

WEEKLY REVIEW | NUMBER 36 | 2 OCTOBER 2026

Oil pressure eases, but prices stay high as global bond yields bite

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

Ever since the war started, we have been watching the Strait of Hormuz and tracking how much oil is actually getting out of the region. That picture has finally begun to improve. After taking considerably longer than initially hoped, Gulf producers and shippers have found ways to move significantly more crude oil despite continued disruption around the Strait. US naval protection has helped restore more regular tanker traffic, while alternative pipelines, ports and ship-to-ship transfers have also allowed producers to bypass parts of the bottleneck. Regional flows are now back towards roughly 15–16 million barrels per day. Importantly, however, refined product flows remain more constrained.

What is striking is that oil prices have not fallen by nearly as much as the improvement in flows might suggest. Brent remains above \$100/bbl, reflecting the fact that the underlying geopolitical risk has not disappeared. If flows continue to normalise and there is credible progress towards de-escalation, prices could fall quickly and significantly. But if Iran intensifies efforts to disrupt the new routes or renewed attacks constrain exports again, prices could surge.

At the same time, pressure has shifted elsewhere in financial markets. Global bond yields climbed sharply this week, with the US 30-year Treasury yield rising above 5.6% this week, its highest level since 2002, while the 10-year yield was also pushed to levels last seen more than two decades ago. US yields eased a little last night. The sell-off was not confined to the US. UK gilt yields have also risen sharply, while in France the spread between 10-year French government bonds and German Bunds has widened to its highest in almost 15 years as investors become more sensitive to fiscal risk and the possibility of looser policy after next year's election. Japanese yields have also moved higher as the Bank of Japan continues to normalise policy (i.e. increase interest rates).

Higher global bond yields are not simply another reaction to a more hawkish US Federal Reserve. Resilient economic growth (particularly in the US – with an upward revision to Q2 announced this week), high commodity prices and growing inflation pressure are colliding with enormous government and corporate borrowing requirements. Fiscal deficits remain wide while defence spending is rising and the AI investment boom is adding another large source of corporate issuance. Governments and companies are therefore competing more aggressively for investor capital at precisely the point when some of the traditional large buyers of sovereign debt have become less supportive.

The composition of demand for bonds is changing, too. Central banks and foreign official institutions hold a smaller share of US Treasuries than they did a few years ago, leaving markets increasingly dependent on more price-sensitive private investors. Japan adds another complication as higher domestic rates and efforts to support the yen can encourage Japanese investors to reduce foreign bond holdings, while an unwind of yen-funded carry trades can generate additional selling pressure across global fixed-income markets.

The result is a much less forgiving bond market than during the low-rate era that followed the global financial crisis. Even when central banks pause, financial conditions can continue tightening through the long end of the yield curve. For SA, that matters because the SARB does not control the whole curve. Higher global benchmark yields can keep domestic borrowing costs elevated, put pressure on the rand and raise the cost of capital even without another increase in the repo rate.

The latest US data help explain why yields remain under pressure. Core PCE inflation was softer than expected in August, but the broader economy remains resilient, with second-quarter GDP and consumer spending revised higher. In other words, inflation has improved at the margin, but there is still little evidence that the US economy is buckling under higher borrowing costs. That leaves the Fed with considerably more room to contemplate further tightening than many other central banks.

Local markets have so far absorbed the global bond sell-off relatively well. SA's 10-year government bond yield has risen to around 9%, but the move has been modest compared with the sharp repricing in long-dated developed-market debt. The rand has weakened against the dollar, although this appears to reflect, at least in part, broader dollar strength rather than a material deterioration in SA-specific sentiment.

That said, relations between SA and the US remain tricky – see the **politics section** below. The latest public criticism from Washington points to little improvement in the bilateral relationship, keeping country-risk perceptions, trade relations and the rand on the radar.

