

July 2026



Beyond America: Redrawing the Investment Map

Richard Harris | July 2026

For the better part of fifteen years, the most reliable investment idea in the world was also the laziest: own America. The United States was home to the best companies, the deepest markets and the strongest currency, and investors who simply bought a US index were rewarded again and again. That success became self-fulfilling. Money flowed to where money had already been made, valuations climbed, and by late 2025 a single country accounted for roughly 70% of the global equity index. Rarely in modern history has so much of the world's invested wealth rested on such a narrow base.

We have written before about the risks hidden inside that concentration. This month we want to look at the other side of the coin: the slow, uneven but increasingly visible broadening of the global investment universe beyond the US – and why emerging markets sit at the centre of that story.

A Quick Correction to a Popular Narrative

It has become fashionable to say that the “rest of the world” trade was tried in 2025 and has already fizzled out. The data says otherwise. In 2025 the MSCI Emerging Markets Index delivered strong returns in dollar terms, comfortably ahead of the S&P 500, with leadership rotating through Korea, Latin America, China and even South Africa at different points in the year. That momentum

semiconductor shares.

What did happen was a sharp wobble in June, when emerging markets fell harder than developed ones – an air pocket easily mistaken for the end of a trend. But the trigger was not the usual one. Most previous EM setbacks came from a firmer dollar and fading faith in rate cuts; June was led by a selloff in AI-related names, which more recently lands hardest on EM because so much of the case now runs through the chip supply chains of Korea and Taiwan. That tells us what the broadening needs: the AI capex cycle has to hold to a degree, while further tailwinds will be created from a weakening dollar and more certainty around global interest rates falling.

What Has to Happen for the Narrative to Change More Permanently

The single most important variable is the US dollar. When the dollar is strong, capital is pulled back home to America and emerging markets struggle; when it weakens, the tide flows the other way. In 2025 the dollar had its worst year since 2017, falling around 9% as the Federal Reserve cut interest rates three times. That decline was much of the fuel behind the rotation – and the mid-2026 stumble came largely because the dollar firmed up again. A durable move away from the US therefore needs a dollar that has genuinely peaked. Many strategists believe that turn is under way, but it has not travelled in a straight line.

The second requirement is that America’s own market leadership loosens its grip. A handful of technology giants still drive the bulk of US index returns, and for as long as those companies keep delivering, capital has little reason to look elsewhere. A broadening world does not need those firms to fail; it simply needs the rest of the world to start growing its earnings faster – which, on current forecasts, is what is expected of emerging markets over the next two years.

The Case for Emerging Markets

Strip away the noise and the argument rests on three pillars. The first is price. After years of US outperformance, emerging market shares trade at a meaningful discount to their American counterparts, offering more value for every rand, dollar or euro invested. The second is growth. Emerging economies are expected to grow corporate earnings considerably faster than developed markets, supported by younger populations, expanding middle classes and the rapid adoption of technology. The third is diversification. Concentrating a portfolio in one country and one sector – however excellent – is ultimately a bet that today’s dominance lasts forever, and history is unusually consistent on this point: market leadership may be temporary.

None of this makes emerging markets a one-way bet. They are more volatile, more sensitive to the dollar and more exposed to political risk, as June reminded us. But the reward for tolerating that discomfort, when conditions align, has historically been considerable.

Another important thing to note is that buying passive EM exposure is increasingly risky because the benchmark is far more concentrated than most investors assume: the top 10 stocks make up

mask a heavy bet on a few mega-cap tech winners, which is why active selection or a more targeted approach may be better suited to capturing the real opportunity set.

What Could Derail the Story

Every investment thesis deserves a stress test, and this one is no exception. The most obvious threat is a resurgent dollar: if US inflation proves sticky and the Federal Reserve stops cutting rates, capital could flow straight back to America – June’s wobble showed how quickly that can happen. The second risk is that America’s technology giants simply keep delivering, giving global capital little reason to look further afield. Emerging markets carry hazards of their own: political surprises, policy missteps in China and commodity swings can undo months of gains in a matter of weeks. None of these would necessarily break the long-term case, but any of them could delay it – which is why patience and sensible position sizing matter as much as conviction.

What This Means for South African Investors

For South African investors, the broadening story cuts both ways. South Africa is itself part of the emerging market universe, so when global capital flows towards the developing world, the JSE, the rand and local bonds all tend to benefit – as they have done over the past year. At the same time, many local portfolios hold offshore exposure that is heavily concentrated in US markets, precisely the corner of the world whose dominance is now being questioned. The sensible response is not to abandon those holdings, but to ensure that offshore allocations are genuinely diversified across regions rather than simply tracking Wall Street – and to remember that a firmer rand flatters local returns while dampening offshore ones.

Where the Opportunities Lie

If the tailwinds return, not every emerging market will benefit equally. A few stand out. Korea and Taiwan sit at the heart of the global technology supply chain, manufacturing the semiconductors that power the same artificial-intelligence boom driving US markets – a way to own that theme at a fraction of the price. China, long unloved, offers deeply discounted technology champions and a government increasingly willing to support growth. India remains the structural growth story of the developing world, powered by demographics and reform, although its popularity means investors must pay up for the privilege. Brazil and much of Latin America carry high interest rates that leave ample room to cut, alongside currencies and commodities that tend to shine when the dollar softens. Closer to home, South Africa continues to benefit from strong precious-metal prices and gradually improving sentiment.

