INTEGRAL
Asset Management

The Outlook

July 2026

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The toxicity of politics takes its toll on the world.

On one hand, it's increasingly hard to name a government you'd actually want in charge. Gone are the days when governments quietly stayed in the background, delivered strong infrastructure, and provided services at a competitive cost. Those were also the days when businesses mainly had to deal with the normal ups and downs of traditional business cycles.

Since the Global Financial Crisis, businesses worldwide have faced rising geopolitical instability, protectionism, tariffs and trade wars, critical mineral bottlenecks, regulatory pressure, and macroeconomic uncertainty. They've had to navigate fragmented markets, constant policy shifts, and new regulations that hold back growth while raising both compliance costs and consumer prices.

Politicians justify these interventions as necessary to standardise markets, protect consumers, and advance social priorities. Yet the growing tension between state intervention and company needs for operational flexibility have become a defining challenge for businesses. The UK's potential appointment of a seventh prime minister in a decade says a lot about just how deep this instability runs.

From Epic Fury to ceasefire and beyond.

Trump has added to the political turmoil outlined above, even if not across the full period since the Global Financial Crisis. Despite his campaign promise to "*stop the wars*", a lasting peace between the US and Iran, or between Israel and Hezbollah/Hamas, still looks unlikely any time soon. The uncertainty and unpredictability of it all is captured in recent headlines such as "*Iran humiliates Trump, declares talks not happening after president claims they're crawling back*" and "*Is mutiny brewing in Moscow? Former KGB spy says Putin is in trouble*".

Sustainable peace and security require genuine conflict resolution. This means bringing every relevant bad actor and potential spoiler to the table. Peace talks are likely to fail if military victory, political settlement, and social reconstruction aren't all addressed together. More broadly, people need real confidence in future peace and security, property rights, and the rule of law.

From a business perspective, even a friendly peace agreement won't fully ease the nerves. Most countries are likely to remain highly cautious about securing their long-term energy and critical mineral supplies.

Rehabilitating legacy infrastructure, rebuilding after conflict, and building out AI, power, and grid infrastructure all at once is a formidable task — in some cases, it is a dream rather than a plan. All of which should keep commodities well supported.

As we've often noted, China is well beyond supply-chain self-sufficiency in most critical minerals. It also accounts for about 32% of global energy capacity and, since 2018, has systematically diversified its agricultural import chain away from the US Midwest through significant investments in Brazil, Argentina, and Uruguay.

The rest of the world faces real challenges securing long-term energy and critical mineral supply chains — and many of these challenges are self-imposed. Take the EU's Critical Raw Materials Act, for example, which caps reliance on any single non-EU country at 65% for strategic materials.

On top of that, protectionism and resource nationalism have reared their head again. Recent moves include cobalt stockpiles and quotas in the DRC, the nationalisation of gold mines in Mali, and a step back from automatically renewing foreign mining licences in Ghana. Then there's the big one: Japan and Canada are now discussing offtake agreements, joint mining ventures, and shared mineral reserves. Also worth watching is the renegotiation of the USMCA (the old NAFTA agreement) between the US, Canada, and Mexico — the largest trade bloc on the planet.

Big AI needs big mining.

It's already happening: beyond the wars, we're being swept up in extraordinary advances in AI, driven by powerful new large language models and an entirely new computing paradigm. But before we celebrate the profit potential, there are two major issues worth thinking through: first, how to avoid a jobs apocalypse through workforce reskilling and stronger social safety nets; and second, excluding China, how to secure the critical minerals and energy mix needed to support this infrastructure. The jobs question is a discussion for another day, but AI needs to create value for both labour and entrepreneurs.

The AI companies that mastered the GPU supply chain in 2023 now need to master the periodic table. The AI infrastructure bottleneck isn't limited to compute, memory chips, power supply, or power grids — it also extends across the physical commodity supply chain, from mining to concentration, smelting, and refining

The following table, courtesy of Saleh Almenawer (LinkedIn), estimates the range of commodities, in tonnes, required for a single 1GW AI data centre.

A 1GW AI data centre, costing roughly $50bn to $100bn, contains around 25 minerals and metals totalling about 180,000 tonnes of material. That's before counting tantalum, platinum, palladium, indium, arsenic, fluorspar, barite, boron, tungsten, and antimony, which aren't separately quantified.

Here are a few of Almenawer's most notable points:

- ✓ The full basket of metals is expected to cost about $1bn.
- ✓ The biggest-ticket items are copper ($370m), gold ($367m), rhodium ($232m), iridium ($135m), steel ($70m), ruthenium ($56m), aluminium ($55m), platinum ($52m), and palladium ($39m).
- ✓ That's enough contained copper to build almost 328,000 electric vehicles.
- ✓ The US imports seven of these minerals entirely from abroad.
- ✓ There are roughly 46 more 1GW data centres planned in the US, with another 16 already under construction.

