

Gold and Tech – Market Commentary

January saw relatively sharp global market movements.

The MSCI Emerging Markets Index returned +8.9%, driven primarily by South Korea and Brasil, and aided by a -1.0% weakening of the USD. South Korea’s Samsung and SK Hynix, with very large weights in the index, are seen as beneficiaries of AI.

South Africa has little to do with AI but returned +7.2% in USD terms, keeping up with the EM Index through its Gold and Platinum exposure. Gold and Platinum are partly the subject of this month’s commentary.

The MSCI World in comparison was at +2.2%.

The MSCI World was subdued primarily due to the US market but still positive. The MSCI World ex-US Index returned +4.7%, while the US returned +1.4%. Related to this was a wide dispersion between Growth and Value where Growth was at -0.3% vs Value at +4.7%. As can be easily deduced, Growth and the US were affected by the AI trade engulfing, but not confined to, much of the Tech sector.

The various market returns are summarised in Table 1 below.

Table 1. South African and global equity returns (USD) for January 2026*

	Jan-26
FTSE/JSE ALSI (ZAR)	3.7%
FTSE/JSE ALSI (USD)	7.2%
MSCI World	2.2%
MSCI World ex-US	4.7%
MSCI EM	8.9%
MSCI Value	4.7%
MSCI Growth	-0.3%
S&P 500	1.4%
Nasdaq 100	1.2%

*Total return indices, Source: Factset

Global markets in the early months of 2026 are dominated by AI, Tech and other sectors perceived to be under threat. Gold continues to dominate the local market. We address each in turn.

AI/Tech

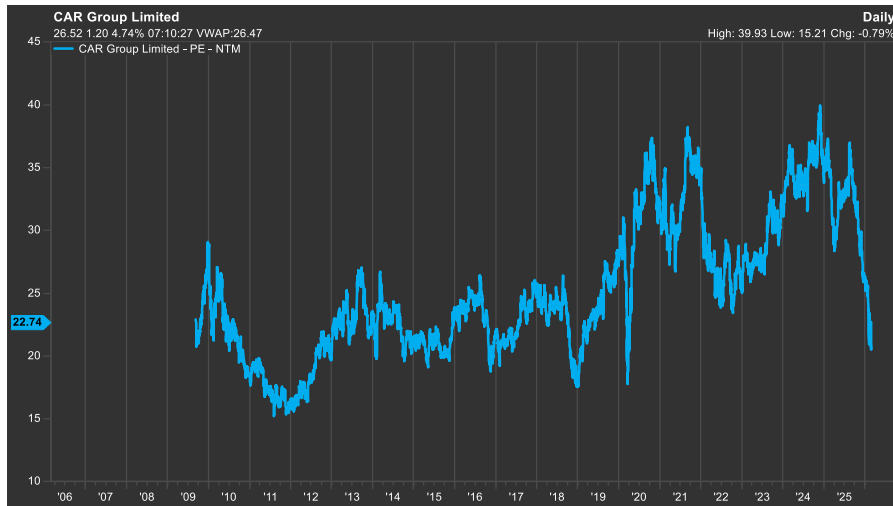
After a couple of weeks of selling various Tech sub-sectors and non-Tech sectors perceived to be under AI threat, at the time of writing today, Bloomberg is for the first time telling us that the US market is down due to fears of an AI bubble. Investors might be forgiven for not knowing which way to turn. We find financial media and its incentives to amplify narratives unhelpful.

AI is undoubtedly a factor but we find something else underlying market movements in recent weeks. Cycles in the stock market can be long. Valuations in a wide section of the market, primarily Tech but also logistics and others, and across markets, not just in the US, rose sharply as long ago as the start of the Covid period. After a sharp correction in

2022 on the rise of US Treasury yields, valuations again rapidly advanced back to their Covid highs.

In the current volatility we are observing a large number of securities de-rating down to their long-term averages. As much as AI is a new force it appears to us to be a trigger. As an example we offer a chart of the forward PE of an Australian online car sales platform, an Australian Autotrader so to speak, but there are many others.

Chart 1. CAR Group forward PE



Source: Factset

Per Chart 1 above, CAR's forward PE is falling in line with its pre-Covid average for the first time since 2019.

We note with a mild degree of amusement that Goldman Sachs is recommending Utilities and Mining as AI-defensive sectors. Utilities certainly make sense in a volatile environment but we think South African investors harbour a healthy respect for mining stocks. The Goldman logic of course is likely the reliance on raw materials such as copper as opposed to cashflow considerations.

But seeking safety in the Resources sector strikes us as a novel concept.

In general however, the US market is currently reminiscent at the same time of both 1999 and 2008.

