Market Matters

SYMMETRY

9 November 2026

WAVES, SHIFTING TIDES AND MARKET RIPPLES



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Synopsis:

- Democrats outperformed expectations in the US mid-term elections.
- The equity market is weaker, since datacentre building could slow, but declines in the oil price is positive all around.
- President Trump will have less freedom to act, but he could still cause volatility and uncertainty, as he has done since his election.
- Importantly, both the US and South African elections were a win for democratic accountability.
- For South Africa, the key question is whether it will lead to stable coalitions that prioritise reform and improved governance at municipal level.
- A replication of the GNU in major cities will be viewed as positive by markets.

South Africa and the United States held key elections last week. Global markets reacted strongly to the outcome in the US, but in South Africa, we'll have to wait for coalition talks to conclude before reflecting on investment implications. In South Africa's case, the local election matters less to the kind of economic policymaking that usually moves markets. Nonetheless, dysfunctional municipalities, especially the metros, must be stabilised to unlock faster economic growth. Importantly, in both the US and South Africa, election results were accepted by the losing parties. The last thing anyone needs are drawn-out court cases, incumbents refusing to leave office or, worse, political violence.

BIG WAVE SURFING

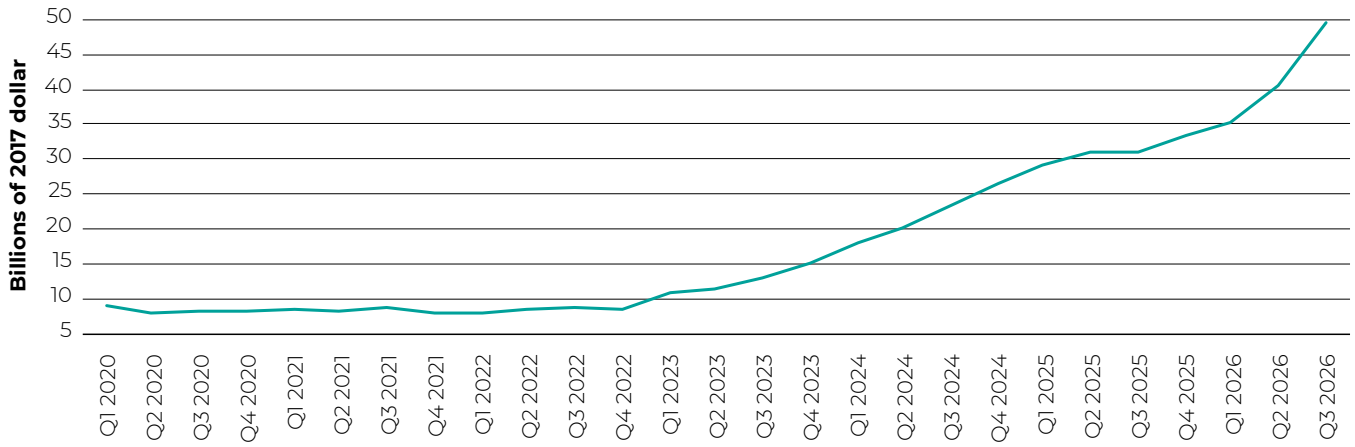
American voters delivered a massive rebuke to President Donald Trump by turning up in large numbers and handing significant victories for the Democratic Party in key races. While a "Blue Wave" was expected, Democrats still surprised with the size of the win. Not only did they regain the lower house of Congress, the House of Representatives, but they also won control of the upper house, the Senate, with comfortable majorities in both cases. The latter was achieved by winning seats in states like Texas, Iowa, South Carolina, Georgia and Ohio that have traditionally been "Deep Red" Republican strongholds.

This means that Democrats will have full control of Congress from late January onwards. However, passing legislation will be difficult, as President Trump can veto any law Congress approves. His veto can only be

overturned with a two-thirds majority. In other words, only pieces of legislation that have support across both parties will become law. This means little is likely to change between now and the next election in 2028. There will likely be disputes around the federal budget, particularly over raising the debt ceiling, and possibly government shutdowns as we've seen periodically in the past.

