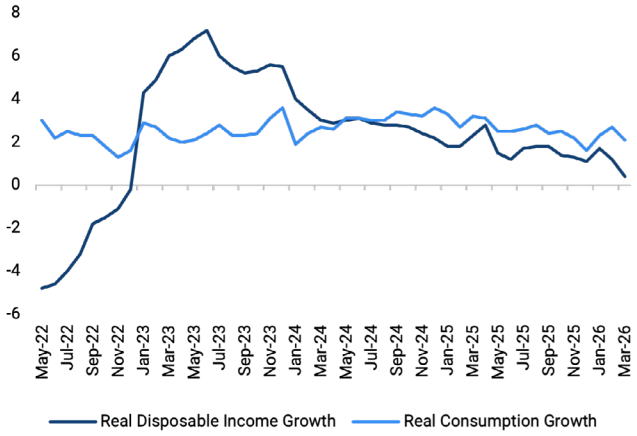
Consumption running ahead of incomes

US Real Disposable Income Growth & US Real Consumption Growth May 2022 – April 2026



Source: 10X Investments, Bloomberg.

Real disposable income growth has slowed sharply, while real consumption growth has held up better. That leaves spending less supported by current income and more dependent on credit availability, savings behaviour and the wealth effect from stronger asset markets.

This is not an immediate stress signal. The labour market is still the key anchor for the consumer. But it does reduce the margin of safety. With less income growth providing protection, consumption becomes more sensitive to tighter credit, weaker confidence or a reversal in equity markets.

The risk is that spending has become more geared to favourable financial conditions at a point where the income cushion is thinner.

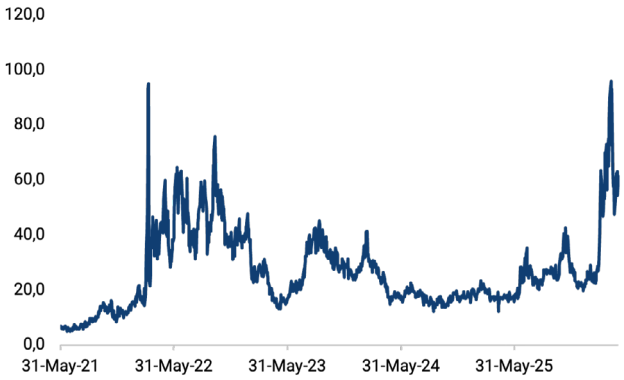
Brent captures the oil price shock, but South Africa's fuel price channel is tied to the cost of imported refined product, not crude alone. The relevant reference is therefore Brent plus the refining margin embedded in products such as gasoil and diesel.

The gasoil-Brent crack spread remains at elevated levels, showing that diesel-linked products are expensive relative to elevated crude. This helps explain why local fuel prices can stay higher than a simple Brent chart would suggest.

When Brent rises and the gasoil crack widens, the fuel price shock compounds. Because diesel is embedded across freight, mining and agriculture, the inflation risk extends beyond oil and into the broader cost base of the economy.

Diesel pressure remains the more relevant fuel price risk for South Africa

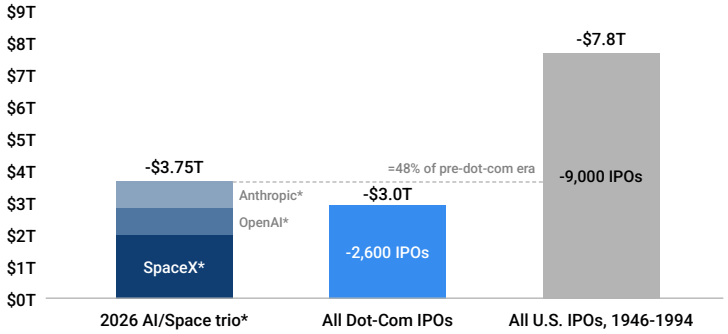
Gasoil Brent crude crack spread



Source: 10X Investments, Bloomberg.

AI IPOs and the return of equity supply

Three upcoming AI IPOs may exceed all Dot-Com IPOs combined



Source: BLS CPI-U; Ritter (UF) IPO Statistics; Bloomberg; CNBC; company filings.

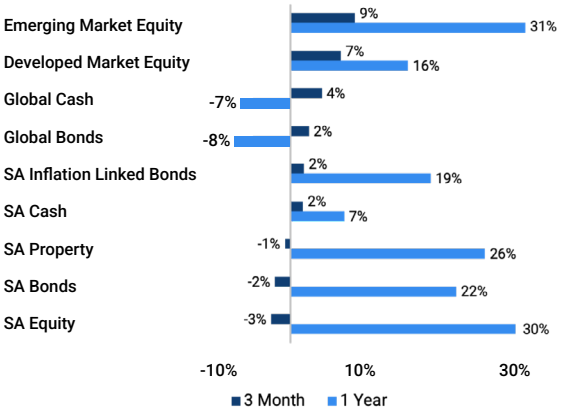
After years in which buybacks helped reduce the supply of US equities, a new wave of large AI-related IPOs could begin to shift that balance.

