year.

INTERNATIONAL DATA

Nicolaas van der Wath

EUROZONE AND UK MONETARY POLICY SETTINGS UNCHANGED

In the Eurozone, the ECB left its policy interest rate unchanged at 2.15%, a level reached in June 2025. The ECB supported this decision by noting that headline inflation is expected to remain around its 2% target over the medium term. The Eurozone economy has remained resilient despite global uncertainties, with unemployment still low and private-sector balance sheets solid.

Across the English Channel, the BoE kept its policy interest rate unchanged at 3.75%, where it has stood since December last year. However, nearly half of the committee members voted for a 25 basis-point cut, citing concerns about slow economic growth and a softer labour market. Consumer inflation is expected to subside towards the 2% target by April this year, largely on the back of lower energy costs, while wage and services inflation are also moderating.

Meanwhile, a preliminary reading indicates that Eurozone annual headline consumer inflation continued to ease, reaching 1.7% in January (down from 2.1% in November). Core inflation (which excludes volatile items such as food and energy) also declined, from 2.4% in November to 2.1% in January — the lowest level since October 2021. On a monthly basis, headline consumer prices contracted by 0.5%. Of concern, however, is that five-year inflation expectations increased in December, from 2.2% to 2.4%.

Besides inflation, the Eurozone also released initial GDP estimates for the final quarter of 2025. GDP expanded by 0.3%, matching the growth recorded in the third quarter. This resulted in a full-year growth rate of 1.5% for 2025. Among member states, growth picked up considerably in Germany, from a contraction of -0.2% in the second quarter to 0% in the third and 0.3% in the fourth. Growth of 0.8% was recorded in Spain and 0.5% in the Netherlands.

CHINA MANUFACTURING PMI HOLDS STEADY NEAR NEUTRAL IN JANUARY

The new year started on a balanced footing for the Chinese economy, as the RatingDog Purchasing Managers' Index (PMI) for the manufacturing sector moved virtually sideways along the neutral 50-point mark from December to January. However, purchasing costs accelerated to the highest level in four months, prompting firms to raise their selling prices for the first time since November 2024. Consequently, business confidence dropped to its lowest level in nine months.

Nonetheless, new sales orders and export orders improved slightly, allowing companies to increase employment.

ISM MANUFACTURING PMI IN THE US SURGES IN JANUARY

Meanwhile, in the US, the new year started on a very strong note, as reflected in the ISM Manufacturing PMI, which surged from 47.9 in December to 52.6 in January. This was the highest level since 2022 and safely above the neutral 50 mark. The sharp increase was unexpected by forecasters and marked the first return to expansionary territory in a year.

Underlying indicators also improved, including new orders, production, employment, supplier deliveries and inventories. At the same time, price pressures remained significantly elevated at 59 index points. Some respondents indicated that they needed to replenish stock after the holiday season and place pre-emptive orders amid ongoing tariff uncertainty.

FORECAST UPDATE

Earlier this week, we published our updated **quarterly forecast figures.** We have revised up our GDP growth outlook for 2026 to 1.8% (from 1.5% previously), reflecting slightly stronger near-term momentum and a more supportive domestic macro backdrop. The medium-term growth trajectory remains broadly unchanged. A more detailed discussion of the underlying narrative and forecast assumptions will be provided in **Economic Prospects**, to be released next week.

Aside from the upward revision to growth, we have revised our near-term rand exchange rate forecast to be stronger and made small updates to our Brent crude oil and producer price inflation assumptions.

	Actual		Forecast			Next release/meeting	
	2025	2025Q4	2026Q1	2026			
Brent crude oil ($, spot, avg.)	68	62.33	65	63		n/a	
ZAR/USD (avg.)	17.88	17.10	16.32	16.27		n/a	
Prime interest rate (%, end of period)	11.25	10.25	10	9.5		26-Mar-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	4.2	4.5	3.7		18-Feb-26	Jan
Headline PPI (y-o-y % change)	1.5	2.9	1.8	1.7		26-Feb-26	Jan
	2024	**2025Q3**	**2025Q4**	**2025**	**2026**		
Real GDP growth (seasonally adjusted)							
(y-o-y % change)	0.5	1.9	1.8	1.3	1.8	10-Mar-26	2025Q4
(q-o-q % change)	n/a	0.5	0.3	n/a	n/a		

Source: BER, Stats SA, Refinitv, SARB
Note: 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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