The US equity market saw big swings but ended the week lower. Other markets exposed to the artificial intelligence (AI) trade also fell. Along with retaking Congress, the Blue Wave also crashed into state level leadership. Several governors have already announced plans to slow or block datacentre construction, while 40 related proposals were approved directly by voters. The datacentres that powers AI are enormous and have become increasingly unpopular. Apart from a general AI anxiety over jobs and cybersecurity, people also complain that these giant buildings are spoiling the landscape and driving up electricity costs. It is one of the few issues that has bipartisan support.

CHART 1: REAL SPENDING ON US DATACENTRE CONSTRUCTION

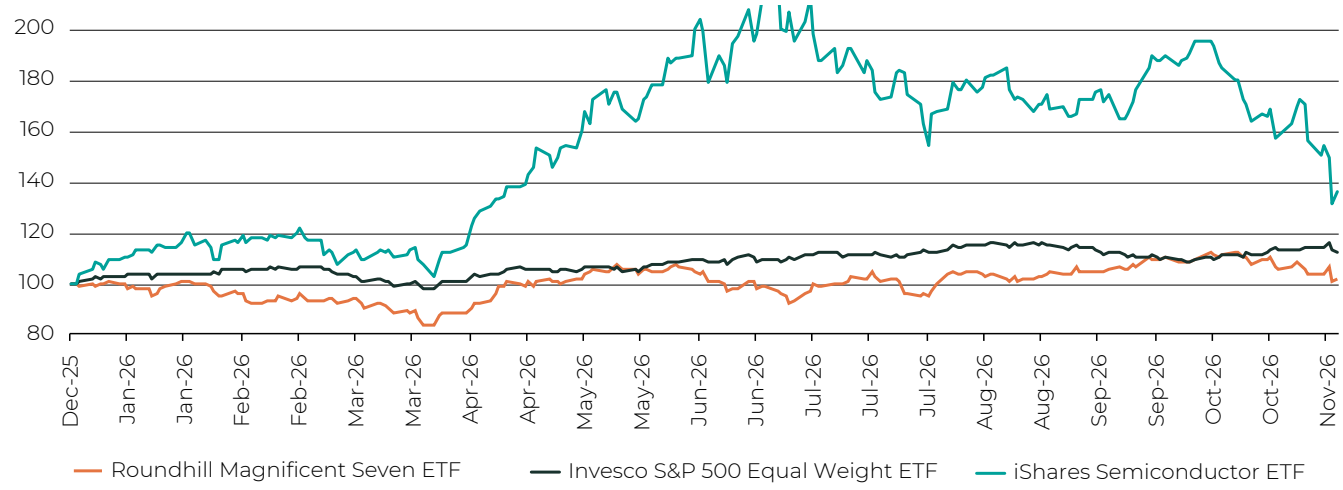


Source: Bureau of Economic Analysis

Stricter regulation of AI models in terms of cybersecurity and other risks remains unlikely given Trump's presidential veto and his stated preference to push maximum technological superiority for the US. However, the datacentre building boom seems likely to slow down though other countries might try to lure datacentre developers. It implies softer economic growth in the US, and does raise the risk that some companies that borrowed money to build datacentres will struggle if construction permitting is delayed or blocked. A timing mismatch between when interest payments go out and when revenues come in is problematic for any borrower. In turn, this could lead to losses for creditors. For suppliers of semiconductors, servers, switchgears, transformers, batteries and construction equipment a slowdown in datacentre building means revenue projections will need to be adjusted downwards.

In cases like these, investors often sell first and ask questions later, especially if they held leveraged positions. The policies on datacentre construction might not end up being as restrictive as feared. It is also encouraging that sectors unrelated to the AI trade have held up reasonably well. Nonetheless, it is much better that the sell off happens now, rather than two years down the line. The longer any capex boom continues unabated, the greater the risk of overbuilding and excess borrowing. Declines in equity prices are uncomfortable but rarely have a macroeconomic impact. However, if a debt-fuelled building boom collapses, the impact is felt far and wide. Not only do people lose their jobs and companies go out of business, but credit providers end up with bad loans that clog up the system. A period of balance sheet repair follows, when even low interest rates can't help much, while even quality borrowers struggle to access credit.