1999

For those of us who remember (unfortunately the writer is part of this group) the advent of the internet was going to disrupt the economy and every company. Bricks and mortar and everything old economy was out of fashion.

This suggests caution in the current AI environment. There will be winners and losers but we think these are currently far from clear.

We also recall that Warren Buffett famously commented that Berkshire Hathaway was entering the new millennium with investments in carpets, paint and insulation.

2008

Concurrent to the AI disruption appear to be slow burn events much reminiscent of the buildup to the 2008 financial crisis. The signature pre-crisis event in our minds, or perhaps the start of the crisis, was the failure of the two Bear Stearns credit hedge funds, and the bank itself, in March 2008. The peak of the crisis was of course in October 2008 and the market trough in March 2009.

Currently we have had the US regional bank crisis, seemingly under control. There are also the credit events of the First Brands and Tricolor failures as well as the current Blue Owl private credit fund redemption problems. At the time of writing there is a new headline of a new credit failure in London.

In general we suggest caution. If the US market suffers a decline we doubt much touted ex-US markets, including Emerging Markets, will be immune.

Gold

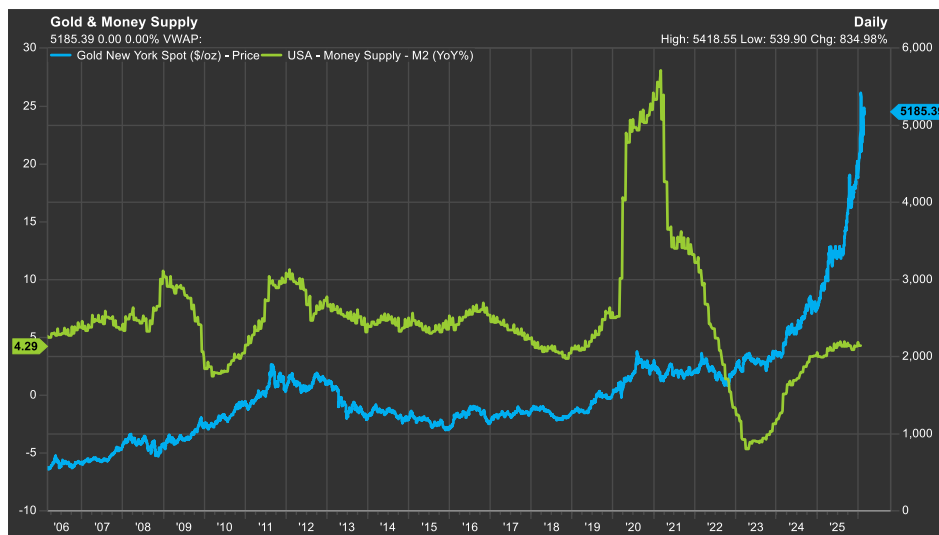
We noted also with some amusement this week, the announcement by a large local financial institution that it sees a credible path for Gold to USD 7 000.

We do not doubt the possibility (eventually) but the associated commentary was one of "ignoring central bank noise" and a focus on money supply, interest rates and US indebtedness.

In our mind central bank buying is *the* issue.

After all the money supply rose nearly 30% in 2020, illustrated in Chart 2 below. And Gold did rise in response, but from USD 1500 to USD 2000.

Chart 2. Gold vs US M2 Money Supply



Source: Factset

It subsequently fell as Treasury yields, and more importantly, the Fed Funds rate, rose sharply in 2022 and cash became more attractive.

As an aside the near 30% rise in the money supply caused the inflation the Fed is still fighting today. Prominent economists at the time were adamant supply chain constraints

were the cause. We think these undoubtedly contributed, but the economists' arguments would have been that much more convincing in the absence of a surging money supply.

But back to the Gold price and central bank buying. We think we are in the midst of a significant realignment of central bank reserve policy, a direct consequence of the threat to Russian central bank funds. Governments around the world are responding including major countries in the EU – the Polish central bank has emerged as a leader with the central bank governor speaking of “preserving sovereignty”.

We think ignoring central bank buying is ignoring the elephant in the room.

Chart 2. Gold vs the US Fed Funds rate



Source: Factset

Speculative buying

After 2 years of sustained central bank buying in 2023 and 2024, we think 2025 was characterised by speculative buying, perhaps frontrunning the central banks. At the same time we have previously presented data suggesting central bank buying moderated by close to 50% in 2025. So as much as it is a policy decision central banks are clearly not price-insensitive.

We therefore think sooner or later the speculative buying will suffer losses, but the underlying institutional demand is set to continue at a varied but sustained pace.

The US equity market and Gold shares

Gold provides protection against monetary factors such as inflation but not against equity market downturns. We suspect that a US market downturn could also be a catalyst for Gold and Platinum shares to decline locally. We are cautious of both.