The metals inside a 1GW AI Data Centre

#	METAL	AMOUNT	BY MASS
1	Steel	132,660 tonnes	
2	Copper	27,212 tonnes	
3	Aluminium	14,320 tonnes	
4	Graphite	2,311 tonnes	
5	Nickel	1,410 tonnes	
6	Cobalt	602 tonnes	
7	Silicon	450 tonnes	
8	Lithium	408 tonnes	
9	Tin	274 tonnes	
10	Lead	265 tonnes	
11	Silver	12 tonnes	
12	Rare earths	6.6 tonnes	
13	Gallium	5.3 tonnes	
14	Gold	2.8 tonnes	
15	Germanium	0.9 tonnes	

The cooling system takes the biggest share of equipment metal, at roughly 35% to 45%, while steel is the heaviest component overall at 74% of total material weight. But as Almenawer points out, "*heavy is different from critical. A few metals that weigh almost nothing can hold the entire project hostage*." He's referring to gallium, germanium, and graphite — materials, along with rare earths that Trump and his advisers only recently discovered were strategically important. New data centres are being announced regularly, yet in the US, given regulatory hurdles, a new mine can around 20 years to move from discovery to production.

Given the scale of these supply-chain challenges, alongside the race to build data centres, it's easy to see why we remain sceptical that US inflation will ease back to 2% any time soon.

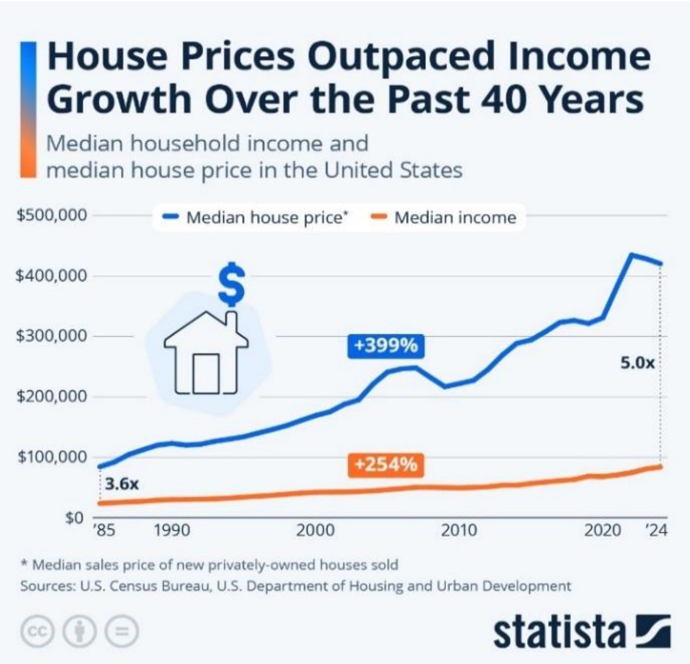
Global and US growth.

Despite heavy political interference, supply-chain decoupling, trade protectionism, and geopolitical conflict, the private sector has adapted remarkably quickly. Powerful offsets — including the AI boom, defence spending, logistics rerouting, and strong demand for commodities — have helped counter these headwinds.

That said, the landscape remains mixed, with uneven vulnerabilities and plenty of uncertainty around growth, inflation, debt, and interest-rate dynamics.

The key risk to global markets remains political dysfunction. Fixing that will require a meaningful shift in voter behaviour and genuine public accountability.

The US economy is now widely described as K-shaped — an uneven recovery in which different segments of society move in opposite directions at the same time. It's also a good illustration of the Cantillon effect, where wealth tends to accrue to those closest to the source of money: members of Congress and the Senate, bankers, large financial institutions, private equity firms, and family offices.

