

# Discovery Market Review

31 July 2025

## Market background

Global markets navigated a wave of macro headlines in July, with trade policy and tariffs once again the main talking points. By month end, the US had secured trade deals with several major partners, extended deadlines for others (notably China), and enforced higher levies on holdouts across various key markets. Nevertheless, global sentiment was broadly positive, with further support coming in the form of strong corporate earnings, particularly tech stocks, and firmer economic data out of the US.

## United States

US equities surged to new highs in July, with the S&P 500 topping 6,400 and the Nasdaq touching a record some 14 times over the course of the month. Both indices were lifted by strong earnings from members of the 'Magnificent Seven', particularly Nvidia, Microsoft, and Meta. Tech-led momentum persisted, supported by optimism around trade, resilient macro data, and belief in a soft economic landing.

The Fed held rates steady at a range of 4.25–4.50%, where it has been since December, with two members favouring cuts. Powell's cautious tone was seen as supportive, though strong macro data and earnings dampened hopes for a September cut. Q2 GDP rebounded with an annualised 3% gain, although core inflation remained uncomfortably firm, pushed higher by renewed tariff pressure on imported goods.

Business surveys pointed to mounting caution, as companies delayed investment decisions and reported rising cost friction. Housing data, too, showed signs of softening, with sales easing and affordability under strain. On the trade front, a revised Japan deal easing auto tariffs helped calm escalation fears, reinforcing investor belief that pragmatism may continue to guide policy in the near term. A deal with the EU was also seen to be favourable to the US.

## South Africa

South African equity markets closed the month in positive territory but turned more cautious towards month end as investors speculated whether the government would be able to reach a trade agreement with the US before the 1 August deadline. Despite concerted efforts, both parties failed to reach a consensus, meaning that South Africa currently faces up to 30% tariffs on exports to the US, effective early August.

On the monetary side, the SARB cut its key interest rate by 25 basis points (bps) to 7% as widely anticipated. Governor Kganyago issued a surprise announcement, noting that the central bank would lower its inflation target to 3%. Despite the SARB and National Treasury having previously engaged on the matter, the timing of the announcement appeared to have caught the Treasury off guard. Finance Minister Godongwana later released a statement challenging the validity of the change, noting that such adjustments cannot be made without the Treasury's approval. Fixed income markets responded positively despite the controversy, with the 10-year government bond yield falling to around 9.6%, its lowest level since January this year.

Turning to politics, the National Assembly approved the Appropriation Bill after all parties within the GNU voted in favour of the Bill. The vote came in the wake of President Ramaphosa dismissing higher education minister Nkabane, after the DA threatened to withdraw its support if the presidency failed to address allegations of corruption linked to several political heads. Turning to economic indicators, factory activity (PMI) increased to 50.8 for July, while retail sales continued their upward momentum, rising 4.4% year-on-year.



## Europe and the United Kingdom

European equities posted modest gains in July, with investor sentiment turning more cautious after the EU/US trade deal announced towards the end of the month was widely criticised by members of the bloc. The US will impose 15% tariffs on most EU goods entering America, lower than the proposed 30% levy. The deal includes US\$600 billion of EU investments in the US, and the bloc will buy US\$750 billion of US energy and also purchase American military equipment, which hampered European defence stocks on the day. Elsewhere on the macro front, Q2 GDP increased by 0.1% in the eurozone and by 0.2% in the EU, according to a flash estimate by statistics agency Eurostat – lower than the prior quarter but above estimates of flat growth. The bloc's central bank kept its key interest rate unchanged at 2% after seven straight cuts, with inflation under control.

UK equities were among the best performers globally, with the FTSE 100 passing the 9,000 mark for the first time since its launch in 1984. Gains were driven by healthcare and defence firms, notably majors such as AstraZeneca, Rolls-Royce, and BAE Systems, which all delivered excellent results. The FTSE 250 also rose, reflecting improved sentiment across domestically focused midcaps. The poorly received US/EU trade deal lifted sentiment in the UK as its own trade deal was deemed favourable on a relative basis. Slowing growth was a notable headwind, however, with official data showing the UK economy contracting 0.1% in May after a 0.3% decline in April. The Chancellor's fiscal plans for the next budget were also in focus.

## China

Chinese equities performed well in July, thanks to a combination of general risk-on sentiment in global markets and resilient economic data. The US finalised several trade agreements over the month, which had a rallying effect on global markets generally. The US and China also agreed on a tariff pause extension, which provided relief to Chinese equities towards the end of the month.

On the data side, there were several positive indicators, including Q2 GDP growth of 5.2% year-on-year, which was above consensus and the 5% growth target, while industrial production data for June rose 6.8% year-on-year. The Caixin Manufacturing PMI indicated a slight contraction below the 50-point marker, while the official PMI also remained in contractionary territory at 49.3, highlighting ongoing challenges in the manufacturing sector as US tariffs continued to bite. Exports data and retail sales figures softened further, acting as a reminder that certain areas of the economy still point towards weaker domestic demand and sentiment.