CHART 2: US EQUITY MARKET MOVES



Source: LSEG Datastream

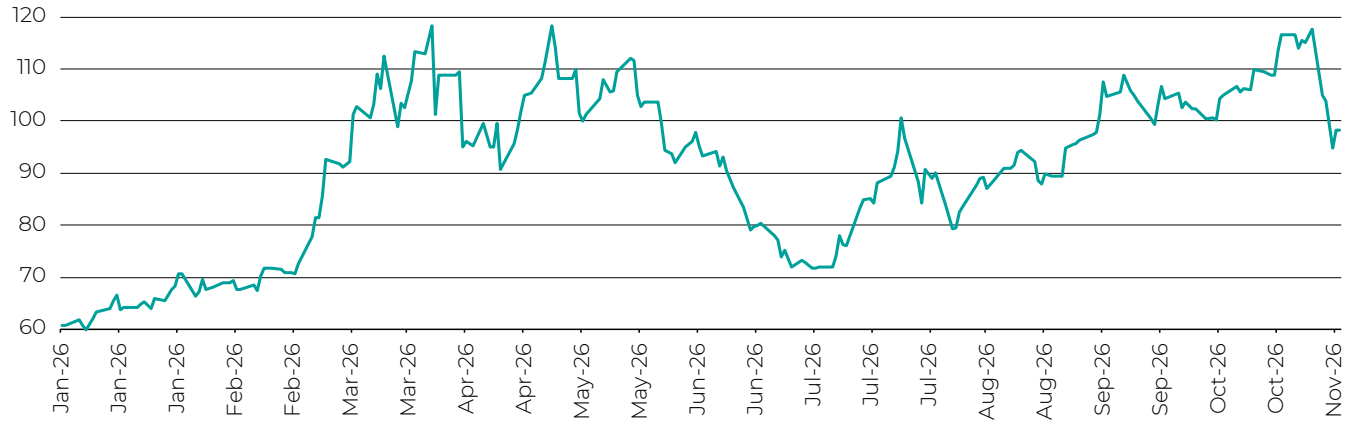
LAME DUCK OR MAD DOG?

The other question worth asking is whether Trump will be constrained by a Democrat-controlled Congress. Investors have suffered whiplash since his inauguration with wild policy swings, threats to institutions (like the Federal Reserve) and heightened geopolitical risks. In the first year of his second term, Trump signed 221 executive orders, more than during his entire first four-year term, and also more than the historical median for a full presidential term, according to Pew. Only one significant policy change, the 2025 tax cuts (the One Big Beautiful Bill Act) went through Congress. The two other consequential acts, imposing steep tariffs on friend and foe alike, and launching a war with Iran, were done without Congressional input.

It is also these two actions that have probably been the downfall of Republicans in this election, since it directly raised the cost of living for ordinary Americans. Most people don't care much about politics, but they do care about the cost of groceries and fuel. Trump will probably still use executive orders to do what he wants, though this time, he won't have a rubber-stamp Congress behind him.

The most pressing issue for global investors is the war with Iran. Speculation of post-election strikes on Iran drove up the oil price to almost $120 per barrel, but it fell sharply after the election. It would be foolhardy for Trump to escalate a conflict that is so deeply unpopular. A ceasefire can see further declines in the oil price, which would be positive for global business activity and reduce upward pressure on inflation and interest rates.