On the local data front, the SARB's latest Quarterly Bulletin (QB) adds useful colour to the domestic picture beyond what we already knew from the Q2 GDP release. Household real disposable income increased during the quarter, helping explain why consumption held up despite the broader slowdown, while household debt relative to disposable income remained broadly contained. Of course, higher transport and borrowing costs are now eroding that buffer.

The QB also provides a clearer picture of the external and fiscal channels through which the shock is feeding into the economy. Higher energy import costs worsened SA's terms of trade and contributed to the swing in the current account into deficit, while stronger government revenue improved the primary balance and reduced the public sector's net borrowing requirement. Against a backdrop of sharply higher global sovereign yields, that improvement in the domestic fiscal position is particularly welcome.

The picture is therefore not uniformly weak. Household incomes have provided some support, but the external energy shock is draining purchasing power from the economy at the same time that global financing costs are rising. More recent survey data offers at least some encouragement. The **Absa PMI** rose back above the neutral 50-point mark in September, with a particularly strong rebound in new sales orders and a sizeable recovery in business activity. Cost pressure, however, reaccelerated.

Taken together, the global story is no longer simply one of an oil shock getting worse. Energy supply is adapting, and that creates the possibility of meaningful relief if de-escalation gains traction. But the

Weekly Key Indicators		
	Close	w-o-w
R/\$	R16.67	1.5%
R/€	R18.78	0.5%
R/£	R22.03	1.4%
\$/€	\$1.13	-1.0%
Brent crude oil	\$100.49	-5.9%
Gold	\$4 156	-2.1%
Platinum	\$1 727	-1.5%
JSE ALSI	107 763	-3.4%
10y gov. bond	9.01	15bps
FRA (1x4)*	7.23	-2bps
*Forward rate agreement		

pressure has not disappeared; part of it has migrated into global bond markets, where persistent inflation, resilient growth and enormous financing needs are pushing borrowing costs higher.

For SA, that means even a meaningful decline in oil prices would not automatically translate into easy financial conditions. The SARB has already raised the policy rate to 7.25%, and our baseline is that it now remains on hold. But the next phase of the outlook may be shaped as much by what happens in global bond markets as by what happens at the petrol pump. That said, the petrol pump is about to matter quite a lot. The latest fuel-price data point to a very steep increase next Wednesday, as the average under-recovery for September was around R3/l for petrol and between R2.75 and R3.15/l for diesel. Unless the government announces some form of temporary fuel-levy relief - and, importantly, there has been no indication from official sources that such relief is being considered - the SA economy looks set to absorb another substantial fuel-price shock next week.

WEEK AHEAD: DOMESTIC ACTIVITY BACK IN FOCUS

After an eventful September for monetary policy, next week's calendar is somewhat quieter, with the focus shifting back towards activity data. In SA, Monday's S&P Global PMI will provide an early reading on private-sector conditions in September, after the index remained just above the neutral 50 mark in August.

The SARB's Monetary Policy Review (MPR) on Tuesday will also be worth watching closely. Coming less than two weeks after the MPC raised the repo rate to 7.25%, the MPR should provide more detail on the Bank's assessment of the inflation outlook, the renewed energy shock and the degree of restrictiveness in monetary policy. The official gold and foreign-exchange reserve data follows on Wednesday.

The main domestic activity release comes on Thursday, with August manufacturing production. Output surprised positively in July, rising by 2.2% m-o-m and 1.1% y-o-y. The August print will therefore help establish whether July marked the beginning of a firmer third-quarter recovery or merely a temporary rebound.

Internationally, the US ISM services PMI on Monday will be particularly useful after the Fed's September hike: services activity has remained resilient, and another strong reading would reinforce the contrast between the US growth backdrop and the much weaker conditions facing several other major economies. Eurozone retail sales and German industrial production will meanwhile provide further evidence on the health of European demand.

Finally, Friday's preliminary University of Michigan consumer survey will show whether US sentiment stabilised after weakening in September. The final September index stood at 48.1, while year-ahead inflation expectations rose to 4.6%, making the October inflation-expectations reading worth watching after the Fed's latest move.