The government indicated no immediate cyclical policy easing due to better-than-expected economic performance in the first half of the year. The policy focus has shifted to structural rebalancing, most prominently 'anti-involution' efforts on the supply side to cut excess capacity and crack down on disorderly price competition to restore corporate profits, as well as boosting consumption, particularly in service consumption and social safety improvements. Overall, Chinese equities, as measured by the MSCI All China Index, rallied 4.6% in US dollars.

## Global equities

US equity markets rallied in July, extending their winning streak on the back of robust corporate earnings, resilient economic data, and cooling trade tensions. The tech sector once again stole the spotlight, with strong quarterly results from the likes of Microsoft and Meta reviving talks of 'tech-ceptionalism.' Economic indicators from the US offered little reason for concern: GDP growth beat expectations, hiring remained steady and inflation appeared sufficiently contained. Meanwhile, trade agreements with several key US trading partners helped calm tariff anxieties, providing additional tailwinds to an already upbeat market.

In the UK, equities staged a notable rebound, shrugging off domestic political jitters to outperform global peers. Global risk appetite and stabilising trade dynamics provided the backdrop for a strong month, with firmer results from healthcare and defence firms offering an extra boost. South African equities joined the global rally, though gains were more measured as caution set in ahead of the trade deadline with the US. The US agreed to extend the trade deadline with China, easing pressure on the tech and manufacturing sectors and lifting equities within the region higher.

Indices	July 2025 net return (USD)
S&P 500	2.2%
Nasdaq Composite	3.7%
MSCI ACWI	1.4%
Nikkei 225	1.4%
EuroStoxx 600	0.9%



FTSE 100	4.3%
Hang Seng Index	3.1%
SSE Composite	3.7%

Indices	July 2025 net return (ZAR)
FTSE JSE All Share Index	2.3%
FTSE/JSE Financials Index	1.3%
FTSE/JSE Industrials Index	1.2%
FTSE/JSE Resources Index	5.1%
FTSE/JSE ALBI	2.7%
STEFI	0.6%

Source: Bloomberg, as at 31 July 2025.

## Global fixed income

Overall, US Treasury yields ended the month higher across the curve. The market is now pricing in just 33bps of easing by year-end, half the level priced at the end of June. However, the path was far from smooth. Yields rose in early July as data pointed to a resilient US economy, and concerns around labour market weakness eased. A sharper rise in yields came mid-month, reflecting fears around the potential dismissal of Fed Chair Powell and signs that trade tariffs had begun to feed through to consumer prices. Subsequently, yields began to fall back. Fears of an escalation in trade tensions faded somewhat after several negotiated deals featured less punitive tariff measures than initially anticipated. Concerns around Chair Powell's potential dismissal also abated. The Fed left its monetary policy unchanged at its end-of-month meeting. The accompanying statement struck a marginally dovish tone, but Powell made a more hawkish speech in the press conference, prompting markets to scale back expectations for further policy easing and yields to rise again. The US dollar had a strong month, supported by the rise in Treasury yields, a hawkish Fed, and resilient US economic data.

In the UK, the gilt market came under pressure in July as political noise and fiscal concerns weighed on investor sentiment. The month opened with a bout of volatility, reflecting concerns around the fiscal outlook sparked by reports that Chancellor Reeves might be replaced. While Prime Minister Starmer moved quickly to dispel these fears, fiscal concerns lingered. Inflation data was also higher than expected, with the headline rate accelerating to 3.6% year-on-year, above expectations. The print reinforced concerns that underlying price pressures remain stubborn, adding to the headwinds facing the gilt market. Meanwhile, labour market and pay data continued to show signs of softening. Against this backdrop, the yield curve bear steepened, with longer-maturity yields rising more than their shorter-dated counterparts. The market continues to price in around two interest rate cuts by the Bank of England before year-end.

Euro area inflation edged up, rising to 2.0% year-on-year, which is the European Central Bank's (ECB) inflation target. At its July policy meeting, the ECB kept interest rates unchanged, in line with expectations. However, President Lagarde struck a notably hawkish tone in the accompanying press conference, emphasising the risks to the inflation outlook and indicating that the bar for further easing had been raised. As a result, investors pared back expectations for additional policy loosening. At the end of July, the market was pricing in around 15bps of rate cuts by year-end, around 10bps less than at the end of June.