CHART 3: CRUDE OIL PRICE

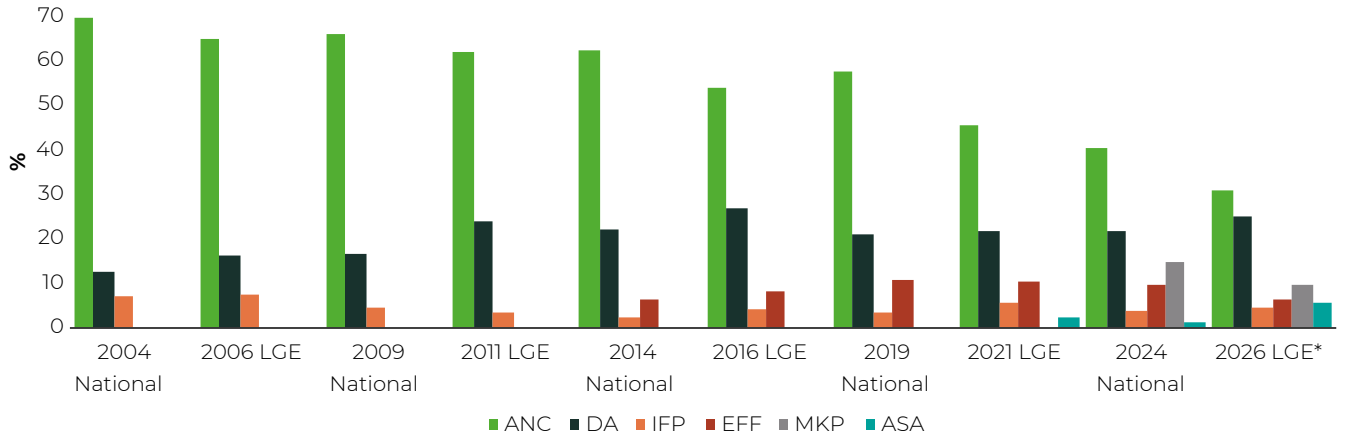


Source: LSEG Datastream

WIPEOUT

The South African local government elections were far less conclusive than in the US but also ended up as a rebuke to incumbents. Most towns and cities are badly run, with service delivery failures impacting people's day-to-day lives and impeding on economic activity. The deteriorating service delivery in the country's economic heartland, Johannesburg, is particularly worrying from a national economy point of view.

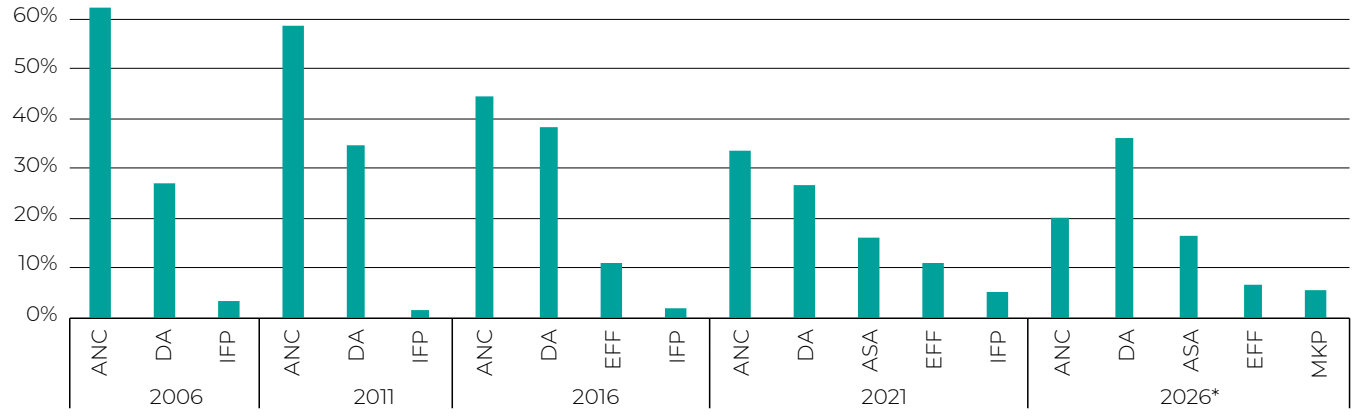
CHART 4: NATIONAL SHARE OF THE VOTE



Source: Independent Electoral Commission, *preliminary results

The country's largest party and incumbent in many municipalities, the ANC, saw a notable decline in its share of the nationwide vote, and big losses in cities. South Africa's own blue party, the DA, saw its share of the vote increase modestly on a nationwide basis, but it did particularly well in the cities. The DA won the most votes in Johannesburg, Ekurhuleni, Nelson Mandela Bay and Tshwane. ActionSA also gained significantly in Gauteng municipalities, complicating the coalition calculus for the ANC and the DA. The ANC narrowly won the most votes in Mangaung, while the MK Party emerged as the leader in eThekwini. However, Cape Town is the only one of the eight metros where one party won outright, namely the DA. Only in two of the nine provinces did a single party win more than 50% of the votes, and none did at a national level. In more than half of all municipalities, no party emerged with a majority.

CHART 5: CITY OF JOHANNESBURG – SHARE OF THE VOTE IN LOCAL ELECTIONS



Source: Independent Electoral Commission, *preliminary results

In other words, coalitions will be the order of the day. Talks are underway, and parties have a 14-day window to conclude negotiations before the newly elected councils must convene. An outcome where the DA and ANC work together, at least in the most important municipalities, is probably the preference for most local and global investors. This will bring stability to local governments long plagued by mayoral musical chairs and will align policy with the national coalition, the Government of National Unity (GNU).

