30 June 2025

Review period: May 2025

Domestic & global overview

Local markets followed global equities higher in May, supported by easing geopolitical tensions and a renewed appetite for risk, which lifted demand for emerging market assets. A strong rally in the rand, along with a notable drop in bond yields, created a favourable environment for domestic equities. Although gold stocks paused after a strong year-to-date performance, gains in industrials and financials helped buoy the market. On the macroeconomic front, softer-than-expected core inflation and signs of improved fiscal coordination paved the way for an interest rate cut by the South African Reserve Bank (SARB), which was broadly welcomed.

Global equity markets regained some composure in May as the announcement of reduced tariff rates between the US and China revived hopes for a de-escalation in trade tensions. Improving consumer sentiment and reduced fears of a global recession fuelled broad based gains across risk assets. Emerging markets also continued their strong run and performed well in dollar terms, aided by a weaker US dollar. Asian equities climbed, driven by easing US and China trade tensions and supportive domestic policies. European markets had a strong month on the back of falling inflation and increased planned infrastructure spending by Germany.

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Domestic highlights in May 2025

- SARB cuts rates
- Budget 3.0

SARB cuts rates

The South African Reserve Bank cut its key interest rate by 25 basis points to 7.25%, as widely expected, following a pause in March. The decision aimed to support a weakening economy and reflected a more favourable inflation outlook. Policymakers revised their inflation forecasts lower, now projecting an average of 3.2% for 2025 (down from 3.6% in March) and 4.2% for 2026 (previously 4.5%). This adjustment was driven by a lower starting point, more favourable oil prices and exchange rate assumptions, and the cancellation of planned VAT increases. Growth forecasts were also downgraded from 1.7% to 1.2%, highlighting mounting downside risks. Nonetheless, the outlook for structural reforms remains broadly constructive. The Monetary Policy Committee reiterated its intention to guide inflation closer to 3%, aiming to anchor expectations near the lower end of the target range. It also indicated plans to formally explore a 3% inflation target at future meetings.

Budget 3.0

Finance Minister Enoch Godongwana delivered a third iteration of the Budget for the current fiscal year, incorporating adjustments to both revenue measures and expenditure. While no VAT increase was announced, other tax changes were introduced, including inflation-linked adjustments to the fuel levy. Notably, revenue projections assume that SARS will raise or collect an additional R20 billion in 2026; failing this, further tax increases may be necessary. The Minister reaffirmed government's commitment to fiscal consolidation, even as the debt-to-GDP ratio edged slightly higher. In a show of confidence, credit ratings agency S&P affirmed South Africa's sovereign rating and maintained its positive outlook, despite ongoing political uncertainty surrounding the budget process.

The economy in South Africa

South Africa's annual inflation rate inched up to 2.8% in April 2025, slightly above the 2.7% recorded in March, which marked the lowest level since June 2020. The main upward pressures came from housing and utilities (4.4%, unchanged from March), driven by electricity, gas and other fuels (11.6%); food and non-alcoholic beverages (4%, up from 2.7%); alcoholic beverages and tobacco (4.7%, up from 4.1%); and restaurants and accommodation services (3%, though down from 4.2%). On the downside, transport prices fell by 3.9%, a sharper decline than March's 2.4%, largely due to a 13.4% drop in fuel costs. Services inflation rose to 3.8% from 3.5%, while goods inflation eased to 1.7% from 2%. Meanwhile, the annual core inflation rate moderated to 3%, the lowest since July 2021, down from 3.1% in March.

The Absa Purchasing Managers' Index (PMI) fell to 43.1 in May 2025 from 44.7 in April, marking the seventh consecutive month of contraction in manufacturing activity and the sharpest monthly decline since April 2020. According to Absa, the sector continues to face pressure from trade disruptions with neighbouring countries, policy uncertainty, tariffs and ongoing logistical bottlenecks.

