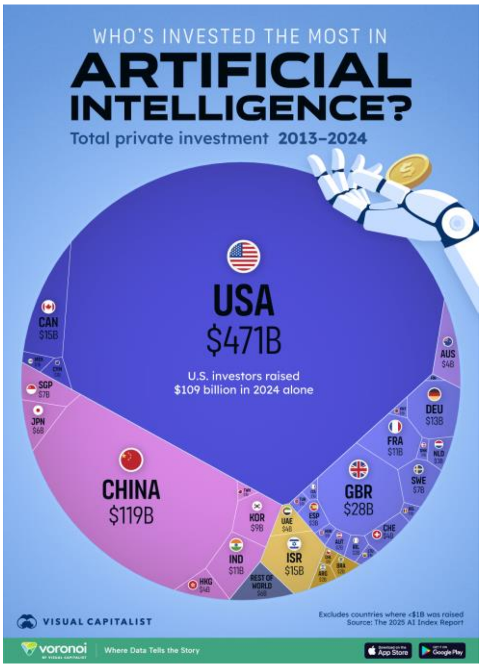
Market commentary – September 2025

Global markets

Global equities continued their upward trajectory in September, ending a strong quarter for global markets. Within global equity markets, sustained optimism in the AI sector drove a narrow subset of US technology shares. Meanwhile, protectionist trade measures imposed on US trading partners have led many nations to view the US as a less reliable trading ally. Consequently, countries and corporates have increasingly diversified away from the US market and the US dollar. This shift has contributed to the weakening of the US dollar, which has weakened by 10% year-to-date.



In the US, annual inflation rose slightly to 2.9% year-on-year (y-o-y) in August, up from 2.7% (y-o-y) in July. Despite the uptick, the US Federal Reserve ('Fed') proceeded with a 25-basis point interest rate cut, the first this year. Meanwhile, the Bank of England (BoE), European Central Bank (ECB), and Bank of Japan all opted to keep their respective policy rates unchanged.

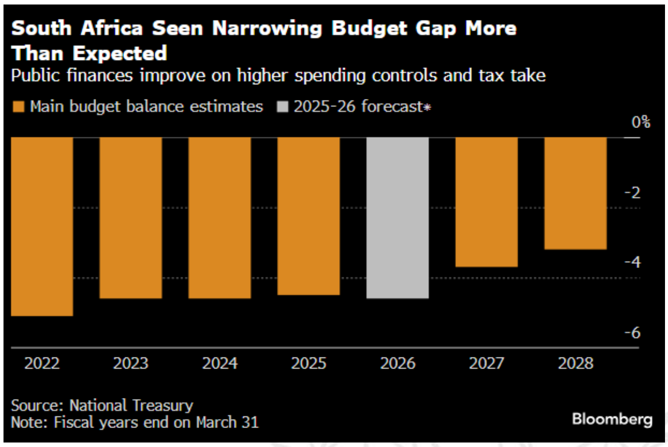
The MSCI World Index (representing developed markets) returned 3.2% in USD terms for the month. The US S&P 500 Index returned a positive 3.7%. Emerging markets, through the MSCI Emerging Market Index, gained 7.2% in USD terms, outperforming developed markets. Over the quarter, emerging markets have outperformed developed markets (10.6% versus 7.3%). Gold continued to surge gaining 11.4% over the month. Over the 1-year period, Gold has rallied strongly and gained 45.6%.

SA markets

Local markets have benefited from the global market backdrop and positive sentiment. A softer US dollar and higher commodity prices have improved SA's terms of trade. Eskom posted a profit after tax of R16.0 billion for the financial year ending March 2025, representing its first return to profitability since 2017. The significant reduction in loadshedding and lower diesel costs have contributed positively, reflecting improved operational performance.

Consumer inflation edged slightly higher, to 3.4% (y-o-y) in September from 3.3% (y-o-y) in August. The Monetary Policy Committee kept the repo rate unchanged at 7% at its September meeting.

The local equity market (FTSE/JSE Capped SWIX) returned 6.5% for the month. In terms of the three major equity sectors, industrials and financials returned 1.3% and -1.9% respectively. Resources returned an impressive 25.5%, mainly driven by rising gold and platinum prices. Resources have returned an exceptional 104.9% for the year to date. Without this performance, the SA equity market would have significantly underperformed emerging markets. The Rand strengthened for the month against all major currencies, appreciating by 2.5% against the US dollar, by 2.8% against the pound and by 2.1% against the euro. The local bond market also closed the month in positive territory, with the All Bond Index returning 3.4%.



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