On the other hand, a failure by the ANC and DA to cooperate locally could end up destabilising the GNU, which would likely be a negative outcome for local markets. Investors at home and abroad cheered the formation of the GNU in 2024 as the best vehicle for accelerating economic growth while maintaining budget discipline and strengthening governance institutions.

AGE OF COALITIONS

Either way, the reality is that South Africa is firmly in the age of coalitions. There is no sign of any one party dominating the political landscape any time soon. Parties must learn how to cooperate in coalition arrangements without sacrificing their individual identities or letting big egos get in the way. It is not impossible, since there are many countries where coalitions are the norm, not the exception. For example, the Netherlands has never had a single-party government in its history as a parliamentary democracy since 1848. Germany has only had one single-party government since the end of World War, between 1957 and 1961. Israel, which also went to the polls recently and emerged with an inconclusive result, has had coalition governments since its founding in 1948.

THE LONG ROAD TO STABILITY

As noted, improving the functioning of local government is critical not just for the quality of life of South Africans, but also for accelerating economic growth. This requires a higher degree of political stability and improved administrative capacity. The National Government is finally acting. The Draft White Paper on Local Government released for comments last month proposes several key changes in this regard. One is to establish written coalition agreements that make policy priorities, budget commitments and dispute-resolution mechanisms mandatory. It also proposes limits on repeat motions of no confidence that saw Johannesburg cycle through 10 mayors in the past 10 years.

Different categories of local government are also in the pipeline, since there is a recognition that some municipalities are not financially viable on their own, while others can take on more functions.

It will take several years for the White Paper to become law, but more immediate municipal reforms are underway. National Treasury is already pushing local governments to ring fence water and electricity departments, so that the money they raise is spent on water and electricity infrastructure, instead of funding general expenditures. Moreover, these ring-fenced utilities will be able to partner with the private sector to unlock private investment. Alongside, National Treasury is reviewing how it delivers grants to local governments. For too long, money was handed out with little oversight or accountability. Instead, Treasury wants to create incentives for municipalities to spend money effectively, allowing better-run entities that demonstrate delivery that can access more funding.

Finally, through phase II of Operation Vulindlela, Treasury is pushing for standardised and professional municipal management, with greater separation between political and administrative functions. There is too much political interference in the selection of top municipal officials, and this interference continues when they are doing their jobs (or seemingly just as often, not doing their jobs).

In other words, municipal reform is finally high on the agenda. Nonetheless, even in an optimistic scenario, it will take time, and investors should consider pessimistic scenarios too. However, what last week's election outcome shows is that voters want the delivery of basic services by municipalities to improve, one way or another.

Two final thoughts. Firstly, while there are fresh uncertainties, the US election outcome shows that the democratic constraint on the abuse of power remains alive, which is important from an investment point of view. However, the pattern of flipping between Red and Blue remains a recipe for neither party taking the necessary but unpopular steps of stabilising government debt. South Africa, in contrast, has been trying to stabilise debt levels, with some success. Its challenge is making its coalition system of government work, particularly at local level. It is still a long road, but there are municipalities that function well and that others can learn from. Secondly, even with advances in political opinion polls, elections often deliver surprises. The market response to these surprises is often surprising themselves. Therefore, trying to time the markets around political events is not difficult and should be avoided. Even worse is relying on social media platforms for investment advice, particularly as they become even noisier than usual around election time.

EQUITIES - GLOBAL

DESCRIPTION	INDEX	CURRENCY	INDEX VALUE	WEEK	MONTH-TO-DATE	YEAR-TO-DATE	1 YEAR
Global	MSCI World	US$	4 740.0	-2.51%	-2.51%	7.00%	9.62%
United States	S&P 500	US$	7 377.0	-2.68%	-2.68%	7.76%	8.55%
Europe	MSCI Europe	US$	2 754.0	0.07%	0.07%	4.20%	10.34%
Britain	FTSE 100	US$	14 252.0	-0.80%	-0.80%	6.50%	11.42%
Germany	DAX	US$	2 429.0	-0.29%	-1.10%	4.95%	5.61%
Japan	Nikkei 225	US$	362.4	-9.72%	-11.68%	12.79%	9.02%
Emerging Markets	MSCI Emerging Markets	US$	1 502.0	-4.15%	-4.15%	6.98%	7.75%
Brazil	MSCI Brazil	US$	1 647.0	-1.50%	-1.50%	0.06%	1.04%
China	MSCI China	US$	69.9	5.33%	5.33%	-15.35%	-19.92%
India	MSCI India	US$	979.1	8.75%	8.79%	-7.20%	-6.40%
South Africa	MSCI South Africa	US$	711.0	7.40%	7.40%	-4.31%	7.89%