There were some signs of stabilisation: the business activity index rose by 3.4 points to 43.3, suggesting a modest recovery in demand, while new sales orders edged up by 2.2 points to 38.3. However, the inventories index declined to 44.7 from 47.8, and the employment index weakened further, extending its contractionary trend to 14 consecutive months. Encouragingly, the index measuring expected business conditions in six months surged by 13.9 points to 62.5, the highest reading since late 2024.

	Dec’24	Jan’25	Feb’25	Mar’25	Apr’25	May’25
CPI (y/y)	3.0%	3.2%	3.2%	2.7%	2.8%	2.7% (forecast)
PPI (y/y)	0.7%	1.1%	1.0%	0.5%	0.5%	0.5% (forecast)

Sources: Trading Economics

	31 May 2023	31 May 2024	31 May 2025
USD/ZAR	19.72	18.80	17.99
GBP/ZAR	24.53	23.95	24.22
EUR/ZAR	21.08	20.38	20.42

Source: IRESS

South African markets

South African equity markets tracked global equities higher in May, supported by easing geopolitical tensions and the successful adoption of the Budget by the Government of National Unity (GNU). The FTSE/JSE Capped SWIX Index rose by 3.0% month-on-month. While gold shares weighed on performance as the metal’s rally paused, the broader market was lifted by strong gains in diversified industrials and financials.

Among individual stocks, Tiger Brands (+20% MoM) was a standout performer after posting strong interim earnings and announcing a special dividend, reflecting progress on its turnaround strategy. Investec (+10% MoM) beat revenue expectations in its FY25 results, while Pepkor (+9% MoM) surprised to the upside with strong retail momentum and growth in its cell phone business.

Naspers and Prosus both gained 6% during the month, buoyed by a 5% rally in Chinese tech giant Tencent, which reported solid earnings amid improving US-China trade sentiment. Platinum shares rebounded strongly (+19% MoM) alongside a 9% jump in the platinum price, driven by signs of improving jewellery demand from China. Sasol surged 27% MoM after announcing bold cost-cutting plans at its capital markets day.

The rand appreciated 3.3% against the US dollar, driven by the successful passage of the GNU budget and a reduction in perceived political risk. A visit by the South African delegation, including politicians, businessmen and golfers, to the White House to meet with US President Donald Trump also ended with the path to a smoothing of bilateral tension between the US and SA still intact.

The FTSE/JSE All Bond Index rose by 2.7% in May, with bonds rallying into month-end following a dovish interest rate decision from the South African Reserve Bank. Meanwhile, the SA Listed Property Index returned 2.3% for the month.