The immediate impact will depend on free float, as the full headline valuation does not become tradeable on day one. But lock-up expiries, secondary sales and early investor exits can add meaningful supply over time.

This is becoming more relevant as index providers adjust their rules to allow very large IPOs into benchmarks sooner than would normally be the case. That may bring forward passive demand, but it also increases the risk that benchmark investors are required to absorb large new listings earlier, and at valuations set in a highly optimistic market.

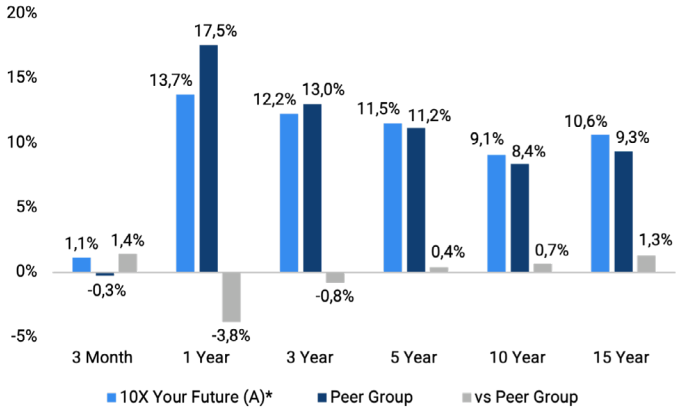
Asset class returns to 30 April 2026

Weaker Rand supports global assets



Source: 10X Investments, Bloomberg.

Portfolio returns to 30 April 2026



Source: 10X Investments Morningstar, * returns prior to March 2019 are those of 10X Umbrella Pension Fund adjusted for Class A fee.

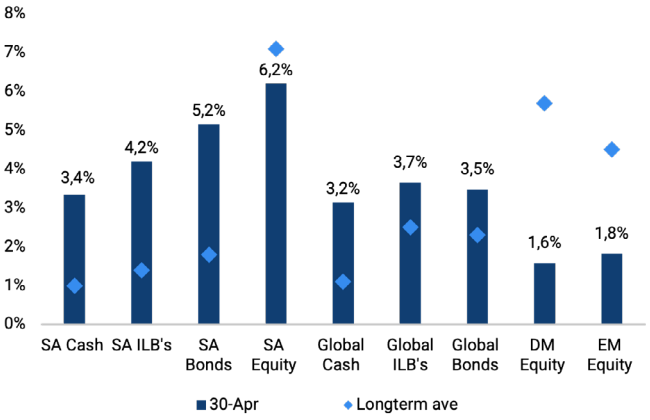
Real (after-inflation) return expectations

Expected real returns remain strongest in South African assets, supported by elevated real yields. SA fixed income continues to offer attractive prospective real returns, while SA equities screen as the most attractive asset class in absolute terms, although still below their long-term historical average.

Global equity return expectations weakened over the month as the strong April rally pulled future returns forward. At current valuation levels, this leaves limited compensation for earnings and valuation risk. By contrast, global bonds continue to offer more compelling yields and a clearer valuation cushion than global equities.

5-10 year expected real returns

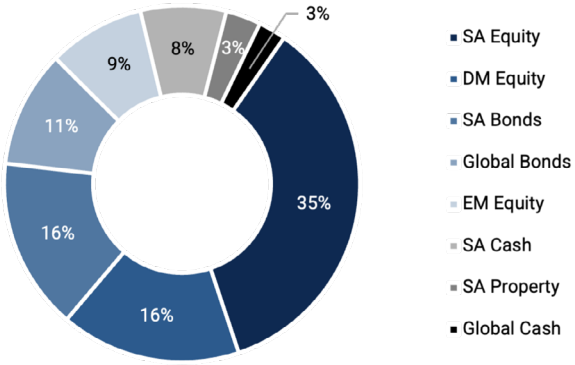
in Rands - 30 April 2026



Source: 10X Investments, Bloomberg.

10X Your Future Fund Asset Allocation

30 April 2026



Source: 10X Investments.

Asset allocation

The portfolio remains diversified, valuation aware and positioned with a defensive bias. SA equity is the largest allocation at 35%, supported by relatively attractive long-term expected returns, but this is balanced by meaningful exposure to bonds and cash.

During April, we reduced our SA nominal bond underweight by switching exposure from inflation-linked bonds, as nominal bonds offered more attractive inflation risk premia.

The fund remains 39% invested offshore, providing diversification away from South African-specific risks without over-reliance on expensive global equity markets.

WRITTEN BY
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