Date	Event	Latest
Monday (5 Oct)	SA: S&P Global PMI (Sep)	50.5
Monday (5 Oct)	EZ: PPI (Aug)	5.8% y-o-y; 1.6% m-o-m
Monday (5 Oct)	US: ISM Services PMI (Sep)	55.4
Tuesday (6 Oct)	EZ: Retail Sales (Aug)	0.6% y-o-y; -0.6% m-o-m
Wednesday (7 Oct)	DE: Industrial Production (Aug)	-1.1% m-o-m
Wednesday (7 Oct)	SA: Foreign Exchange Reserves (Sep)	\$76B
Thursday (8 Oct)	SA: Manufacturing Production (Aug)	1.1% y-o-y; 2.2% m-o-m
Friday (9 Oct)	Michigan Consumer Sentiment (Prel, Oct)	48.1

SA POLITICAL UPDATE

Natasha Marrian

IEC HITS “PRINT” AS SA GEARS FOR LGE 2026

Preparations for the 2026 local government election have kicked into high gear, with ballot papers on their way to the printers. Special vote applications have opened, and individual political party campaigns are set to intensify over the coming weeks.

Last week was significant for the Electoral Commission of SA, after the Electoral Court handed down judgement in the long-running case brought by the MK Party challenging the outcome of the 2024 election. Former president Jacob Zuma’s MKP approached the courts immediately after the election results were declared, alleging that the results were rigged, citing a two-hour downtime on the results display board at the results operation centre in Midrand during the vote count as evidence. However, the case went through several procedural iterations before it was eventually heard in June. The court dismissed MKP’s case against the IEC, finding that the temporary failure of the public-facing leaderboard did not establish that the underlying vote-capturing and reporting system had malfunctioned or that the election results were inaccurate.

ANC REVERTS TO EARLY ADVICE IN BATTLE OVER CANDIDATE LISTS

There are two other crucial cases linked to the election, with potentially far-reaching implications. The first is the ANC’s Constitutional Court bid to submit candidate lists in six municipalities, after losing the case before the Electoral Court. In two of those municipalities, the ANC did not submit any ward or PR candidate lists, implying that it will not be on the ballot in those councils. This could mark a severe blow - the ANC posted a strong performance in the two local municipalities, Ngqcuza Hill and Port St Johns, in the Eastern Cape. In the 2021 local election, the party received around 70% of the vote in each.

In the remaining four Eastern Cape municipalities, the ANC failed to submit party lists (proportional representation, or PR, lists) but did submit lists for ward candidates. This could reduce the number of seats available to the ANC in the affected councils and would also have financial implications for the party. IEC chief electoral officer Sy Mamabolo says that parties that are not contesting PR seats must pay for each ward they are contesting in that council, instead of the usual registration fee covering both wards and PR seats.

The BER understands that the ANC received legal advice before the initial Electoral Court loss, to allow the candidates themselves to approach the court instead of the party itself, arguing that rejecting lists which had been placed on the IEC system, but not “submitted as final”, infringed the rights of candidates and voters. The ANC initially pursued a different legal argument before the Electoral Court. The earlier approach has now resurfaced, with would-be councillors approaching the Constitutional Court directly. Forty-nine would-be councillors approached the Constitutional Court on Thursday, arguing that their Constitutional rights and those of voters were at risk if the lists were not recognised by the IEC.

DA TAKES ON OPPONENTS OVER PR LIST STRATEGY

Another controversial case before the Electoral Court is the DA challenge to ActionSA, the MK Party, the EFF and Good over their decision to submit only one name on some PR lists. The IEC was also cited as a respondent, over its decision to certify the one-name lists submitted by these parties.

The IEC has argued that the DA’s case is without merit and that entertaining it risks disrupting preparations for the election. It is unclear how the court will view the DA’s application. The case turns

in part on how the law governing the supplementation of PR lists should apply after the election and before councils are fully constituted.

