May 2026

April Economic Commentary

Truffle Asset Management

AUTHOR: SAUL MILLER & NICOLE AGAR, PORTFOLIO MANAGERS

No clear signs of an offramp yet

The US and Iran continue to struggle to find an acceptable agreement despite both sides needing an off-ramp from the war.

The US is reluctant to commit additional troops or escalate tensions to the point of further damage to Gulf infrastructure. At the same time, it is seeking a sufficiently meaningful concession to avoid admitting that the war was a failure. This is proving difficult as Iran has demonstrated far more leverage than was originally anticipated.
China, Iran's key financial backer, has recently strengthened calls for a negotiated settlement. Beijing is also pressuring Iran to reopen the Strait of Hormuz, given China's heavy reliance on Gulf oil shipments.

The most likely outcome remains some form of a diplomatic settlement. However, given the parties involved, the risk of significant escalation remains meaningful and higher than it would typically be with more diplomatically astute participants.

The timing of a diplomatic settlement is becoming increasingly uncertain, and fears are rising that a significant oil price shock may be required before a meaningful compromise is reached. So far, oil inventory levels and higher seaborne oil exports from the US have filled the gap, preventing a more severe oil price shock. However, oil will soon need to begin flowing freely through the Strait of Hormuz before inventories are materially depleted. A prolonged stalemate would likely result in higher energy prices, increasing the risk of a global recession.

Short-term inflation is expected to remain an issue, especially in net energy-importing regions such as Europe and Asia. The duration of the stalemate will also influence monetary policy. For now, rate hikes are expected across most regions, with the exception of the US, where rates are expected to remain broadly flat.

US and China are better placed to weather this storm

The US economy is slowing but continues to grow. Corporate earnings have been resilient thus far, and 2026 forecasts remain relatively strong. Equity markets remain primarily supported by technology-related capex.

Although AI-related capex levels are reaching extremely elevated levels, the peak is currently projected to be more than a year from now. However, historically, new tech-themed markets have tended to react long before investment spending turns down.

While ISM metrics and employment levels remain healthy, consumers are starting to feel the strain. Inflationary pressures, coupled with a strong stock market, continue to widen the disparity in the K-shaped economy.

The capex-driven bull market remains intact for now, but risks continue to build the longer the geopolitical stalemate persists. China, given its sizeable oil reserves, is better positioned than many countries to weather this storm. In the long term, the crisis may further strengthen the appeal of renewable energy, an area where China remains a global leader. China's extremely depressed currency and low profitability levels should also provide a supportive backdrop for Chinese assets over the longer term.

Miners

The war once again highlights the strategic importance of securing access to critical natural resources, which provides a positive underpin for metals over the long term. A weaker US dollar also provides a tailwind for commodities.

However, unfortunately, metal prices and many mining company valuations are already elevated, limiting the extent of exposure to the miners in our portfolios.

In the long term, structural changes in the oil market will be negative for oil prices once the war subsides. Furthermore, OPEC continues to show signs of fragmentation, with the UAE recently announcing its departure. The UAE is one of the lowest-cost oil producers in the world and retains spare capacity. A world without coordinated OPEC production could result in an oil supply surplus and uncontrolled oil prices.

South Africa

Inflation in South Africa has remained relatively contained before the onset of the Iran war, but now faces renewed pressure, with fuel prices expected to rise further this month There are also concerns that rising fertiliser prices linked to the conflict could fuel food inflation in the coming months. In addition, an expected swing from La Niña to El Niño weather patterns later this year poses further upside risk to food prices. So far, however, agricultural food prices in South Africa have generally remained well contained, supported by sizeable crop yields.

Inflation could temporarily rise closer to 5%, increasing the likelihood of further rate hikes. The market is currently pricing in approximately 0.7% of additional rate hikes this year. However, the monetary policy outlook will also depend on the duration of elevated oil prices and the extent of second-round inflation effects.

Commodity prices remain strong, continuing to support South Africa’s terms of trade and the Rand.

AUTHOR

Nicole Agar, (CA) SA | Portfolio Manager & Analyst

Nicole Agar is a senior portfolio manager at Truffle Asset Management with over 25 years of investment experience. She joined Truffle in 2015 and brings extensive expertise across equity research and portfolio management. Nicole is recognised for her disciplined approach and deep research capabilities across South African equities.

AUTHOR

Saul Miller, FFA | Portfolio Manager & Analyst

Saul Miller is a senior portfolio manager at Truffle Asset Management with 27 years of industry experience. Since joining Truffle in 2016, he has played a key role in managing equity and balanced strategies. Saul is known for his strong analytical skill, consistent outperformance, and deep understanding of fundamental equity investing.

Truffle
Asset Management

Disclaimer

info@truffle.co.za | +11 035 7337 | truffle.co.za

Invest in the value of experience.