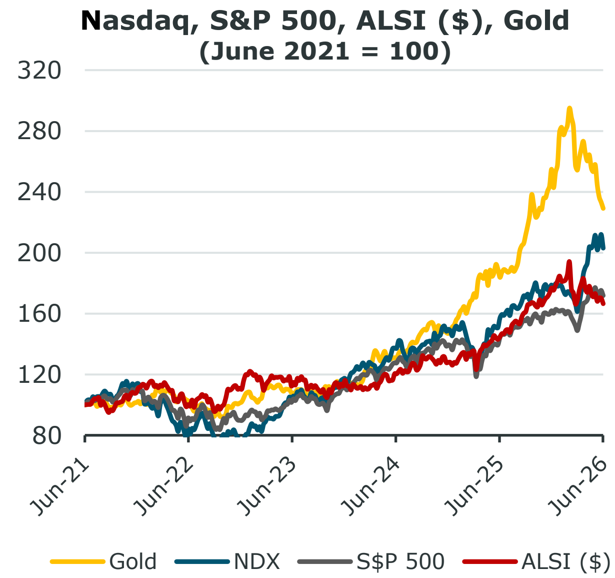


The above chart captures the K-shaped economy nicely. The housing crunch facing many Americans has been 40 years in the making, with rising median house prices fuelled by growth and a 40-year decline in mortgage bond yields. US housing affordability deteriorated sharply after Covid-19 as prices surged, driven by ultra-low interest rates, stimulus cheques, and the shift to working from home — all while new-home construction was constrained by Covid lockdowns.

Since 1985, median household income has increased by 254% and the median house price by 399%. That's pushed the ratio of house price to income from 3.6x in 1985 to 5.0x in 2024, and it's part of why the average age of a first-time home buyer in the US is now 40. Overall household debt currently stands at $18.8tr, of which $13.2tr is housing debt and $5.6tr is: auto loans, credit cards, student debt, and other debt. The sharp increase since 2023/24 in credit-card debt, auto loans, mortgages, and the reinstatement of student debt ($1.83tr), together with higher interest rates, continues to weigh on consumer spending.

The global and US stock market.

Year to date, South Korea (+87%) and Taiwan (+52%) have been the best-performing major stock markets in US dollars, driven by strong demand for AI memory chips and advanced electronics. Japan (+33%), Hungary (+33%), Colombia (+21%), Turkey, Austria, and Israel are also ahead of the Nasdaq (+13.6%) and comfortably ahead of the S&P 500 (+6.1%). Over the same period, the dollar index (DXY) is up 3.4%, while the gold price and the JSE ALSI, in US dollars, are down 10.1% and 5.9% respectively.



Looking further out, over the five years to June 2026 the Nasdaq and the S&P 500 have compounded annually at 15.2% and 11.4% respectively. Over the same period, the gold price and the JSE ALSI, in US dollars, have compounded annually at 18.0% and 10.7% respectively.

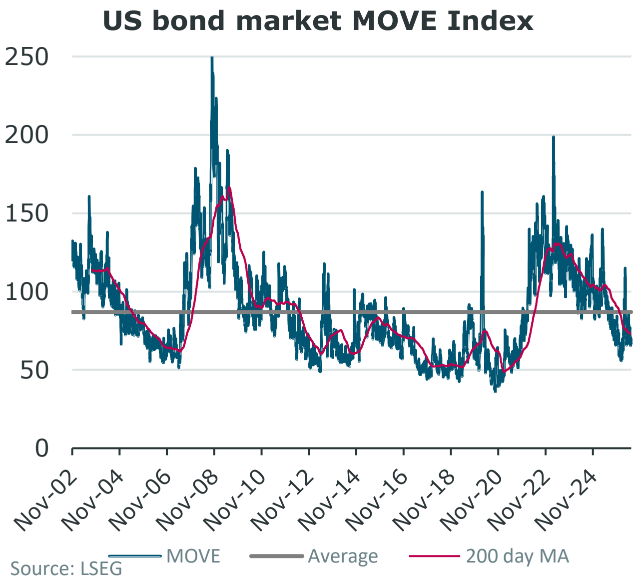
What lies ahead?

We know that peace will require more than a 14-point Trump MOU; it will require genuine, high-level conflict resolution. Beyond the wars, the World Economic Forum notes that "*global markets are currently heading into a period defined by AI-driven corporate earnings and geopolitical volatility. While equities have shown historic resilience and reached new highs, expectations for growth are becoming more measured as investors pivot to find proof that AI infrastructure investment is translating into hard financial return*".

The "easy" phase of the AI trade looks to be over. Historically, major technology booms generate explosive early growth but often become overhyped. This time, China is also ahead in certain areas. What if China floods the market, cuts prices, and does to memory chips what it did to solar panels a decade ago? The US and the West will need to decide whether to let Chinese memory-chip producers such as CXMT and TMTC compete freely in global markets, or to maintain the current supply squeeze and rising prices.

What is the US bond volatility index showing?

The MOVE index (Merrill Lynch Option Volatility Estimate) measures the expected volatility in the US treasury market.



It's a useful gauge of interest rate uncertainty, global financial stress, and collateral and liquidity constraints. Right now, the spot price is 66.79 against a longer-term average of 86.95 — a low spot price points to a stable, predictable interest rate environment.