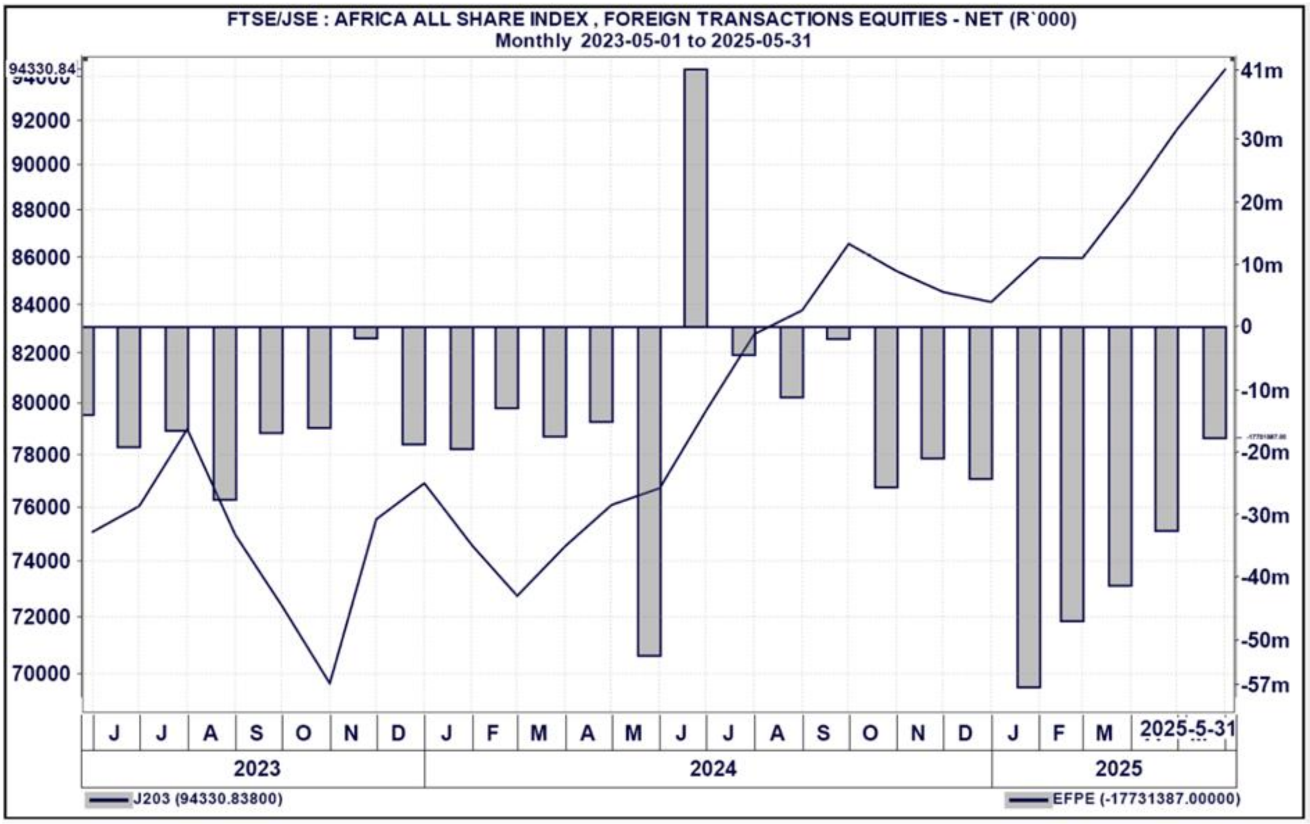
Foreigners were net sellers of R18 billion worth of SA equities and net buyers of R 6 billion worth of SA bonds, during the month.

LOCAL RETURNS IN ZAR				
2024	**31 March 2025**	**30 April 2025**	**31 May 2025**	**2025 - YTD**
SA SMALL CAPS 35.58%	SA TOP 40 4.06%	SA PROPERTY 7.65%	SA MID CAPS 5.54%	SA TOP 40 16.62%
SA PROPERTY 29.81%	SA MID CAPS 3.66%	SA TOP 40 4.50%	SA SMALL CAPS 3.28%	SA EQUITY 14.02%
SA BONDS 17.18%	SA EQUITY 3.55%	SA EQUITY 4.34%	SA PROPERTY 3.15%	SA MID CAPS 7.97%
SA MID CAPS 15.41%	SA CASH 0.64%	SA SMALL CAPS 3.89%	SA EQUITY 3.14%	SA PROPERTY 6.32%
SA EQUITY 13.44%	SA BONDS 0.19%	SA MID CAPS 2.24%	SA TOP 40 2.86%	SA BONDS 4.24%
SA TOP 40 10.65%	SA SMALL CAPS -0.27%	SA BONDS 0.76%	SA BONDS 2.73%	SA CASH 3.17%
SA CASH 8.46%	SA PROPERTY -1.54%	SA CASH 0.61%	SA CASH 0.63%	SA SMALL CAPS -0.29%