US/SA TENSIONS PEAK, AGAIN

The SA government has responded positively to three of the so-called “five asks” from the United States, and those matters have been “resolved”, according to Minister in the Presidency Khumbudzo Ntshaveni. A crucial sticking point remains the transformation policy, including the application of BEE requirements in sectors such as mining. That matters because critical minerals have become an increasingly important area of potential SA-US economic cooperation. Pretoria has made clear that it wants investment in mining and processing, but also wants more value addition and beneficiation to take place in SA.

Her exposition on the state of play in the SA/US impasse comes amidst heightened tension between the two countries. Tensions flared once more after Secretary of State Marco Rubio announced the imposition of targeted visa restrictions against South Africans, citing “racially motivated crime and government-sponsored discrimination” which has not been “adequately addressed” by the Ramaphosa administration. This refers to the so-called “white genocide” narrative perpetuated by some lobby groups in SA. Rubio did not name the individuals who would be targeted.

As Rubio increased pressure from the US, US ambassador Leo Bozell embarked on a media blitz in SA, publicly criticising Pretoria’s response to the Trump administration’s “five asks” and saying he had expected more progress in the relationship. Bozell has said he believed a breakthrough was close before relations deteriorated again.

The combination of public diplomatic pressure and unresolved economic questions means the bilateral dispute remains relevant to SA’s trade and country-risk outlook. The key question is whether the confrontation remains largely diplomatic or begins to translate into more material economic measures.

Following Bozell’s public declaration in SA that the US was “running out of patience” with SA, the international relations department issued a démarche to him for what it described as “undiplomatic conduct”. It was the third such démarche since he took up his post nine months ago.

CRIMINAL JUSTICE CRISIS REMAINS IN FOCUS

The embattled criminal justice system remained in focus this week as President Cyril Ramaphosa addressed the nation over the 11 women found killed in various parts of Ekurhuleni. The deaths remain under investigation, and authorities have not established that they are linked. Ramaphosa announced a series of interventions, including a 90-day programme of action focused on the investigations and the broader response to gender-based violence and femicide. The challenge now will be implementation, particularly given that several similar commitments on gender-based violence have been made by the government in previous years.

Also on the criminal justice front, the NPA withdrew charges against suspended national police commissioner Fannie Masemola, removing one of the legal obstacles to any decision on his suspension. Masemola was charged with violating the Public Finance Management Act linked to the controversial R360m health services tender awarded by the SAPS to attempted murder accused and suspected crime boss Vusimuzi Matlala.

A day before charges were formally withdrawn against Masemola in the Pretoria Magistrates’ Court, suspended deputy police commissioner Shadrack Sibiya was arrested on charges of rape, sexual grooming and child trafficking. He was arrested in Sandton and later appeared in the Randburg

Magistrate's Court. Sibiya, whose bail application was opposed by the State, remains accused of serious offences, including allegations involving a minor. The State has argued that there are risks of witness intimidation and flight. Sibiya has also featured prominently in allegations aired during the wider inquiries into criminal networks and policing. Those allegations remain contested and have not been established as findings against him.

Evidence before the Madlanga Commission has continued to explore alleged links between senior police figures and criminal networks. The Commission has repeatedly stressed that the allegations before it are untested and do not amount to findings of wrongdoing.

The weaknesses in the criminal justice system have implications across SA society, including economic growth and SA's ability to fight corruption and restore the integrity of the state.

