Discovery Market Review

30 April 2025

Market background

April was characterised by significant volatility across equity, fixed income and commodity markets, driven by the announcement of sweeping US tariffs. The ensuing economic uncertainty led to a mixed asset-class performance.

United States

Markets wrapped up a volatile April that saw equities roiled by President Trump's dramatic and wide-reaching tariff overhaul and shifting trade rhetoric. The S&P 500 and Dow indices extended their losing streaks into a third straight month, while the Nasdaq managed a small gain, helped by the late-month strength in tech. Volatility spiked after 'Liberation Day' on April 2, when the White House announced a sweeping new tariff framework, including a 10% baseline duty on most imports starting April 5 and additional country-specific rates of up to 145% to follow. At one point, the S&P 500 Index was down more than 11% for the month and off nearly 20% from its February high. A rebound followed after Trump walked back the stiffest duties and delayed many retaliatory tariffs by 90 days.

Macroeconomic data added to the unease. The US economy contracted by 0.3% in the first quarter – its first decline in three years – driven by a surge in imports as firms scrambled to build inventories ahead of tariff hikes. The drop, worse than the 0.1% expected, marked a sharp reversal from 2.4% growth in Q4 2024. Still, jobless claims and PMIs held up well, tempering fears of an immediate downturn.

Inflation data sent mixed signals. March PCE numbers showed a modest cooling in price pressures, offering some relief. However, core PCE rose at an annualised rate of 3.5% in the first quarter, up from 2.6% in Q4, complicating the Fed's job as it tries to anchor expectations and keep rate cut hopes alive. Earnings season helped shift the mood. Microsoft beat expectations on strong cloud bookings, and Meta posted upbeat results and guidance, despite worries about an advertising revenue slowdown tied to tariff uncertainty. The tech-heavy Nasdaq was the main beneficiary, with the Magnificent 7 helping markets claw back ground into month-end.

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South Africa

After a highly volatile start to the month, South African equities rebounded strongly to close April firmly in positive territory. Gold miners, particularly AngloGold Ashanti (+13.0%) and Harmony Gold (+11.4%), were among the standout performers as safe-haven demand continued to drive gold prices higher. On the political front, the ongoing budget dispute between the ANC and DA culminated in the Western Cape High Court ordering the suspension of National Treasury's proposed VAT hike. Finance Minister Enoch Godongwana is expected to present a revised fiscal framework towards the end of May, in which he'll outline the Treasury's new plan to cover the R75 billion shortfall brought on by the VAT-hike reversal. In other news, annual inflation surprised to the downside, easing to 2.7% in March and marking the lowest reading since June 2020. The softer print raised hopes that the South African Reserve Bank (SARB) could begin cutting interest rates sooner than previously signalled, providing investors with some reprieve in what has been a frenetic start to the year for domestic equities.

Europe and the United Kingdom

European equities held up better than US and many Asian markets in the immediate turmoil following Liberation Day, but still sold off sharply. The first week of April was the worst seven days for European stocks since the pandemic, with Q1 gains wiped out as optimism faded that regional growth would be supported by fiscal stimulus and higher defence spending. Though markets recovered as threatened US tariffs were scaled back, the STOXX Europe 600 Index still ended April down about 1% overall. During the month, the European Central Bank lowered interest rates by 25 basis points to 2.25%, citing a deteriorating growth outlook due to rising trade tensions. Data showed the Eurozone economy grew by 0.4% in Q1, ahead of expectations, but some economists labelled it "more show than substance", driven primarily by one-off effects. Nevertheless, there were some encouraging signs from Germany in April, which was buoyed by decent results from leading corporates and some indications that Europe's economic powerhouse may be emerging from stagnation.

Hopes that UK-listed companies might be less impacted by a trade war initially helped UK equities outperform. But the FTSE All-Share Index ended April approximately level pegging with the S&P500 Index, with a 0.6% decline. Towards the end of the month, the governor of the Bank of England hinted that an interest-rate cut was likely at its next meeting in early May, to support growth amid global trade uncertainty. Rate-cut expectations were supported by a UK inflation print that showed prices were rising more slowly than expected. However, adding to growth concerns from tariff impacts, data released in April revealed that UK public borrowing had overshot forecasts, fuelling concerns that tax rises may be required later in the year, and that business activity was slowing at the fastest pace in two years. During the month, the UK government took operational control of British Steel to protect jobs and keep the country's only virgin steelmaker running.