EQUITIES - SOUTH AFRICA (TOTAL RETURN UNLESS INDICATED OTHERWISE)

DESCRIPTION	INDEX	CURRENCY	INDEX VALUE	WEEK	MONTH-TO-DATE	YEAR-TO-DATE	1 YEAR
All Share (Capital Only)	All Share (Capital Index)	Rand	112 739.0	4.75%	4.75%	-2.67%	2.40%
All Share	All Share (Total Return)	Rand	22 110.0	4.77%	4.77%	1.00%	6.57%
TOP 40/Large Caps	Top 40	Rand	20 219.0	5.33%	5.33%	0.53%	5.96%
Mid Caps	Mid Cap	Rand	32 749.0	1.33%	1.33%	-0.54%	8.48%
Small Companies	Small Cap	Rand	57 118.0	0.63%	0.63%	6.20%	12.43%
Resources	Resource 20	Rand	10 708.0	6.57%	6.57%	-2.77%	14.24%
Industrials	Industrial 25	Rand	28 911.0	5.29%	5.29%	-6.85%	-11.42%
Financials	Financial 15	Rand	22 389.0	4.13%	4.13%	12.13%	21.30%
Listed Property	SA Listed Property	Rand	3 367.0	1.73%	1.72%	7.30%	13.71%

FIXED INTEREST - GLOBAL

DESCRIPTION	INDEX	CURRENCY	INDEX VALUE	WEEK	MONTH-TO-DATE	YEAR-TO-DATE	1 YEAR
IBOXX Global Government Overall (USD Unhedged)	S&P	US$	74.0	0.36%	0.36%	-3.49%	-3.78%

FIXED INTEREST - SOUTH AFRICA

DESCRIPTION	INDEX	CURRENCY	INDEX VALUE	WEEK	MONTH-TO-DATE	YEAR-TO-DATE	1 YEAR
All Bond	BESA ALBI	Rand	1 471.4	1.61%	1.61%	7.41%	13.18%
Government Bonds	BESA GOVI	Rand	1 444.3	1.65%	1.65%	7.43%	13.17%
Inflation Linked Bonds	BESA CILI	Rand	470.8	1.18%	1.18%	8.31%	15.33%
Cash	STEFI Composite	Rand	677.0	0.13%	0.13%	5.87%	6.96%

COMMODITIES

DESCRIPTION	INDEX	CURRENCY	INDEX VALUE	WEEK	MONTH-TO-DATE	YEAR-TO-DATE	1 YEAR
Brent Crude Oil	Brent Crude ICE	US$	98.3	-13.32%	-12.99%	61.18%	56.06%
Gold	Gold Spot	US$	4 078.0	2.59%	2.59%	-5.34%	1.59%
Platinum	Platinum Spot	US$	1 540.0	6.72%	6.72%	-23.34%	-2.10%

CURRENCIES

DESCRIPTION	INDEX	CURRENCY	INDEX VALUE	WEEK	MONTH-TO-DATE	YEAR-TO-DATE	1 YEAR
ZAR/Dollar	ZAR/USD	Rand	16.51	1.18%	1.16%	0.27%	5.18%
ZAR/Pound	ZAR/GBP	Rand	22.05	1.45%	1.45%	1.13%	3.54%
ZAR/Euro	ZAR/EUR	Rand	18.42	1.17%	1.17%	5.57%	8.88%
Dollar/Euro	USD/EUR	US$	1.11	0.90%	0.54%	5.77%	3.60%
Dollar/Pound	USD/GBP	US$	1.34	0.28%	0.36%	1.11%	-1.89%
Dollar/Yen	USD/JPY	US$	0.01	0.57%	0.57%	1.16%	3.53%

Source: I-Net, figures as at 6 November 2026

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