DOMESTIC DATA

Nomvelo Moima

ABSA PMI RETURNS TO EXPANSION FOLLOWING A WINTER LULL, WHILE DOMESTIC NEW VEHICLE SALES REMAIN ROBUST

Absa Purchasing Managers' Index (PMI) rose by 4.9 points to 50.7 index points in September 2026, returning above the neutral 50-point mark after three consecutive months in contractionary territory. Overall, the September PMI marks a welcome improvement after a weak winter period, particularly given the sharp rebound in new orders. However, the signal is not uniformly positive as business activity, employment, and order backlogs remained subdued. Moreover, logistics disruptions appear to have artificially boosted the supplier deliveries component of the headline PMI, while purchasing price pressure reaccelerated. Click [here](#) for more

According to Naamsa, new vehicle sales closed the third quarter on a solid footing, with domestic new vehicle sales rising by 12.7% y-o-y, as passenger vehicle sales rose by 14.7%. In contrast, the external demand environment remained tough, with exports continuing to underperform, declining by 18.8% y-o-y in September, down from an 11.7% decline in the prior month.

PPI INFLATION MODERATES IN AUGUST, BUT 2026Q2 FORMAL EMPLOYMENT DISAPPOINTS

Stats SA reported some good news on factory-gate price trends. The rate of increase in producer price inflation (PPI) for final manufactured goods eased to 5% y-o-y in August from 5.7% y-o-y in July. This marks a third consecutive month of moderating producer inflation on the back of a 0.4% m-o-m decline. Though food, beverages and tobacco products (-0.3% y-o-y) subtracted 0.1% pts from the headline, the slowdown largely reflects lower prices for coke, petroleum, chemical and plastic products (-1.4%), subtracting 0.3% pts. However, some of this relief may reverse in upcoming PPI prints as fuel-price pressures reaccelerate.

Moving on to the latest jobs data, Stats SA's Quarterly Employment Statistics (QES) showed a 0.1% q-o-q decline (or -14 000) in formal non-agriculture employment in 2026Q2. Manufacturing shed the most jobs (-20 000), followed by business services (-13 000). The job declines in four of the eight sectors were partially countered by some job gains in the four remaining sectors, led by community services (+29 000). Disappointingly, formal employment fell by 0.9% y-o-y in Q2 (-95 000).

PRIVATE SECTOR CREDIT GROWTH LITTLE CHANGED IN AUGUST

Finally, according to the SARB, private-sector credit growth was little changed at 7.47% y-o-y in August, from 7.41% in July. The composition continued to shift, however. Corporate credit growth

edged down from 9.3% y-o-y in July to 9.2% in August, while household credit growth continued its gradual recovery, rising from 5.1% to 5.3%.

INTERNATIONAL DATA

Paul Gluckman

CHINESE PMIs POINT TO IMPROVING MOMENTUM

The NBS manufacturing PMI increased to 50.1 in September from 49.8 in August, putting the official index back in expansionary territory after two months below the neutral 50-point mark. The increase was supported by stronger production, with the production index hitting a 9-month high of 51.7. While new orders also improved, raw material inventories and employment continued to decline. The headline improvement, therefore, points to firmer momentum, although conditions remain mixed beneath the surface.

Meanwhile, RatingDog's manufacturing PMI rose to 52.1 in September, up from 51.5 in August, marking the sector's 10th consecutive month of expansion. Output accelerated at the fastest pace in five months amid rising domestic and overseas demand. Heightened production requirements supported purchasing activity and employment in the sector. Input cost pressures rose to a four-month high and firms raised output prices in response. Even so, firms are optimistic about future growth, underpinned by expectations of an improvement in the global macroeconomic environment over the coming year.

Looking at the composite indices, broader growth momentum improved. With RatingDog at 52.4 and the NBS rising to 50.7, both composite indices are in expansionary territory. Although external demand remains an important source of uncertainty for China's export-heavy economy, the September readings suggest that activity ended the quarter on a firmer footing.

US CORE PCE INFLATION COMES IN BELOW EXPECTATIONS

The Federal Reserve's (Fed) preferred inflation measure, core PCE, came in at 3% y-o-y in August, matching the lowest level reached this year. Markets expected a print of 3.3%, although their judgement was made prior to a revision in July's figure from 3.3% to 3%. The release also incorporated methodological changes to three sub-indices, which complicates comparison with earlier readings. On a monthly basis, core PCE rose by 0.2% in August.