China

Chinese equities faced significant headwinds over April due to escalating trade tensions with the US and a deceleration in domestic economic activity. The US administration imposed sweeping tariffs of up to 145% on Chinese imports, prompting China to retaliate with 125% tariffs on US goods. These measures disrupted global supply chains and dampened investor sentiment, leading to substantial declines in Chinese stock indices.

Economic indicators further exacerbated market anxieties. China's industrial production contracted at its fastest pace in over a year, and export orders declined sharply, signalling weakening external demand. The manufacturing sector, heavily reliant on exports, faced significant challenges, showed inventory drawdowns and deflationary pressures.

In response, the Chinese government convened a Politburo meeting in late April to assess the economic situation and chart a course forward. The leadership emphasised the importance of stabilising employment, supporting affected industries, and maintaining economic growth amid external pressures. While refraining from announcing large-scale stimulus measures, the Politburo signalled a willingness to implement targeted policies to bolster domestic demand and mitigate the impact of the trade war. This included potential fiscal support for key sectors and initiatives to enhance consumer spending.

Despite these assurances, investor confidence remained fragile. Foreign investors continued to reduce exposure to Chinese equities, particularly in sectors most exposed to international trade. The lack of immediate, robust policy responses led to concerns about the government's ability to counteract the economic slowdown effectively. As a result, Chinese equities remained under pressure throughout April, reflecting the complex interplay between geopolitical tensions and domestic economic challenges. The MSCI All China was down 3.9%.

Global equities

April was marked by volatility as the announcement of sweeping US tariffs triggered a global sell-off. President Trump's introduction of a new 10% baseline tariff – rising to as much as 145% on selected Chinese imports – sparked fears of a global trade war and an abrupt repricing of recession risk. Market volatility surged, with implied measures of equity risk reaching multi-year highs. Concerns deepened after the US Federal Reserve signalled its intention to keep inflation expectations anchored. However, sentiment improved mid-month after a 90-day delay on many retaliatory tariffs, softer rhetoric from President Trump, and signs that US policymakers remained committed to institutional stability. Meanwhile, US macro data, including jobless claims and PMIs, remained resilient, helping to contain fears of an imminent downturn.

Global equities delivered a small positive total return, with emerging markets outperforming developed markets. US equities were volatile, falling more than 10% over two days early in the month before staging a sharp rebound to close April down just 0.7%. The Magnificent 7 led the late-month recovery. Emerging markets equities rose modestly, supported by selective tariff exemptions and US dollar weakness, although Chinese markets declined on escalating trade tensions with the US and a deceleration of domestic economic activity.

Indices	April 2025 net return (USD)
S&P 500	-0.7%
Nasdaq Composite	0.9%
MSCI ACWI	0.9%
Nikkei 225	1.2%
EuroStoxx 600	-1.2%
FTSE 100	-0.7%
Hang Seng Index	-4.0%
SSE Composite	-1.7%

Indices	April 2025 net return (ZAR)
FTSE JSE All Share Index	4.3%
FTSE/JSE Financials Index	4.6%
FTSE/JSE Industrials Index	5.0%
FTSE/JSE Resources Index	1.8%
FTSE/JSE ALBI	0.8%
STEFI Call	0.6%

Source: Bloomberg, as at 30 April 2025.

Global fixed income

President Trump's Liberation Day announcements resulted in significant volatility in the US Treasury market, amid heightened uncertainty around tariffs and their implications for both US and global growth. During the month, the 30-year yield recorded its largest weekly increase since 1987, while the 10-year saw its biggest weekly rise since 2001 (according to Deutsche Bank). This sharp volatility ultimately prompted the US administration to announce a 90-day pause on all tariffs, with the exception of China. By the end of the month, the Treasury yield curve had steepened, with front-end yields (bonds with a maturity of 1-5 years) lower, 10-year yields broadly unchanged, and 30-year yields higher.

In reflection of weaker growth expectations, markets are now pricing in approximately 100 basis points (bps) of Federal Reserve rate cuts by year end, up from around 75 bps at the start of April. This is despite a more hawkish tone from US Federal Reserve Chair Powell, who warned that the larger-than-expected tariffs may lead to more persistent inflation.

Sovereign bond yields fell in Europe, particularly at the front-end of the yield curve. Driving factors included a weaker growth outlook following Trump's tariff announcements and falling inflation in Europe, both of which point to the European Central Bank (ECB) continuing with its rate-cutting cycle. The ECB reduced rates again in April to 2.25%, as expected, but became more dovish in its messaging given the uncertain macroeconomic backdrop. The market is now pricing in a further 70bps of cuts by the end of the year.

