Market Commentary

April 2025

GLOBAL MARKET THEMES

- President Trump's surprise tariff announcement triggered global market volatility, with the VIX spiking to 52.33 before easing to 24.70 by month-end.
- The S&P 500 fell 0.7%, the Dow declined 3.1%, and the Nasdaq gained 0.9% amid sectoral divergence; Energy and Health Care lagged, while Tech led gains.
- US Q1 GDP contracted 0.3% quarter-on-quarter (the first decline since 2022), weighed down by a 41.3% surge in imports and slowing consumer spending (1.8%).
- March US inflation eased (CPI at 2.4%, core CPI at 2.8%), but the core PCE rose to 3.5%. Consumer confidence dropped to 86.
- Eurozone inflation held at 2.2%, while core inflation rose to 2.7%. The ECB cut its deposit rate by 25bps to 2.25%.
- European equities declined: STOXX Europe 600 (-0.9%), CAC 40 (-1.3%), while Germany's DAX rose (+1.5%).
- UK inflation eased to 2.6%, raising expectations of a rate cut, but the FTSE 100 fell 0.7% in April amid geopolitical tensions and economic uncertainty.
- China's Q1 GDP grew by 1.2% QoQ. The Caixin Manufacturing PMI dipped to 50.4, while the MSCI China Index fell by 4.3%.
- Japan's Composite PMI rose to 51.1, core inflation hit 3.2%, and the Nikkei 225 advanced 2.35%.
- The MSCI Emerging Markets Index rose by 1.3%, outperforming developed peers, led by strength in Brazil and Mexico.
- Gold rose 5.3% to $3,288.71/oz, while Brent crude dropped 15.5% to $61.01/bbl. Most base metals declined.
- The South African rand weakened 1.2% against the US dollar, ending April at R18.61/USD.

SOUTH AFRICAN MARKET THEMES

- Consumer price inflation (CPI) lowered to 2.7% year-on-year in March.
- GDP growth for 2025 is forecasted at 2.0%.
- The VAT rate was announced during April to remain at 15%, effective from 1 May 2025
- The Absa Purchasing Managers' Index (PMI) dipped to 44.7 in April, down from 48.7 in March.
- In the latest Kearney's Global Business Policy Council's 2025 Foreign Direct Investment (FDI) Confidence Index, South Africa rose to seventh position, up from eleventh.
- Employment statistics showed a welcomed slight increase of 12 000 jobs in the non-agricultural sector in Q4 2024, reflecting a 0.1% increase.
- April saw an uptick of +4.2% in the Capped SWIX, +4.3% in the SWIX, and +0.76% in the ALBI.
- In its interim results (six months to December 2024), Remgro reported a strong increase of 39% in its headline earnings and a 20% increase in its dividends per share (96 cents).
- STANLIB announced expansion plans for its Kenyan and Ugandan business units.

Global market themes

Global markets faced a turbulent April, largely driven by renewed policy shocks from the United States. Investor sentiment was rattled early in the month following President Trump's surprise announcement of sweeping tariffs on several major trading partners, sparking fears of a broader trade war and retaliation from affected countries. Market volatility spiked, with the VIX surging to 52.33 – its highest level in years – before easing to 24.70 after the White House introduced a 90-day pause and softened its tone. Despite this, macroeconomic indicators continued to point to slowing global momentum, reinforcing concerns over potential policy missteps and an elevated risk of recession.

In the United States, equity markets were mixed. The S&P 500 slipped by 0.7%, while the Dow Jones Industrial Average declined by 3.1%, weighed down by sharp losses in energy stocks. The Nasdaq Composite, which briefly entered bear-market territory mid-month, managed a 0.9% gain as tech stocks rebounded. Sector dispersion was wide: seven of eleven S&P sectors ended lower, led by Energy (-13.9%), as oil prices collapsed. Health Care dropped 3.8%, dragged by UnitedHealth's disappointing earnings. Technology (+1.7%) and Consumer Staples (+0.2%) were the only sectors to post notable gains.

Macro data signalled a deteriorating economic outlook. Q1 GDP contracted by 0.3% quarter-on-quarter, marking the first decline since Q1 2022 and well below Q4's 2.4% gain. The contraction was driven by a 41.3% surge in imports, as companies front-loaded orders ahead of anticipated tariffs. Consumer spending slowed to 1.8%, and government spending fell sharply. In contrast, fixed investment rose 7.8%, offering a silver lining. Inflation indicators were mixed: March CPI softened to 2.4% year-on-year and core CPI to 2.8%, but the Fed's preferred inflation gauge – core PCE – unexpectedly rose to 3.5%. Consumer confidence fell to 86, its lowest level since the pandemic.

In Europe, economic and market dynamics remained cautious. The Eurozone's annual inflation held steady at 2.2%, while core inflation rose to 2.7% amid rising service and food prices. The European Central

Bank (ECB) responded by cutting its deposit rate by 25bps to 2.25% – its eighth cut in 13 months – as it sought to balance disinflationary progress with trade-related uncertainty. European equities were subdued: the STOXX Europe 600 declined 0.9%, Germany's DAX was up 1.5%, and France's CAC 40 dropped 1.3%.

