INSIGHT

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Navigating South African equity capital markets amid persistent headwinds

Markets seldom offer perfect conditions in which to raise equity, and 2026 has offered its share of geopolitical, headline-driven uncertainty. Yet since the start of the Middle East conflict, South African issuers have continued to access the equity capital markets at scale, at pace, and at credible valuations, often within issuance windows that opened and closed in a matter of days. Therein lies the defining truth of modern equity capital markets: providers of capital do not wait for certainty; they wait for the right opportunity. Global headwinds, a fragile domestic recovery and an increasingly selective investor base have reshaped the South African equity capital markets landscape, and what it takes to successfully execute and price a transaction when the markets are anything but calm.

Since the end of February 2026, South African corporates and investors have faced a complex geopolitical backdrop and a challenging domestic operating environment. The consequences of the Middle East conflict have reverberated across global markets, weighing on growth, disrupting supply chains, impacting energy prices, and fuelling inflation. Central banks have either paused or delayed anticipated interest rate easing, and have adopted a more hawkish approach to monetary policy. The re-emergence of tariffs as a geopolitical and economic policy tool is an unhelpful addition.

South Africa has not been sheltered from these global headwinds. Economic growth remains stubbornly low, with the IMF forecasting GDP growth for 2026 to reach 1.1%. This low growth environment reinforces the sober reality that domestic economic momentum remains weak. Headline inflation has accelerated from 3.0% in February 2026 to a two-year high of 5.0% in June 2026, primarily driven by fuel costs, with second-round effects further constraining consumer demand. Against this backdrop, the SARB has adopted a cautious balancing act between inflation and growth, surprising the market with a "dovish hold" in July 2026, after hiking interest rates by 25 basis points in May 2026.

Yet beneath the perceived domestic cyclical headwinds lies a subtle yet constructive underpin for South Africa's macroeconomic fundamentals. This is demonstrated by the country's removal from the FATF grey list, its continued fiscal consolidation, positive sovereign credit ratings momentum, and measurable structural reform benefits in energy and logistics. These structural factors provide growing evidence of the positive direction of travel, with international investors showing cautious interest in South Africa.

For senior dealmakers in equity capital markets, the implications of operating in a volatile environment are important. Equity issuance cycles are rarely driven purely by economic growth or an improvement in textbook macroeconomic indicators. Most often, they are driven by investors' ability to spot mispriced or undervalued assets and exploit opportunities to maximise returns, even if economic growth in the country remains modest. A defining feature of the current environment that senior equity capital markets dealmakers have to contend with is heightened investor scepticism about the quality of available investment opportunities, and investors' willingness to deploy capital. During periods of uncertainty, investors become increasingly discerning. Their investment decisions are not solely based on relatively attractive valuations, but also on earnings quality, balance sheet strength, operational resilience, disciplined capital allocation, and tangible growth.

To skilfully navigate market and macroeconomic uncertainty and to take advantage of optimal issuance windows, senior dealmakers need to:

- actively and consistently balance company-specific requirements with execution risk;
- be 'execution ready' and proactively drive deal readiness with our clients;
- understand investors' portfolio positioning by distilling market intelligence and sector flows; and
- carefully balance valuation maximisation against execution certainty to deliver against a broad set of stakeholder objectives. This is a core component of successful equity capital markets advisory.

While this is important for all equity capital raising mechanisms, it is even more important for the execution of Accelerated Bookbuild Offerings (ABOs), where investor risk appetite is selective, liquidity is critical, and market conditions can change rapidly. For successful ABO execution, it is imperative for senior dealmakers to thoroughly evaluate market conditions, assess actual investor demand, and carefully distinguish between investors who have genuine capacity to deploy capital at scale and those who are only willing to do so at reasonable valuations.

In periods of heightened market volatility, it is often assumed that ABOs must price at wider discounts to ensure success, and primarily compensate investors for taking on market risk and liquidity risk. In practice, the dynamics driving price tension are more nuanced. In ABOs, the price tension between investors and the issuer is undoubtedly a factor; however, transaction pricing is equally driven by the quality of the underlying issuer, the stock's liquidity profile, earnings visibility, sector positioning, growth trajectory, and existing international and domestic institutional ownership to drive anchor demand.

For South African corporates and investors, the second half of 2026 is likely to remain characterised by periodic bouts of volatility, ongoing geopolitical uncertainty, and continued macroeconomic challenges. What is paramount is not the absence of risk, but the willingness of investors to be rewarded appropriately to assume it.

Equity capital markets have never required perfect conditions, only credible issuers, honest price discovery, and senior dealmakers with good judgement to recognise when an optimal issuance window opens and the discipline to execute before it closes. Calm seas make for easy sailing. Equity capital markets transactions, however, are successfully executed by those who can skilfully navigate the storm.