

US EARNINGS FIREPOWER DRIVES MARKETS HIGHER SOUTH AFRICA

Moody's Outlook Upgrade

Moody's upgraded South Africa's credit rating outlook from stable to positive on 22 May, while keeping the country's foreign-currency credit rating unchanged at Ba2. The ratings agency cited gradual improvements in the country's fiscal position, together with continued progress on structural reforms, as key reasons for the more optimistic outlook.

According to Moody's, South Africa is beginning to show signs of more sustainable fiscal improvement, although the process remains in its early stages. If the current trajectory is maintained, the country could see a gradual reduction in both government debt levels and debt-servicing costs over time.

The agency also expects ongoing policy reforms to encourage higher levels of fixed investment, which should support stronger economic growth in the years ahead. Real GDP growth is projected to rise toward 2% by 2028, helping to reinforce the recent improvement in public finances.

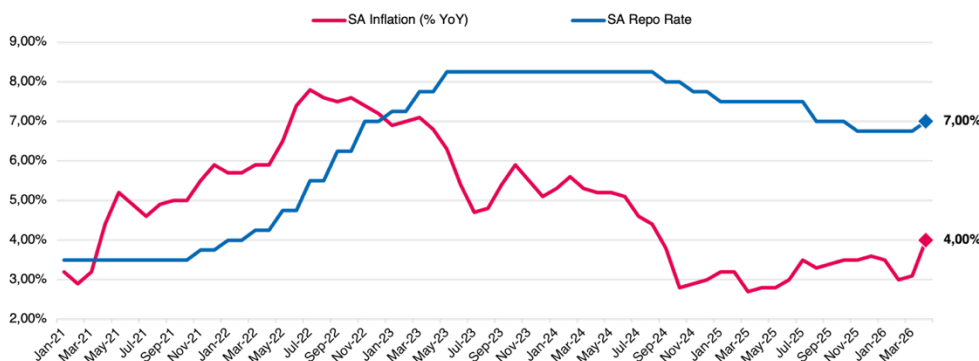
While geopolitical tensions in the Middle East remain a risk to the global and domestic growth outlook, Moody's believes South Africa's policymakers are likely to maintain macroeconomic stability through a measured policy response. The agency also noted that, despite the approaching election cycle, the risk of a major reversal in reform efforts currently appears limited.

Inflation & Interest Rates

South Africa's inflation rate accelerated notably in April 2026, with headline CPI increasing by 1.1% month-on-month, broadly in line with market expectations. On an annual basis, inflation rose from 3.1% to 4.0%, reaching its highest level since August 2024.

Looking ahead, inflationary pressures are expected to remain elevated in the near term. The sharp increase in fuel prices during May, together with the anticipated adjustment of the fuel levy over the coming months, could push headline inflation closer to the 5% level.

Fig 1. South African Repo Rate & Inflation



Unsurprisingly, the SARB elected to raised interest rates by 0.25% on the 28th of May on the back of the higher inflation reading, bringing the local repo rate to a level of 7.00%. In its meeting, the Reserve Bank emphasised the risk of pronounced "secondary" inflationary effects stemming from the conflict in Iran as companies endeavour to pass on some of the fuel price increase to their customers, as well as the need to control inflation expectations.

JUNE 2026

HIGHLIGHTS

Moody's Upgrade

- Credit outlook improved from Stable to Positive
- Fiscal position showing gradual improvement
- Structural reforms supporting future growth
- GDP growth expected to approach 2% by 2028

Inflation & Interest Rates

- Inflation increased from 3.1% to 4.0%
- Fuel price pressures expected to remain elevated
- SARB raised repo rate by 0.25%
- Repo rate now stands at 7.00%

US Earnings Strength

- S&P 500 earnings growth reached 28%
- Revenue growth accelerated to 11%
- More than 80% of companies beat forecasts
- Technology and AI themes continue to lead markets.



GLOBAL

US Q1 Earnings Numbers Smash Expectations

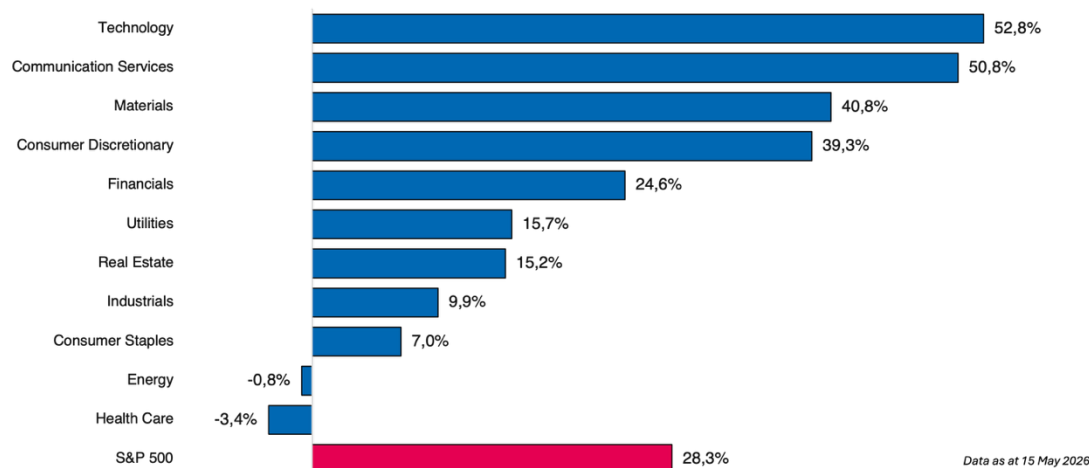
The U.S. first-quarter earnings season delivered results well ahead of expectations, with more than 95% of S&P 500 companies having reported thus far. Overall earnings growth is currently tracking at approximately 28% year-on-year, significantly higher than the 14% growth rate analysts had expected at the start of the quarter

Revenue growth was equally impressive, with company revenues estimated to have increased by 11% during the quarter. This marks a further acceleration from the previous quarter and reflects continued resilience in corporate activity despite a challenging macroeconomic backdrop.

The strong revenue environment also helped companies maintain healthy profit margins, resulting in the S&P 500 recording a new high in overall profitability. Corporate earnings surprises remained broadly positive, with more than 80% of companies beating earnings forecasts and nearly 80% exceeding revenue expectations.

Technology and communication services stocks led the charge, driven by the continued expansion of the AI theme and the strong earnings numbers delivered by the Magnificent 7 stocks. By contrast, the energy and healthcare sectors recorded modest declines in profitability, with healthcare earnings particularly affected by a large accounting-related charge.

Fig 2. S&P 500 Q1 2026 Earnings Growth (%YoY)



Importantly, the latest reporting season reinforced confidence in the outlook for corporate earnings over the remainder of 2026 and into 2027. Despite ongoing geopolitical uncertainty linked to the conflict in the Middle East, relatively few companies have issued negative guidance or materially lowered earnings expectations for the year ahead.

From a portfolio construction perspective, we remain constructive on global equities, but are cognisant of the heightened levels of uncertainty and volatility in markets. As such, we maintain a broadly neutral stance relative to strategic benchmarks.

Source: FactSet, Trading Economics

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