Market Commentary

July 2025

GLOBAL MARKET THEMES

- Global equity markets posted modest gains in July amid improving risk sentiment and easing trade tensions.
- The IMF raised its 2025 global GDP forecast to around 2.7%–3.0%, with stronger projections for the US, Europe, and China.
- US headline inflation accelerated to 2.7% YoY in June, while Core CPI picked up slightly to 2.9% YoY.
- US Q2 GDP rebounded, growing at an annualised pace of 3.0% after contracting 0.5% in Q1.
- The Federal Reserve kept rates steady at its July meeting, with Chair Powell indicating they are appropriately positioned to manage uncertainty.
- The ECB held rates steady in July after delivering rate reductions in April and June, bringing the deposit rate to 2%.
- UK June inflation rose to a higher-than-expected 3.6% YoY, the highest since January 2024.
- China's Q2 GDP grew 5.2% YoY, slightly above expectations, supported by government-led investment.
- China's official manufacturing PMI fell more than expected in July to 49.3, remaining in contraction.
- Japan's June headline inflation eased to 3.3% YoY, marking the 39th straight month above the BoJ's 2% target.
- Brent crude oil rose 7.4% to $71.7 per barrel, supported by OPEC+ production cuts and tight supply.
- Gold edged 0.40% lower but remained up 25.35% YTD.
- The ZAR strengthened 1.8% against the US dollar, closing at 18.08.

SOUTH AFRICAN MARKET THEMES

- SA equity markets extended gains in July, with the ALSI rising 2.3% and reaching the 100 000-point milestone.
- Resources (+5.1%) led sector performance driven by precious metals miners while Industrials gained 1.2%, and Financials rose 1.3% for the month.
- Among individual stocks, Adcock Ingram (+36.9%) topped gainers following a takeover bid, while Sasol (+19.0%) and Sibanye Stillwater (+18.9%) rallied on commodity strength. Bytes Technology Group (-30.5%) led decliners after issuing a profit warning.
- Fixed income markets showed strength with the ALBI gaining 2.7% for the month, whilst property outperformed broader equities via the ALPI (+4.4%).
- The rand weakened 1.8% against the US Dollar but remains 4.2% stronger YTD.
- SA headline inflation rose to 3.0% YoY in June from 2.8% in May, driven by food prices (+5.1% YoY). Core inflation moderated slightly to 2.9% YoY, reflecting subdued underlying demand.
- The SARB cut the repo rate by 25 basis points to 7.0%, bringing the prime rate to 10.5%. The central bank lowered its 2025 GDP growth forecast to 0.9% and signalled a shift toward a 3% inflation target.

Global market themes

Global equity markets maintained a positive tone in July, with global equities advancing amid improving risk sentiment and easing trade tensions. The MSCI World index gained 1.3% for the month, pushing year-to-date (YTD) returns into double digits at 10.9%. This performance was supported by strong US corporate earnings, particularly from technology companies, and the announcement of new trade deals that provided more certainty to some economies. The US reached agreements with Japan and the European Union (EU), setting a 15% tariff rate on imports, which, while higher than pre-Trump rates, reduced fears of an escalating trade war. The IMF raised its 2025 global economic growth forecast to 2.7%-3.0%, with stronger projections for major economies. Market volatility remained relatively contained, with the VIX index closing the month at 16.72, reflecting investor confidence despite ongoing geopolitical uncertainties.

In the US, Q2 GDP rebounded with 3.0% annualised growth following a 0.5% contraction in Q1. June headline inflation accelerated to 2.7% YoY (from May's 2.4%), while core CPI edged up slightly to 2.9% from May’s 2.8% YoY print. Core PCE, the Fed's preferred inflation gauge, remained steady at 2.8% YoY. The labour market showed resilience with unemployment at 4.2%, although July nonfarm payrolls added just 73 000 jobs, with significant downward revisions to previous months. The Federal Reserve maintained its target rate range at 4.25-4.50% during its July meeting, with Chair Powell signalling that policy is appropriately positioned, tempering expectations for a September rate cut.

US equity markets reached record highs, with the S&P 500 gaining 2.2%, the Nasdaq Composite advancing 3.7%, while the Dow Jones lagged with a modest 0.2% gain for the month of July. Technology stocks led gains, fuelled by strong semiconductor and AI-related earnings.

In the Eurozone, economic sentiment improved modestly despite continued concerns about trade policies. A trade agreement with the US introduced 15% tariffs on most EU exports but also included EU commitments to invest in the US and purchase energy products. Inflation remained stable at 2.0% in June, with core inflation unchanged at 2.3%. The ECB held rates steady, signalling a pause after seven consecutive cuts. German equities gained 0.7% and France’s CAC rose 1.4%, while broader European indices were more muted due to concerns around growth impacts from tariffs and weak Chinese demand. The STOXX All Europe Index rose 1.2% for the month. UK inflation surprised to the upside, rising to 3.6% in June, with core inflation at 3.7%. This was driven largely by transport and recreation costs. The FTSE 100 outperformed major peers, gaining 4.2% in July, supported by upward revisions in earnings estimates in energy and materials.

China’s Q2 GDP rose 5.2% YoY, slightly ahead of expectations but largely driven by falling imports, pointing to weak domestic demand. Government-led investment in infrastructure and manufacturing continued to support growth, albeit at a slower pace than in previous quarters.