In contrast, US traders are pricing in a 67% chance of a rate hike as early as September, a view supported by May's PCE inflation rising to 4.1%. We think that, outside of the AI boom, the global economy will muddle along in a stagflation-like mode. Caught between tepid growth and above-target inflation, the Fed's best option may be to err on the side of leaving rates unchanged, hoping that already-indebted consumers will play a role in taming inflation. Either way, we are probably in for a period of higher for longer rates.

South Africa – will voters take up arms against a sea of troubles?

At last, it's all out in the open. Years of political mismanagement, corruption, rising unemployment, and a fast-growing parallel illicit economy have "*sifted between R800bn and R1.2tr out of South Africa's fiscus annually*" – Parliament of SA. Under pressure, the President has established the National Illicit Economy Disruption Programme, led by the Presidency, SAPS, and SARS.

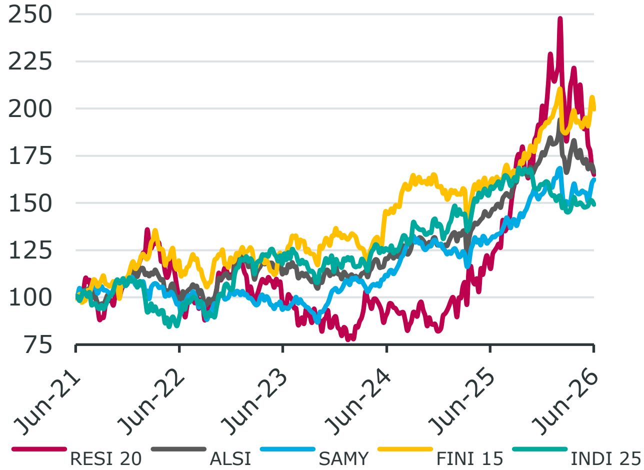
This initiative is an indictment but is most welcome. However, this week's March and March movement is more likely to be the catalyst for the change South Africa really needs. The March and March movement shares significant organisational and membership overlap with Jacob Zuma's MK Party. While this advocacy group focuses on illegal immigration and undocumented or illegally documented foreigners, the deeper issue is high unemployment driven by poor policy choices.

For many, that high unemployment suggests the capitalist enterprise system has failed, leading them to lean towards socialism or a democratic workplace. With the local November elections fast approaching, voters face a profound "*to be or not to be*" dilemma — their "Hamlet moment": "*Whether 'tis nobler in the mind to suffer the slings of outrageous fortune, or to take up arms against a sea of troubles, and by opposing end them. To end the heartache and the thousand natural shocks*" or just let the economy die – thanks and apologies to Shakespeare.

Whatever leadership changes follow the November elections, we need every basic principle of conflict resolution outlined above to be embraced by political parties. *"Perchance to die"* — the economy is well past the point where petty politics and painting over the cracks will cut it.

Over the five years to June 2026, the major JSE indices have compounded annually at the following rates: FINI 15 (+14.8%), RESI 10 (+10.7%), ALSI (+10.7%), SAPY (+10.2%), and INDI 25 (+8.3%). After surging to recent highs, precious metals led by gold have in recent weeks been sold off heavily on dollar strength and the prospect of a 0.25% rate increase. Industrials remain under pressure amid near-zero growth and cash-strained consumers, a trend that could worsen after the SARB's 25bp rate hike.

ALSI and major JSE indices (June 2021 = 100



Year to date, performance has been far more varied, still shaped by a volatile resource index and industrials under pressure: FINI 15 (+5.2%), SAPY (+4.9%), ALSI (-5.9%), INDI 25 (-6.5%), and RESI 10 (-18%).

The real challenge is balancing Iran-related geopolitics, sky-high US AI optimism, commodity shortages and Chinese dominance, constrained local growth, and the uncomfortable truths emerging from the Madlanga Commission. The outcome of the November Local Government elections will show whether the electorate is ready for change — for honest, growth-oriented leadership.

Global markets aren't signalling any untoward liquidity event, but current geopolitical policies are extremely vulnerable to shocks. And lurking ahead is El Nino. What remains unclear is whether the US moves out of its current modest-growth, above-average-inflation phase into disinflationary growth, stagflation, or demand destruction. Textbook theory says the Fed and others should raise rates; however, we think the Fed may tolerate above-target inflation, banking on high debt levels and consumer spending pressure to cool inflation. Either way US rates will probably stay higher for longer.

We continue to hold extra cash and gold, favour cash-generating equities, and steer clear of consumer-facing retailers we see as vulnerable.

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