The annual change remains above the Fed's inflation target of 2%, although the softer release provides some reassurance after the FOMC raised the policy rate by 25 bps in September. Even so, one softer print is unlikely to settle the policy debate. The key question is whether inflation continues to moderate sufficiently to alter the Fed's recently more hawkish policy stance.

US MANUFACTURING CONTINUES TO HUM

The ISM manufacturing PMI edged down from 54.6 in August to 54.5 in September, remaining well in expansionary territory. From the 5 main subindexes, the marginal headline decline was dragged by a slowing in the growth of production index (58.3; -1.6% pts) and the inventories index falling into contractionary territory from 50.6 to 48.6, signalling that heightened demand is starting to drawdown on stockpiles. The price index remains elevated (77.9, +6.8% pts) as high input prices persist. However, new orders continue to accelerate (53.7, +1.6% pts), and although supply delivery times slowed marginally (59, -0.3% pts), the overall momentum suggests that the manufacturing sector should bolster the Q3 GDP print.

GERMAN RETAIL SALES PICK UP IN AUGUST ALTHOUGH HOUSEHOLDS REMAIN CONSTRAINED

After an unexpectedly sharp 3.2% decline in July, retail sales in Germany grew 1.3% in August. However, compared to the same month last year, retail sales were still down by 0.4%. Higher fuel and gas prices continue to constrain consumer spending, as evidenced by an 8.7% y-o-y decline in turnover at petrol stations.

Pressure on household budgets is likely to persist while oil and fuel prices remain elevated. Energy inflation accelerated by 14.9% y-o-y, lifting Germany's inflation rate from 2.9% in August to 3.3% in September. More positively, core inflation held steady at 2.4%, suggesting that although price pressures persist, they have not broadened materially beyond the energy shock so far.

FORECAST UPDATE

Following last week's 25 bps hike, our baseline is for the SARB to keep the policy rate unchanged at 7.25% at its November meeting. The Bank has already responded to the deterioration in the inflation-risk environment, while growth remains weak and there is still limited evidence that the energy shock is becoming embedded in broader price- and wage-setting behaviour.

Our oil-price assumptions remain elevated, with Brent averaging \$103.9/bbl in 2026Q4. However, the near-term outlook is unusually uncertain. Oil flows are beginning to recover, which creates scope for prices to fall quickly and materially if there is credible progress towards de-escalation and more normal shipping conditions. The opposite risk is equally clear: prices could surge again if Iran intensifies efforts to disrupt exports or prevent the recovery in regional oil flows.

For now, this leaves our 2026 inflation forecast at 4.4%, with the stronger rand continuing to provide some offset to high international energy prices. The balance of risks around the inflation profile remains tilted to the upside, but is unusually sensitive to developments in the Middle East and the speed at which oil flows normalise.

	Actual		Forecast		Next release/meeting	
	2025	2026Q3	2026Q4	2026		
Brent crude oil (\$, spot, avg.)	68.83	91.39	103.9	92.50	n/a	
ZAR/USD (avg.)	17.88	16.29	16.54	16.41	n/a	
Policy interest rate (%, end of period)	7.25	7.25	7.25	7.25	19-Nov-2026	
	2025	2026Q2	2026Q3	2026		
Headline CPI (y-o-y % change)	3.2	3.3	4.5	4.4	21-Oct-26	Sep
FNAB inflation (y-o-y % change)	4.1	3.9	1.1	2.2	21-Oct-26	Sep
Headline PPI (y-o-y % change)	1.5	6.7	5.7	5.7	29-Oct-26	Sep
Real GDP growth (seasonally adjusted)						
(y-o-y % change)	1.1	0.9	0.6	1.3	1-Dec-26	2026Q3
(q-o-q % change)		-0.2	0.1			

Source: BER, Stats SA, SARB and LSEG.

Note: The table is updated ad hoc and is indicative of our latest view.

FNAB stands for food & non-alcoholic beverages.

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