The manufacturing PMI slipped to 49.3 in July, remaining in contraction territory, while the non-manufacturing PMI also declined to 50.1. Housing activity remained sluggish, with new housing starts and property sales continuing their multi-year decline.

Chinese equity markets performed well in July, with the Shanghai Composite Index climbing 4.3% and Hong Kong's Hang Seng rising 2.9% for the month. These gains were fuelled by the country's stimulus efforts and infrastructure optimism, including a major hydropower dam launch in Tibet, while broader investor confidence was supported by easing US-China trade tensions.

Japanese equities posted a 1.4% gain in July, with the Nikkei 225 buoyed by relative stability and fading political noise. Inflation eased slightly to 3.3% YoY in June, remaining above the BoJ’s 2% target for the 39th consecutive month. The Bank of Japan left policy settings unchanged amid concerns over growth following a ruling party loss in the upper house election. Bond yields rose, with the 10-year yield touching 1.56%, the highest since 2008.

Emerging market equities outperformed developed markets in July, with the MSCI Emerging Markets index gaining 2.0% for the month. Chinese stocks led the gains, while Taiwan benefited from continued optimism around AI applications and semiconductor demand. Brazil's Bovespa index declined 4.2%, while India's Sensex fell 2.8% for the month of July. The MSCI EFM Africa ex-SA index rose 5.7%, supported by commodity price gains and improved risk sentiment. However, concerns remain over monetary policy divergence and continued US dollar strength.

Oil markets rallied in July, with Brent crude gaining 7.4% to end at US$71.70 per barrel, supported by OPEC+ production cuts and renewed geopolitical tensions. Gold eased 0.4% lower but remained up 25.4% YTD. Copper prices initially spiked due to concerns over supply shortages and potential tariffs but reversed sharply after the US announced that key inputs, such as ores and cathodes, would be excluded from the tariffs. This surprise policy shift triggered a market correction, leaving copper down 4.9% for the month. Platinum also declined, falling 5.0%. In contrast, palladium gained 8.3%, silver rose 1.7%, and iron ore prices climbed 5.8% during the month on optimism around Chinese housing support.

The South African rand weakened against the US dollar, with the ZAR/USD rate at 18.08, representing a 1.8% depreciation for the month of July.

South African market themes

The South African equity market maintained its upward trend in July, with the FTSE/JSE All Share Index (ALSI) gaining 2.3% month-on-month (MoM), bringing its year-to-date (YTD) return to 19.4%. The FTSE/JSE Capped SWIX followed a similar trajectory, advancing 2.2% MoM and 18.7% YTD. July marked a historic milestone as the ALSI crossed 100 000 points for the first time before retreating slightly to close the month at 98 519.51. Resources (+5.1%) outperformed, led by precious metal miners, with platinum miners contributing significantly to the month's returns. Industrials gained 1.2%, while Financials rose 1.3% for the month. From a market cap perspective, Mid-Caps led the gains (+3.3%), followed by Small Caps (3.1%), whilst Large Caps advanced 2.3% for the month of July.

Among individual stocks, Adcock Ingram was July's standout performer (+36.9%) following a takeover bid announcement from India-listed Natco Pharma at R75/share, representing a significant premium to its previous closing price. Sasol rallied strongly (+19.0%), benefiting from higher oil prices and a positive trading update indicating a 20%-plus year-on-year (YoY) rise in earnings. Sibanye Stillwater (+18.9%) gained on the back of surging precious metal prices. On the downside, Bytes Technology Group was the worst performer (-30.5%) after issuing a profit warning citing a challenging macro environment and deferred customer buying decisions. Mondi Plc (-14.8%) and Anheuser-Busch InBev (-12.4%) also declined following disappointing earnings reports.

The fixed income market showed resilience in July, with the All Bond Index (ALBI) gaining 2.73%, while inflation-linked bonds (CILI) posted a modest 0.59% gain. The cash benchmark SteFI returned 0.62% for the month of July. The property sector outperformed broader equities with the All Property Index (ALPI) advancing 4.4%. The rand weakened against the US dollar, with the ZAR/USD rate increasing by 1.8%, although the currency remains 4.2% stronger YTD.

South Africa's headline inflation rate increased to 3.0% YoY in June from 2.8% in May, reaching the lower bound of the South African Reserve Bank’s (SARB's) target range. Monthly CPI rose 0.3%, up from 0.2% in May. Food and non-alcoholic beverages inflation accelerated to 5.1% YoY, contributing 0.9 percentage points to the headline figure, while housing and utilities inflation moderated slightly to 4.4% from 4.5%. Transport prices continued to decline, though at a slower pace of -3.3% YoY compared to -4.8% in May. Core inflation, which excludes volatile items like food and fuel, edged down to 2.9% YoY from 3.0%, reflecting subdued underlying demand conditions.

On 31 July, the SARB unanimously cut the repo rate by 25 bps to 7.0%, lowering the prime lending rate to 10.5%. This marks the third reduction this year, totalling 75 basis points for 2025, and represents the lowest rate since end-2022. The decision reflects the SARB's response to persistent subdued inflation and stagnant domestic growth. The central bank revised its 2025 GDP growth forecast downward from 1.2% to 0.9%, citing persistent supply-side challenges and deteriorating business and consumer confidence. Significantly, the SARB signalled a structural shift in its inflation targeting regime, explicitly stating a preference for inflation to settle at 3% rather than the midpoint of its 3-6% target range. This change could pave the way for deeper interest rate cuts in the future, with the SARB's models indicating the repo rate could fall below 6% over the medium term.