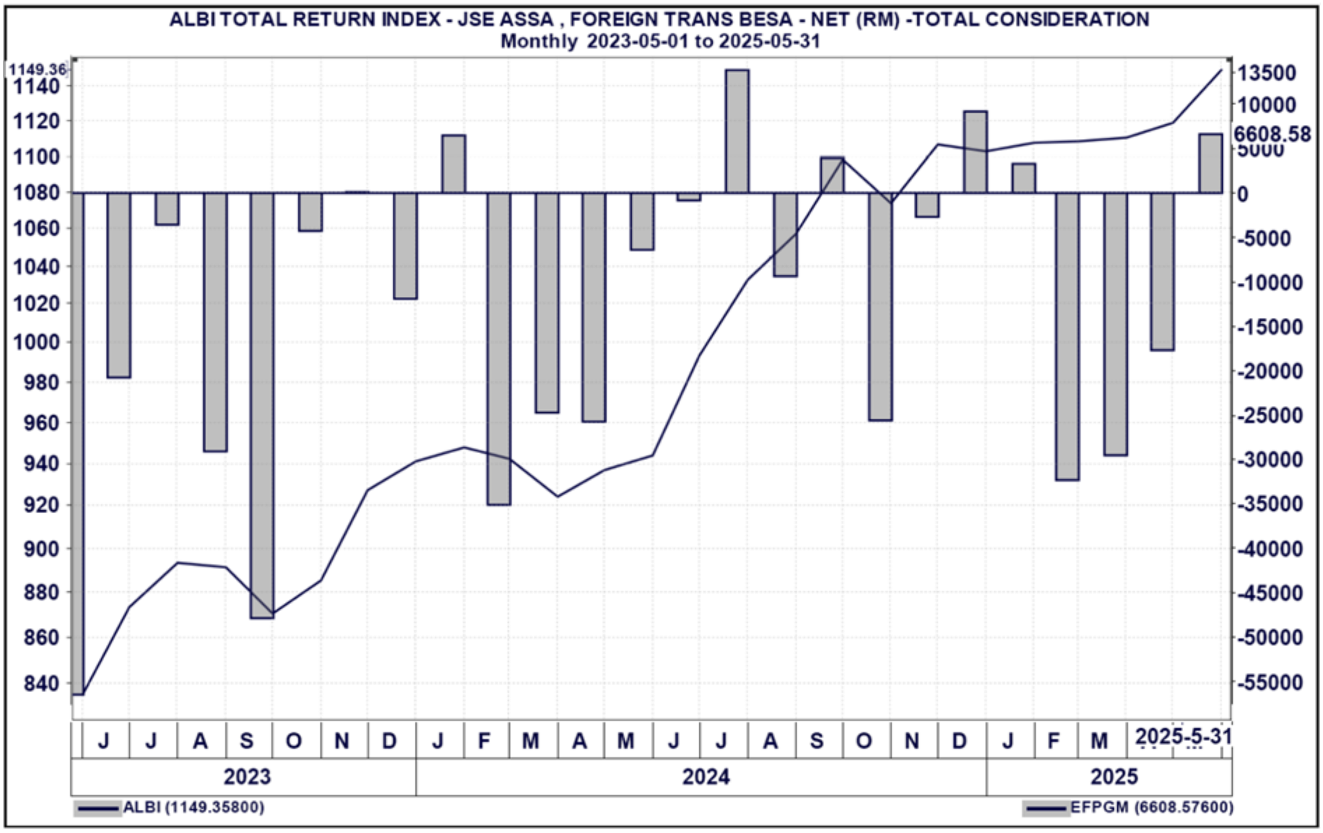
Source: Morningstar & Glacier Research

LOCAL SECTOR RETURNS IN ZAR				
2024	**31 March 2025**	**30 April 2025**	**31 May 2025**	**2025 - YTD**
GENERAL RETAILERS 33.32%	RESOURCES 18.37%	CONSUMER GOODS 6.55%	GENERAL RETAILERS 4.75%	RESOURCES 33.94%
CONSUMER SERVICES 29.01%	CONSUMER GOODS 0.62%	SA INDUSTRIALS 5.01%	SA INDUSTRIALS 3.92%	SA INDUSTRIALS 12.50%
FINANCIALS 22.35%	FINANCIALS 0.18%	FINANCIALS 4.61%	CONSUMER SERVICES 3.91%	CONSUMER GOODS 10.12%
SA INDUSTRIALS 18.48%	SA INDUSTRIALS -0.27%	CONSUMER SERVICES 4.46%	RESOURCES 2.61%	FINANCIALS 5.32%
CONSUMER GOODS 15.23%	INDUSTRIALS -2.17%	INDUSTRIALS 2.44%	CONSUMER GOODS 2.61%	CONSUMER SERVICES -2.25%
INDUSTRIALS 6.89%	GENERAL RETAILERS -4.61%	RESOURCES 2.06%	FINANCIALS 2.47%	INDUSTRIALS -3.81%
RESOURCES -8.65%	CONSUMER SERVICES -9.43%	GENERAL RETAILERS -1.88%	INDUSTRIALS 2.37%	GENERAL RETAILERS -9.36%

