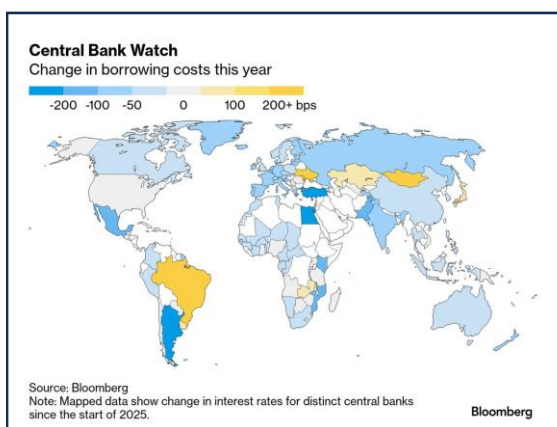


Market commentary – May 2025

Global markets

Global markets delivered strong performance in May, following the volatility and turbulence triggered by ‘Liberation Day’ in April. Although still fragile, investor sentiment improved on the temporary easing of US-China trade tensions. AI stocks such as Nvidia rebounded strongly, boosted by renewed optimism around artificial intelligence and demand for “Magnificent Seven” US tech stocks. In other economic news, Moody’s Rating Agency downgraded the US sovereign credit rating from AAA to Aa1 (S&P and Fitch Ratings previously downgraded their AAA ratings on the US). The downgrade reflects growing concerns over the trajectory of US government debt and the long-term fiscal implications of President Trump’s One Big Beautiful Bill Act.



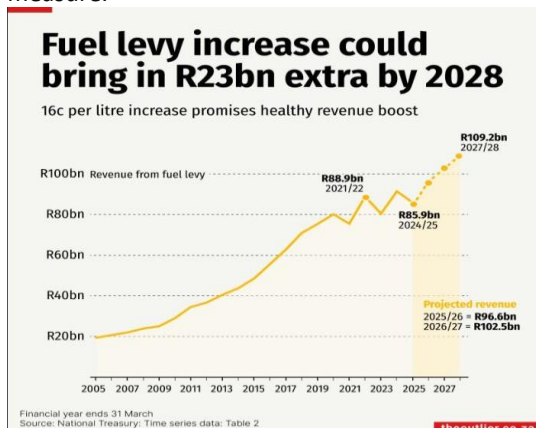
At their respective May meetings, both the US Federal Reserve (‘Fed’) and the European Central Bank (ECB) opted to keep interest rates unchanged. Fed Chair Jerome Powell pointed to elevated risks from trade tariffs, inflationary pressures and signs of slowing economic growth. However, US inflation continued to edge lower in April to 2.3% year-on-year (y-o-y), down from 2.4% (y-o-y) the previous month. In contrast, the UK’s inflation increased to 3.5% (y-o-y) in April, up from 2.6% (y-o-y) in March. Despite the uptick, the Bank of England (BoE) proceeded with a 25-basis point rate cut.

The MSCI World Index (representing Developed Markets) returned 5.9% in USD terms for the month. The US S&P 500 Index returned a positive 6.3%. Emerging markets, through the MSCI Emerging Market Index gained 4.3%

in USD terms. The US Dollar index ended the month roughly where it started, with significant volatility in between. The dollar depreciated by over 8% for the year to end May.

SA markets

Local markets ended the month in positive territory despite ongoing geopolitical headwinds. A key domestic development during the month was the delivery of the third revised national Budget by the Minister of Finance. The proposed VAT increase was shelved, but the Minister opted to increase the fuel levy, effective 4 June 2025, as an alternative revenue-generating measure.



The South African Reserve Bank’s Monetary Policy Committee (MPC) opted to reduce the interest rate by 25-basis points following a pause during their March meeting. The cut brings the repo rate to 7.25%. Annual inflation for April rose marginally to 2.8% (y-o-y) from 2.7% (y-o-y) the previous month, remaining below the SARB’s target range of 3%-6%. Meanwhile, South Africa’s official unemployment rate rose to 32.9% in Q1 2025, up from 31.9% in the previous quarter.

The local equity market ended the month in positive territory, with the JSE Capped SWIX returning 3.0%. In terms of the underlying sectors, they were all positive as Financials and Resources returned 2.5% and 2.6%, respectively. Industrials was the top-performing sector, returning 3.9%. The Rand strengthened for the month against all major currencies, appreciating by 3.0% against the US Dollar, by 2.0% against the Pound and by 3.1% against the Euro. The local bond market also performed well, with the All-Bond Index up 2.7% for the month.

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