UK inflation eased to 2.6% in March from 2.8% in February, coming in below the Bank of England's forecast of 2.7%. Core inflation also declined, reinforcing expectations for a potential rate cut in May. However, the FTSE 100 ended April down 0.7%, primarily due to geopolitical tensions and economic uncertainties.

Asian markets were under pressure from deepening US-China trade tensions. The US imposed tariffs of up to 145% on certain Chinese goods not covered by the temporary pause, prompting retaliation from Beijing. China's Q1 GDP rose 1.2% QoQ, below expectations and its slowest pace since Q2 2024. Policymakers pledged further support, with the Politburo expected to announce new fiscal measures. The Caixin Manufacturing PMI slipped to 50.4 in April, down from 51.2, reflecting weakening demand and falling export orders. The MSCI China Index fell sharply by 4.3% over the month.

Elsewhere in Asia, Japan's au Jibun Bank Composite PMI rose to 51.1, from 48.9, supported by a rebound in the services sector. Manufacturing remained weak but showed signs of stabilising. Annual inflation eased to 3.6% in March, the lowest since November, while core inflation climbed to 3.2%, led by rising clothing, healthcare, and transport costs. Monthly CPI rose 0.3%, reversing February's 0.1% decline. Business confidence fell to its lowest level since August 2020 amid ongoing demographic and global uncertainties. The Nikkei 225 advanced 2.35% in April, recovering from March's decline.

Emerging markets showed relative resilience. The MSCI Emerging Markets Index gained 1.3%, outperforming both the MSCI World Index (+0.9%) and MSCI All Country World Index (+0.9%). Latin American markets led the gains, with Brazil and Mexico benefiting from favourable domestic conditions and minimal US tariff exposure. Asian EMs, in contrast, lagged due to their trade links with China and weaker export demand.

Commodities were broadly weaker, with a few exceptions. Gold surged 5.3% to $3,288.71.05/oz, supported by safe-haven flows. Brent crude oil fell 15.5% to $61.01/bbl after OPEC+ unexpectedly raised production targets. Industrial metals also declined: Platinum, Silver, and Palladium fell by 2.8%, 4.3%, and 4.7% respectively; Copper and Iron Ore dropped by 5.6% and 5.9%. The rand weakened 1.2% against the US dollar to end the month at R18.61/USD.

South African market themes

South Africa's consumer price inflation (CPI) lowered to 2.7% year-on-year in March. This reflected a drop from 3.2% in February. Key contributing factors included lower fuel costs and a softer rise in educational fees. The annual rate for food and non-alcoholic beverages (NAB) also dropped slightly by 2.7% in March from 2.8% in February. GDP growth for South Africa has been forecasted at 2% in 2025. This follows on from an uplift in the agricultural sector after improved rainfall and enhanced management of animal diseases.

South Africa has experienced turbulence around setting the VAT rate. After considerable public concerns and political tensions, the VAT rate was confirmed to remain at 15% from 1 May 2025. Following the various adjustments and amendments surrounding the National Budget, the Finance Minister Enoch Godongwana also announced that the revised budget will be tabled on 21 May, with a new budgetary process to be developed ahead of October's Medium-Term Budget Policy Statement (MTBPS).

The National Treasury reported a budget deficit of R13.11 billion for the month of March. This shows increased spending by the government and lower revenue streams. The Absa Purchasing Managers' Index (PMI) dipped to 44.7 in April, down from 48.7 in March, indicating contraction in the manufacturing sector, potentially due to international trade tensions and domestic political volatility.

In the latest Kearney's Global Business Policy Council's 2025 Foreign Direct Investment (FDI) Confidence Index, South Africa rose to seventh position, up from eleventh. This Index ranks investor sentiment for future FDI flows (for three years). Primary factors that influence investor decisions include efficient legal and regulatory processes, economic performance, and technological innovation and capabilities.

Employment statistics showed a welcomed and modest gain of 12 000 jobs in the non-agricultural sector in Q4 2024, reflecting a 0.1% increase. The full-time employment numbers saw an increase of 10 000 jobs in the last quarter of 2024, increasing from 9,477 million to 9,487 million. Industries that had declining numbers included the construction sector, community services, manufacturing, and mining.

Equity markets performed well: April saw an uptick of 4.2% in the Capped SWIX, 4.3% in the SWIX, and 0.76% in the ALBI, with the latter up 19.4% on a year-to-date basis. Financials, Industrials, and Resources all increased for the month, up 4.6%, 5.0% and 2.1% respectively. Mid-Caps and Large-Caps were also up by 2.2% and 4.5%, while Small-Caps gained 3.9%.

In its interim results (six months to December 2024), Remgro reported a strong increase of 39% in its headline earnings and 20% increase in its dividends per share (96 cents). This uptick is due to a stronger performance from its investee companies and Heineken Beverages returning to its profitability phase.

STANLIB announced growth plans to expand its Kenyan and Ugandan business units. This expansion into East Africa, follows the same path as Standard Bank. STANLIB seeks to diversify its income streams and build on existing East African operations.