UK Gilt yields behaved in a similar way to the US Treasury market, with the curve steepening significantly. While the Gilt market tends to move in tandem with the US, domestic drivers at play in the UK included softer-than-expected labour market data and lower-than-expected inflation. This led to the market pricing in more rate cuts; a total of around 100bps of cuts are now expected by the end of December, almost double the amount priced in at the start of the month.

Japanese government bonds also experienced a steepening of the yield curve, with shorter-dated bond yields falling while longer-dated yields rose meaningfully. The latter was driven by some market participants forecasting an increase in fiscal spending to counter the impact of Trump's tariffs, but Japan's finance minister has since stated that no such spending rise is planned. The Bank of Japan (BoJ) left its policy rate unchanged in April as expected but turned slightly more dovish – Governor Ueda remarked that tariffs have weakened the growth outlook and noted it may take longer than previously expected to reach the BoJ's inflation target. Despite this, the market continues to price in a 60% chance of a rate hike by year end.

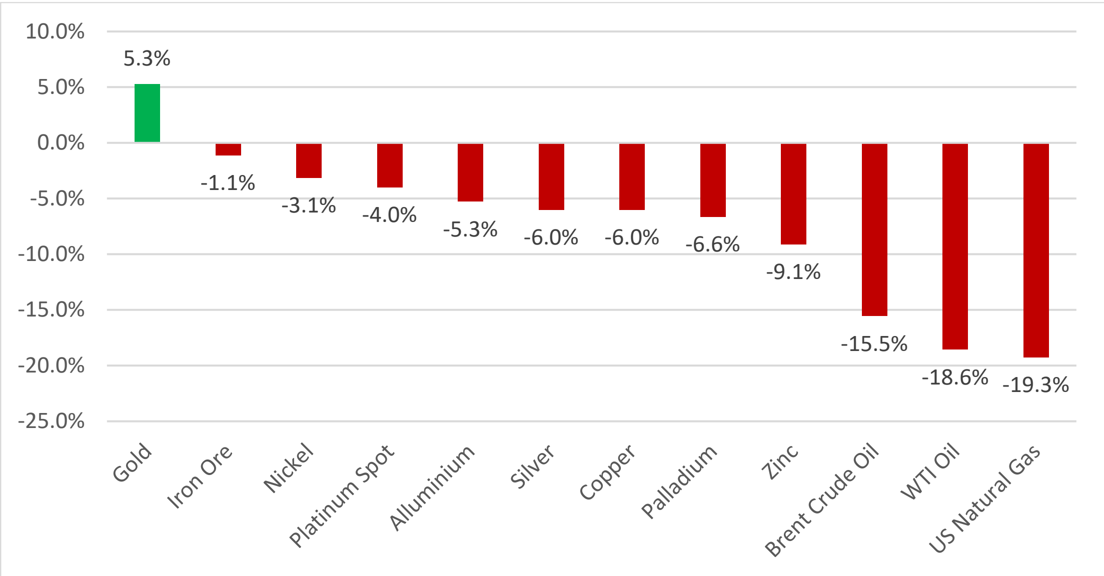
Indices	April 2025 net return (USD)
The Bloomberg US Treasury Index	0.6%
Bloomberg Global-Aggregate Total Return	2.9%
The Bloomberg EuroAgg Index	1.7%

Source: Bloomberg, as at 30 April 2025.

Commodity markets

Gold was the standout performer in commodity markets in April, with the precious metal touching a new record of about US$3,500 per Troy ounce as trade-war concerns drove perceived safe-haven buying. The precious metal ended April at about US$3,289 per Troy ounce, 5% higher over the month. The shares of gold-producing companies, as represented by the NYSE Arca Gold Miners Index, delivered a 7% return. But it was a down month for most of the other major commodities as growth concerns intensified. The price of a barrel of Brent crude oil declined 16% to about US$63 in the month overall, at one point falling below US$60/barrel for the first time since 2021. Pressure on oil came from expectations of demand destruction amid a trade-war induced global slowdown, as well as the prospect that the OPEC+ group of oil-producing nations would increase supply. US natural gas prices fell nearly 20%, retreating from recent highs partly on weaker growth expectations but also amid higher production and milder weather. Among industrial metals, copper (-6%), iron ore (-1%) and aluminium (-5%) all ended the month weaker, partly reflecting mounting macroeconomic uncertainty. It was a more positive month for some of the major agricultural commodities, with corn rising about 2%, partly as the US Department of Agriculture reduced its forecast for corn-ending stocks amid robust demand. Soybean prices gained by a similar amount.

Commodity price changes



Source: Bloomberg, as at 30 April 2025.