Prosperity

MAY 2026

Economic and Market Overview

Latest Global & Local Company Updates

PODCAST

MARKETS & MEANING

Each month, Sean Ashton, Head of Investments, steps back from the headlines to focus on the forces shaping markets and what they mean for long-term investors.

May 2026: AI, Rates and Market Signals
In our latest episode, Sean explores why markets are increasingly looking beyond geopolitical noise and refocusing on earnings, valuations and long-term structural trends. The discussion unpacks why semiconductor companies such as NVIDIA and Intel continue to outperform, how the AI investment theme is broadening into infrastructure and connectivity, and why gold has recently traded more like an interest rate asset than a traditional safe haven. Sean also discusses the implications of higher oil prices for investors, inflation and the interest rate outlook.

LISTEN NOW

April was characterised by ongoing geopolitical tension, elevated energy prices and a more volatile market environment. Below we summarise the key economic developments, market movements and updates from selected portfolio holdings.

ECONOMIC UPDATE

The closure of the Strait of Hormuz continues to constrain global supplies of oil, gas and other critical commodities, placing upward pressure on prices.

This presents a headwind to global growth, increasing costs for businesses and eroding consumer purchasing power. The impact remains uneven. Wealthier economies have largely absorbed higher prices, while some emerging markets have been forced to curb demand through measures such as reduced working hours.

The exposure of major economies also differs meaningfully. The US, along with Canada and Australia, is a net energy exporter and therefore relatively insulated. In contrast, much of Europe, as well as Japan and Korea, remain heavily reliant on imports. China is also exposed, although its investment in renewable energy provides some offset.

The inflationary impact is equally uneven. Oil is priced in US dollars, making exchange rate movements a key transmission mechanism for non-US economies. While this has created pressure in countries such as India and Turkey, the dollar has remained relatively stable despite the scale of the shock.

Importantly, the current environment differs from 2022 when energy prices surged in the wake of Russia's invasion of Ukraine. The earlier surge in energy prices occurred alongside strong post-pandemic demand, significant fiscal support and supply chain disruptions, which allowed companies to pass on higher costs and expand margins. In contrast, demand conditions are now more subdued, which should limit the extent of broader inflationary pressures.

Central banks have responded accordingly. Most have kept interest rates unchanged, assessing whether the increase in prices proves temporary. However, the longer the Strait of Hormuz remains closed, the greater the risk that inflation expectations begin to drift higher. This would increase the likelihood of further policy tightening, particularly in Europe. The US Federal Reserve is likely to remain more measured, while China continues to focus on supporting growth amid persistent deflationary pressures.

South Africa has seen higher petrol and diesel prices through April and early May. However, the domestic backdrop is more supportive than in previous cycles. Inflation was at target prior to the shock, real interest rates remain elevated, and the rand has been relatively stable. In addition, the government has provided temporary relief through a reduction in the fuel levy for April to June, at an estimated cost of R17 billion.

While markets are pricing in the possibility of further rate increases to support the Reserve Bank's 3% inflation target, the need for aggressive tightening appears limited. The current shock is likely to weigh on growth in the near term but should prove transitory, with the longer-term outlook supported by ongoing structural reforms.

MARKET UPDATE

Global financial markets ended April on a firmer footing following a volatile start to the month.

US equities were resilient. The S&P 500 gained 10.4% and the Nasdaq rose 15.3%, supported by strong technology earnings and continued momentum in AI. The Fed maintained its data-dependent stance, leaving interest rates unchanged.

European markets underperformed, reflecting weaker growth and rising energy-driven inflation. The Euro Stoxx 600 rose 4.8%, but remains below recent highs.

Asian markets were mixed. The Shanghai Composite gained 5.7%, while Korea's Kospi was a standout performer, rising over 30% and approaching all-time highs. Japan remained more sensitive to shifts in global risk sentiment.

Locally, the FTSE/JSE All Share Index ended marginally higher, supported by financials and industrials. Resource stocks underperformed amid volatility in commodity prices. Brent crude ended April near US$108/barrel, and gold closed 1% lower at US$4,621/oz.

GLOBAL HOLDINGS

Netflix

Netflix reported a strong set of first-quarter results, with revenue increasing 16.2% year-on-year and operating income ahead of expectations, supported by continued margin expansion. Despite this, the share price declined following softer guidance for the second quarter, with management expecting revenue growth of approximately 13% and an operating margin of 32.6%. Full-year guidance was maintained.

The market reaction reflects elevated expectations rather than a deterioration in underlying performance. Netflix operates at significant scale, with over 325 million subscribers, and maintains a leading position in global streaming. Content amortisation remains significant at approximately 40% of revenue but has declined as revenue growth has outpaced content spend, supporting profitability.

Growth is increasingly driven by international markets, while advertising continues to scale from a relatively low base, now contributing around 6% of revenue. Overall, the business continues to demonstrate strong operating momentum, and our long-term investment case remains unchanged

Visa

Visa delivered a strong second quarter, with revenue increasing 17% to US$11.2bn and earnings per share rising 20% to US$3.31, both ahead of expectations. Underlying activity remained robust, with payment volumes up 11%, processed transactions increasing 9%, and cross-border volumes, a key driver of profitability, growing 12%.

Growth was further supported by value-added services, where revenue increased 18% and now accounts for approximately 30% of total revenue, contributing to a structurally higher-margin earnings profile. The group returned US$8bn to shareholders through share repurchases during the quarter.

Management raised full-year guidance, now expecting revenue growth in the low double digits and earnings growth in the low teens. Visa continues to benefit from the structural shift towards electronic payments, supported by its global network, strong competitive position and consistent cash generation. The business remains well positioned to deliver steady long-term growth.

LOCAL HOLDINGS

Capitec

Capitec reported a strong full-year result, with headline earnings increasing 23% and return on equity improving to 31%. Revenue grew 19%, supported by both net interest income and non-interest income, while the customer base increased to 25.8 million.

Non-interest income continues to expand, with value-added services growing 34% and Capitec Connect more than doubling, supported by a 66% increase in active users. This reflects the group's continued success in diversifying its revenue streams and deepening client engagement. Credit impairments increased 21%, broadly in line with loan growth, with the credit loss ratio at 8.1%.

The business continues to benefit from its digital-led model, which supports both efficiency and scalability. Ongoing expansion into adjacent products and services provides additional avenues for growth, reinforcing its ability to sustain attractive earnings over time.

Clicks

Clicks reported a softer set of interim results, with headline earnings per share increasing 8.1% and turnover rising 7.4%, while trading margins remained flat at 9.1%. Performance was impacted by lower inflation, increased promotional activity and delays in the rollout of its warehouse management system.

Costs increased 6.1%, reflecting wage adjustments, investment in infrastructure and store expansion. The group plans to open 40 - 50 new stores and pharmacies during the year, alongside further investment in distribution and refurbishment.

Management has guided to earnings growth of between 4% - 9% for the full year, below historical levels. However, the medium-term outlook remains supported by store expansion, private label growth and improving efficiency. The business retains a strong market position, supported by its defensive product mix and established customer base.

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