Politics took centre stage in Japan over the month. The Liberal Democratic Party (LDP) and Komeito coalition lost their majority in the upper house, meaning they now operate as a minority government in both houses and need to cooperate with opposition parties on a case-by-case basis. This leaves risks skewed towards more fiscal expansion, which, combined with another weak 40-year bond auction, kept long-end yields under pressure. Meanwhile, front-end rates moved higher following the announcement of the US/Japan trade deal, as market expectations for a rate hike by year-end increased as trade uncertainty reduced. The Bank of Japan kept its policy rate unchanged at 0.5% and raised its near-term inflation forecasts as expected, but Governor Ueda's press conference maintained a cautious tone, despite the forecast revisions and the recent trade deal.

Indices	July 2025 net return (local currency)
The Bloomberg US Treasury Index	-0.4%
Bloomberg Global-Aggregate Total Return	-1.5%
The Bloomberg EuroAgg Index	0.0%

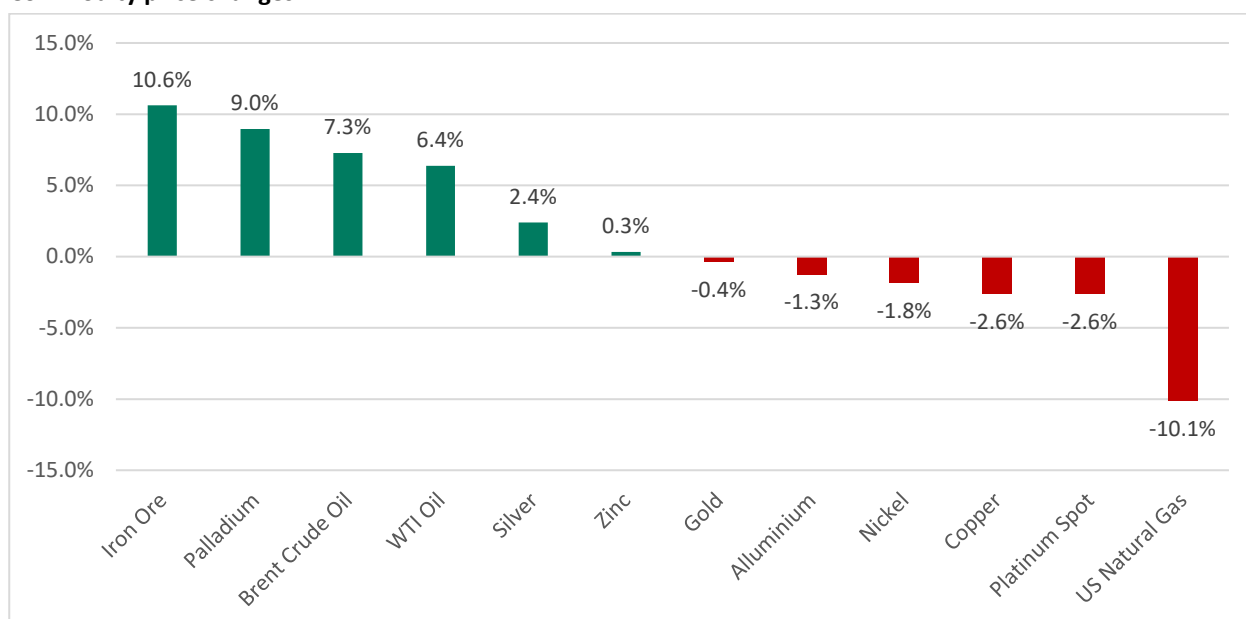
Source: Bloomberg, as at 31 July 2025.



## Commodity markets

Commodity markets are navigating a period of elevated market volatility, with global growth expectations weighed down by persistent geopolitical tensions and uncertainty around trade policy. Brent crude rose around 7%, closing near US\$73 per barrel. Despite another round of elevated production from major exporters, prices were buoyed by strong seasonal demand and rising concerns over potential supply disruptions. Gold, as a traditional safe-haven asset, continued to benefit from heightened geopolitical and economic uncertainty, supported by strong central bank and investor demand. Although prices touched a new all-time high during the month, they retreated to around US\$3,300/oz toward month-end as the US dollar strengthened and expectations for imminent rate cuts from the Fed were pushed out. Copper markets experienced significant volatility, driven by tariff-related headlines. President Trump's announcement of a 50% import tariff on semi-finished copper goods triggered a sharp premium in US COMEX prices, which unwound abruptly at month-end after clarification that the tariffs would not apply to raw copper. Bulk commodities such as iron ore, thermal coal, and metallurgical coal responded positively to China's 'anti-involution' policy push, aimed at reducing industrial overcapacity. Steelmakers saw improving margins, prompting iron ore inventory restocking and driving prices above US\$100/t. Meanwhile, natural gas prices fell sharply over the month, driven by a combination of seasonal demand weakness in the Northern Hemisphere and cooler summer temperatures, leading to lower consumption and an oversupplied market.

### Commodity price changes



Source: Bloomberg, as at 31 July 2025.