The world is not abandoning America, and neither are we. The US remains home to extraordinary businesses and will retain a central place in any well-built portfolio. But the era in which one country could carry the entire global market on its shoulders is being tested, and the sensible response is not to try to guess the exact turning point – it is to be diversified enough to benefit whenever it arrives. The broadening of the investment universe is not a single dramatic event; it is

As always, the aim is not to chase last year's winner, but to hold a portfolio built to weather many different worlds.

Market Update

US markets were held back in July by a sharp sell-off in technology and AI-related shares. The Nasdaq 100 fell 6.61% as investors took profits after a very strong run and began shifting money out of the big technology names. The S&P 500 was only marginally lower, down 0.13%, cushioned by rotation into other sectors, while the Dow Jones actually rose 0.32%. Smaller companies did not escape the sell-off, with the Russell 2000 falling 3.08%. The tech decline had several triggers, including concerns that AI infrastructure spending may be peaking, elevated valuations after months of gains, and a plan by Meta to sell spare computing capacity, which raised questions about future demand for AI chips. The US dollar weakened 1.26%, while the 10-year US government bond yield rose slightly to 4.740%, reflecting renewed concern about inflation as oil prices climbed.

European markets held up comparatively well. The UK's FTSE 100 rose 3.53%, helped by its large weighting in energy and mining companies, which benefited from rising commodity prices. Germany's DAX gained 2.53% and France's CAC 40 advanced 1.26%. The broader Stoxx Europe 600 was close to flat, down 0.25%, as the technology weakness seen globally offset gains elsewhere. The dominant event of the month was the collapse of the US–Iran peace deal reached in June. Renewed hostilities in the Strait of Hormuz, including attacks on tankers, sent energy prices sharply higher again and revived fears about the impact on global inflation.

Asian markets showed a wide split. Japan's Nikkei 225 fell 8.14%, its first monthly decline in four months, as the global technology sell-off hit its large exposure to chip and tech shares. South Korea's Kospi was hit even harder, plunging 22.36% in one of its worst months on record, as its heavy concentration in semiconductor giants such as Samsung and SK Hynix left it especially exposed to the retreat from AI-related stocks. China's Shanghai Composite dropped 6.40%. In sharp contrast, Hong Kong's Hang Seng was the best-performing major market in the world, surging 13.13%. As investors pulled money out of expensive AI-heavy markets, they moved it into Hong Kong-listed Chinese shares, which were seen as better value. Large technology names such as Alibaba and Tencent led the gains, supported by improving sentiment towards Chinese companies and strong demand for new share listings.

Commodities rebounded strongly, led by energy. WTI crude oil jumped 21.83% and Brent crude rose 20.53% as the breakdown of the Iran peace deal reintroduced fears of supply disruptions through the Strait of Hormuz, a key route for global oil. Platinum gained 5.93% and copper rose 3.96%, supported by the firmer backdrop for industrial metals. Gold was little changed, up 0.89%, while silver dipped 1.74%. Natural gas was the notable exception, falling 16.12% on ample supply.

lifted by Naspers and Prosus, which rose in line with the strong rally in Hong Kong-listed Chinese technology shares, given their large stake in Tencent. The Basic Materials sector gained 2.04% as mining shares benefited from higher commodity prices, and Financials rose 1.14%. The Reserve Bank held its main interest rate at 7% on 23 July in a split four-to-two vote, a decision that surprised much of the market, since rising inflation, which hit a two-year high of 5% in June on higher fuel costs, had led many economists to expect an interest rate increase. This contributed to the currency's 0.97% decline against a firmer dollar. The South African 10-year government bond yield eased slightly to 8.74%.

Chart of the Month

There are two ways to size the world, and they disagree. Split the global stock market by value and the US swallows most of it, with emerging markets barely registering. Split the world by the size of its economies and the order flips: emerging markets, led by China and India, are the largest of the three, while the US owns a share of the market far bigger than its share of global output. The part of the world producing the most owns the least of the market. Whether that's exceptionalism worth paying for or a gap that closes is the debate, but "buy the world" today mostly means buy America.

Emerging Markets vs the US vs the Rest of the World

Slice size = share of global equity value. Number = approximate 2025 nominal GDP (USD).



**The US is ~63% of global equity but the smallest of the three by GDP.
Emerging Markets are the largest economy of the three, yet the smallest slice of the market.**

Sources: MSCI ACWI IMI geographic weights (Dec 2025); IMF-WEO 2025. GDP figures approximate; buckets use MSCI country classifications.

"The biggest mistake investors make is to believe that what happened in the recent past is likely to persist." - Ray Dalio



Absolut Wealth Management is an FPI Approved Professional Practice™

Copyright © 2026 Absolut Wealth Management, All rights reserved.

The information provided in this e-mail is for general informational purposes only and must not be construed as marketing material for any products or services.

All information is collected from 3rd party sources, and AWM relies on them to verify the accuracy and validity thereof.

Absolut Wealth Management cannot be held liable for the accuracy and validity of the information. Any investment decisions should be discussed with your Financial Advisor beforehand.

Our mailing address is:

Absolut Wealth Management
1st Floor, North East Block
5 Wessels Road
Rivonia, Gp 2128
South Africa

Add us to your address book

No longer want to receive these emails?

We'll be sorry to see you go, but you can unsubscribe **here**.