Source: Morningstar & Glacier Research



Source: IRESS May 2025



Source: IRESS May 2025

Global markets

Global equity markets regained some composure in May as the announcement of reduced tariff rates between the US and China revived hopes for a de-escalation in trade tensions. Improving consumer sentiment and reduced fears of a global recession fuelled broad based gains across risk assets. Emerging markets also continued their strong run and performed well in dollar terms, aided by a weaker US dollar. Asian equities climbed, driven by easing US and China trade tensions and supportive domestic policies. European markets had a strong month on the back of falling inflation and increased planned infrastructure spending by Germany.

Developed markets outperformed emerging markets, with the MSCI World Index gaining 5.92% and the MSCI ACWI 5.75%, while the MSCI Emerging Markets rose 4.27% in USD terms. Among investment styles, growth led the way with +8.7% for the month, followed by momentum (7.2%), quality (4.6%) and value (3.06%).

The US dollar had its fifth consecutive monthly drop, as speculation around foreign selling of US assets and tariffs continued to weigh on the world's reserve currency.

In fixed income, global bond markets were volatile in May, caught between competing risks from sticky inflation, slowing growth and rising fiscal concerns. Yields moved higher mid-month following the downgrade of the US sovereign credit rating and rising concerns of debt levels in the US. The Bloomberg Global Aggregate Bond Index dropped marginally by 0.36% in USD terms.

Fed officials assessed that the announced tariff increases had been significantly larger and more extensive than anticipated and noted considerable uncertainty surrounding the direction of trade policy and the magnitude, scope, timing, and duration of its economic effects. Interest rates were kept steady for a third consecutive meeting. The growing US debt burden has increased concern about US fiscal health. Further unease came through plans by the Trump administration for sweeping tax cuts and Moody's referred to this in their decision to downgrade the US sovereign credit rating.

UK equities rose in May, supported by strong economic data and improved consumer confidence. The Bank of England (BoE) cut interest rates to 4.25%, with markets expecting further cuts. Inflation rose to 3.5%, driven by energy and services costs. Gross Domestic Product (GDP) grew 0.7% in the first quarter, led by services and investment. Wage growth eased, while employment declined.

Eurozone inflation fell to 1.9%, driven by lower services inflation. Sentiment improved slightly, though the economy remains fragile. The ESI (Economic Sentiment Indicator) rose to 94.8, while flash Purchasing Managers' Index (PMI) data declined slightly. Expectations for fiscal support and upward earning revisions continued to contribute to positive regional sentiment.

United States

US equity markets bounced back in May, finishing the month with positive returns with the S&P 500 posting its largest monthly gain in 18 months. Investor sentiment was boosted by waning trade tensions as the US reached a deal with the UK and agreed to cut tariffs on China for 90 days in a bid to negotiate further. This was well received by markets and taken as a sign of further de-escalation. The strong market performance was underpinned by a robust first quarter earnings season. With 97% of S&P 500 companies reporting, 77% of companies reported positive earnings surprises, and 63% exceeded revenue expectations. The S&P saw a 6.3% jump for the month and the Nasdaq 100 an impressive 9.6%.

The annual inflation rate in the United States increased for the first time in four months, reaching 2.4% in May 2025, up from 2.3% in April, the lowest level since 2021, but still coming in below the expected 2.5%. Price increases were observed in food (2.9% compared to 2.8% in April), transport services (2.8% vs 2.5%), used cars and trucks (1.8% vs 1.5%), and new vehicles (0.4% vs 0.3%). Conversely, inflation for shelter eased slightly to 3.9% from 4%. Energy costs continued to decline, falling by 3.5% after a 3.7% drop the previous month. Petrol prices fell further (-12% vs -11.8%) and fuel oil also remained in decline (-8.6% vs -9.6%), while natural gas prices continued to be elevated, rising by 15.3%, slightly less than April's 15.7%. On a monthly basis, the Consumer Price Index (CPI) rose by just 0.1%, down from 0.2% in April and below the forecast of 0.2%. Meanwhile, annual core inflation, which excludes volatile food and energy prices, remained steady at 2.8%, its lowest level since 2021, despite expectations of a rise to 2.9%. The monthly core CPI also rose by 0.1%, down from 0.2% in April and below the anticipated 0.3%.

The Fed held US interest rates steady at 4.50% for the third consecutive time as monetary policymakers remained cautious about "the risks of higher unemployment and higher inflation" amid trade tariff uncertainty. The Fed alluded to their intention of keeping rates unchanged while they examine the effects of the White House's trade tariffs on the US economy. The US Dollar Index saw another decline for the month of May, losing 0.1% MoM, leaving it almost 8% weaker for the year.

Labour market data released over the month was positive. The US economy added 177,000 jobs in April, which was significantly higher than the 138,000 that had been expected. According to the Bureau of Labour Statistics job increases continued to come from health care and social assistance. The unemployment rate also remained unchanged at 4.2%, in line with expectations. Wages in the United States increased 4.64% in April of 2025 over the same month in the previous year.

US retail sales rose by 0.1% MoM in April 2025, following an upwardly revised 1.7% surge in March. The modest gain suggests consumers scaled back spending in response to a wave of tariff announcements in early April, yet the result still exceeded market expectations for no change. The US Consumer Confidence Index experienced its biggest one-month increase since 2009, bolstered in part by the progress on trade tariff negotiations and positive economic data.

The S&P Global US Composite PMI was revised up to 53.0 in May 2025, from a preliminary reading of 52.1 and well above April's 19-month low of 50.6. The improvement was driven by stronger activity in the services sector, offsetting a marginal decline in manufacturing output. Employment rose for the third consecutive month, while business confidence reached its highest level since January. It is left to be seen how tariff and trade policies will unfold and impact the US market.

Eurozone

European equities saw gains in May, enjoying reduced fears about a global recession on the back of a major de-escalation of the trade war between the US and China where a deal was reached, meaning tariffs were reduced and in some cases cancelled. The Euro Stoxx 50 Index rose 5.06% in local currency terms and up 4.92% in USD terms, while the pan-European STOXX 600 Index closed the month up 4.02% in local currency terms. On a country basis, Germany outperformed as it continued to benefit from infrastructure spending plans and better growth prospects. More domestically tilted Italian and Spanish equities also did well given the stronger euro, while France underperformed.

Eurozone consumer price inflation eased to 1.9% year-on-year in May 2025, down from 2.2% in April and below market expectations of 2.0%, according to a preliminary estimate. This marks the first time inflation has fallen below the European Central Bank's 2.0% target since September 2024, reinforcing expectations for a 25-basis point rate cut later this week and raising the possibility of additional cuts. The decline in the headline rate in May was largely due to core inflation, which fell further than anticipated, from 2.7% in April to 2.3%. A key driver of the deceleration was a sharp slowdown in services inflation, which dropped to 3.2% from 4.0% in April, its lowest level since March 2022. Energy prices continued to decline, falling by 3.6% year-on-year, while inflation for non-energy industrial goods held steady at 0.6%. In contrast, prices for food, alcohol, and tobacco accelerated, rising 3.3% compared with 3.0% the previous month. Meanwhile, core inflation, which excludes volatile food and energy components, slipped to 2.3%, the lowest reading since January 2022.

The European Central Bank (ECB) did not meet nor make an interest rate decision during the month however it noted that underlying cost pressures continue to dissipate, with tariff and trade negotiations moving swiftly with the US. With energy prices trending downward and a stronger euro, inflation is set to lower further.

The unemployment rate in the Euro Area dipped to 6.2% in April 2025, equalling the record low last seen in December. This was a slight decrease from a revised 6.3% in March and was in line with market expectations. The number of people out of work declined by 207,000 compared to the previous month, bringing the total to 10.68 million. At the same time, the youth unemployment rate, covering those under 25 seeking employment, dropped to 14.4%, its lowest level in four months.

Retail sales in the Eurozone edged up by 0.1% MoM in April 2025, following a revised 0.4% rise in March, aligning with market expectations. The increase was largely driven by automotive fuel, which climbed by 1.3% compared to 0.6% in the previous month, along with food, beverages, and tobacco, which rose by 0.5% versus 0.1%. However, sales of non-food items fell by 0.3%, offsetting the 0.5% growth recorded in March. Among the major economies, retail sales increased in Spain (0.7%), Italy (0.4%), and France (0.3%), while declines were seen in Germany (-1.1%) and the Netherlands (-0.4%).

The HCOB Eurozone Composite PMI was revised higher to 50.2 in May 2025, up from the preliminary estimate of 49.5 but slightly below April's 50.4. While this marked the fifth straight month of expansion, the overall growth was only marginal, and the weakest since February. Manufacturing was the main driver of output, offsetting the first decline in services activity since November. Among the Euro Area's four largest economies, Italy and Spain recorded solid expansions, France moved closer to stabilisation, and Germany remained in contraction. Business and consumer sentiment survey data from the European Commission showed a small improvement, however the data is still consistent with a fragile economy.

United Kingdom

The UK equity market closed higher in May, due to positive economic data and consumer confidence improving. The FTSE 100 Index rose 3.83% in GBP terms in May. The UK was however the worst major market performer with consumer staples, healthcare and utilities being notable laggards. UK-listed pharmaceutical companies came under pressure following Trump's drug pricing reforms, which threaten revenue from US sales.

UK inflation was higher than expected in April, rising from 2.6% to 3.5% with consensus expecting the rate to rise to 3.3%. This was mainly driven by higher energy costs, water bills, road tax and airfares. Services inflation rose from 4.7% to 5.4%. Core inflation, which excludes energy and food prices, rose from 3.4% to 3.8%.

The Bank of England (BoE) reduced interest rates by 0.25 percentage points to 4.25%, following a divided decision by the Monetary Policy Committee. Five members supported the 0.25% cut, two advocated for a larger 0.50% reduction, and the remaining two preferred to leave rates unchanged. Financial markets are now anticipating two additional rate cuts before the end of the year. The UK economy outperformed forecasts, with growth reaching 0.7% in the first quarter, the highest rate in a year. The data indicated that this expansion was largely driven by the services sector and increased investment, while net trade also contributed positively, suggesting that exports were accelerated in anticipation of potential tariffs.

UK wage growth eased in the three months to March, while the labour market showed signs of weakness as employers cut jobs. The average total pay grew at an annual rate of 5.6% (excluding bonuses) in the three months to March in comparison to a year ago. Payrolled employment fell between February and March, as employers contend with higher national insurance contributions. The United Kingdom's unemployment rate edged up to 4.6% in the three months to April 2025 from 4.5% in the previous period, matching market expectations. This marked the highest level since the three months ending August 2021.

Consumer confidence rose in May following improved sentiment about the economy and personal finances. British retail sales rose in April, with the warmer weather encouraging consumers to spend more. The UK and US agreed tariffs on certain goods which included British exports of steel and aluminium as well as reduced tariffs on British cars sold in the US. The UK will offer US farmers and ranchers improved market access through a lower-tariff quota system.

The S&P Global UK Composite PMI was revised up to 50.3 in May 2025 from a preliminary estimate of 49.4, exceeding April's reading of 48.5. While the figure signalled a return to marginal growth in private sector activity, it was still the second-lowest reading since October 2023. The modest expansion was driven by a rise in services output, which offset a marked contraction in manufacturing production. However, total new business fell for the sixth straight month.

Spot Rates	31 May 2023	31 May 2024	31 May 2025
EUR/USD	1.07	1.08	1.13
GBP/USD	1.24	1.27	1.35
USD/JPY	139.34	157.31	144.06

Source: IRESS

Emerging markets and Asia

Asia-Pacific equities rose as easing trade tensions sparked renewed investor confidence across the region, Latin American equities advanced, with Brazil outperforming on the back of encouraging economic data. Middle East equities gained in May despite ongoing regional tensions, supported by accelerating non-oil sector growth in Saudi Arabia and the UAE. Emerging Markets (EM) had a good month with the MSCI EM gaining 4.27%.

Peru and Chile led the Latin American region, with Chile benefiting from a rebound in commerce and mining, alongside a more dovish central bank stance. Mexico cut rates in response to slowing growth, while Brazil gained on improving economic data and a more favourable inflation outlook, despite expectations of prolonged higher interest rates. Eastern European equities rose in May, with Poland leading the region thanks to strong economic growth, rising investment, and supportive policies. The National Bank of Poland cut interest rates for the first time in over 18 months, signalling a shift towards a more accommodative stance.

In South Africa, equities continued to climb, driven by gains in chemicals and industrial materials. Investor confidence improved following President Ramaphosa’s meeting with US President Trump to begin talks on critical minerals, a key sector for South Africa. Approval of Finance Minister Godongwana’s budget also helped ease political uncertainty and support the fiscal outlook.

Indian markets climbed higher following a diplomatic breakthrough with Pakistan that helped ease geopolitical tensions. Positive developments in US–China trade talks also boosted regional sentiment, with Indian stocks mirroring broader gains across Asia. Chinese equities advanced after progress in trade negotiations with the United States, where both nations agreed to temporarily reduce tariffs. The rally was further bolstered by the People’s Bank of China lowering the bank reserve requirement ratio, alongside major state banks cutting deposit rates to stimulate economic growth.

Japanese equities climbed higher, aided by a weaker yen which improved prospects for exporters and attracted foreign investment. Gains were mainly driven by industrial and manufacturing shares. However, rising inflation and falling real wages continued to weigh on consumer confidence, especially within the services sector. Meanwhile, Bank of Japan (BoJ) Governor Kazuo Ueda indicated a cautious stance towards any further increases in interest rates.

GLOBAL RETURNS IN ZAR

2024	31 March 2025	30 April 2025	31 May 2025	2025 - YTD
S&P 500 29.00%	SHANGHAI STOCK EXCHANGE -0.17%	EURO STOXX 50 5.21%	S&P 500 3.16%	EURO STOXX 50 17.14%
MSCI WORLD 22.45%	MSCI EM -0.35%	GLOBAL BONDS 4.14%	MSCI WORLD 2.80%	FTSE 100 12.77%
SHANGHAI STOCK EXCHANGE 11.47%	GLOBAL BONDS -0.36%	FTSE 100 3.99%	EURO STOXX 50 1.83%	MSCI EM 4.05%
FTSE 100 11.16%	FTSE 100 -0.55%	MSCI EM 2.50%	FTSE 100 1.74%	GLOBAL BONDS 0.74%
MSCI EM 10.93%	EURO STOXX 50 -1.09%	MSCI WORLD 2.06%	MSCI EM 1.19%	MSCI WORLD 0.43%
EURO STOXX 50 7.38%	GLOBAL PROPERTY -3.47%	GLOBAL PROPERTY 1.60%	SHANGHAI STOCK EXCHANGE -0.36%	GLOBAL PROPERTY 0.19%
GLOBAL PROPERTY 5.68%	MSCI WORLD -5.38%	S&P 500 0.48%	GLOBAL PROPERTY -0.59%	SHANGHAI STOCK EXCHANGE -2.83%
GLOBAL BONDS 1.44%	S&P 500 -6.55%	SHANGHAI STOCK EXCHANGE -1.07%	GLOBAL BONDS -3.29%	S&P 500 -3.29%

Source: Morningstar & Glacier Research