

MARKET OVERVIEW

MAY 2025

ECONOMIC AND MARKET OVERVIEW

President Trump's strategy on tariffs once again dominated macro-economic news headlines. Following "Liberation Day" in the United States on 2 April and the subsequent 90-day suspension of the implementation of new tariffs, various negotiations between the Trump administration and its trading partners got underway. The clock is ticking towards the end of the 3-month moratorium on 'reciprocal tariffs' in early July. So far only the UK has struck a (fairly narrow) deal. But the temporary scaling back of tariffs between China and the US has, for now, had more material consequences. Chinese economic growth could be as much as an estimated 0.4% higher under the current deal, than what was previously anticipated.

ATOM
CAPITAL

Although the United States has witnessed a relatively benign set of inflation outturns over the past three months, these largely pre-date any major impact from higher tariffs. President Trump's tariff policy is now clearly in the minds of corporates, with a near universal mention of this in major companies' earnings calls.

In the Eurozone, GDP growth surprised to the upside in Q1, but this is likely to be a temporary phenomenon given the supportive frontloading of orders ahead of US tariffs. As such, growth will likely be more subdued in coming quarters.

In South Africa, the SARB's monetary policy committee (MPC) opted to lower the repo rate by 0.25%, following a pause in March. Five committee members were in favour of the 0.25% cut, while one would have preferred a larger reduction of 0.5%.

The SARB reiterated that together with National Treasury they "have engaged extensively" on the issue of lowering the inflation target and that "technical work is at an advanced stage". With inflation having eased, they advised that "we have a chance to lock in lower inflation at low cost." This is something that investors should keep a close eye on.

President Ramaphosa's visit with President Trump in the Oval Office on 21 May 2025, was marked by tense exchanges, particularly over allegations of "white genocide" in South Africa - a claim widely discredited. Ramaphosa arrived hoping to strengthen trade relations and secure investment, but the meeting quickly turned confrontational when Trump presented videos and articles alleging persecution of white South Africans. Ramaphosa firmly denied these claims, emphasising that crime in South Africa affects all racial groups and is not politically motivated.

Despite the friction, Ramaphosa maintained a composed and diplomatic stance, attempting to steer discussions toward economic cooperation. Trump, while initially resistant, softened his stance on attending the upcoming G20 summit in South Africa. The visit underscored strained U.S.-South Africa relations, with Ramaphosa facing both praise and criticism back home for his handling of the situation.

MARKET PERFORMANCE

May saw a sharp rise in US Equities as trade tensions eased and corporate earnings remained strong. The S&P 500 ended the month 6.3% higher, and the NASDAQ surged 9.6%. This was likely fuelled by AI-driven tech stocks and semiconductor demand.

It was not only in the United States where markets breathed a sigh of relief as Trump paused the implementation of broad tariffs. The Euro Stoxx 50 gained 5.4%, reflecting improved investor sentiment in Europe. In the United Kingdom the FTSE 100 added 3.8%, supported by stable monetary policy and commodity strength, and the Nikkei 225 went big in Japan: up 4.15%, as Japanese markets benefited from steady central bank policy.

On local shores the JSE All Share Index gained 3.1% with strong performance across all the main sectors. Mid-cap (up 5.5%) and small-cap shares (up 3.3%) outshone their bigger counterparts and the S&P SA REIT (Real Estate Investment Trusts) Index climbed 4.6%.

South African bonds were not far behind. The index defied global bond markets and rose 2.7% during the month. The market was buoyed by optimism surrounding the GNU stability and the Monetary Policy Committee's 25 basis point rate cut, which provided some relief to consumers.

During May 2025, gold experienced volatile but ultimately flat performance, fluctuating between USD 3,120 and USD3,435 per ounce, but closing the month virtually unchanged. Despite early losses, safe-haven demand and technical buying helped stabilise prices.

Oil markets saw mixed movements, with Brent crude trading between USD82 and USD89 per barrel. Prices were influenced by OPEC+ production decisions, geopolitical tensions, and shifting demand forecasts.

MARKET INDICES ¹	31 MAY 2025		
(All returns in Rand except where otherwise indicated)	3 months	12 months	5 years ²
SA equities (JSE All Share Index)	11.4%	27.3%	17.6%
SA property (S&P SA REIT Index)	11.0%	44.1%	20.3%
SA bonds (SA All Bond Index)	3.7%	21.7%	10.1%
SA cash (STeFI)	1.8%	8.2%	6.2%
Global developed equities (MSCI World Index)	-0.6%	9.5%	15.3%
Emerging market equities (MSCI Emerging Markets Index)	3.5%	9.0%	8.0%
Global bonds (Bloomberg Barclays Global Aggregate)	0.3%	2.7%	-0.9%
Rand/dollar ³	-2.8%	-4.1%	0.5%
Rand/sterling	4.1%	1.6%	2.2%
Rand/euro	6.1%	0.3%	0.9%
Gold Price (USD)	15.9%	41.6%	13.6%
Oil Price (Brent Crude, USD)	-12.7%	-21.7%	12.6%

1. Source: Factset

2. All performance numbers in excess of 12 months are annualised.

3. A negative number means fewer rands are being paid per US dollar, so it implies a strengthening of the rand.

DID YOU KNOW?

IS GAMBLING A TAX ON IGNORANCE?

“The best throw of the dice is to throw them away.”

– English Proverb

Gambling has long been a pastime that entices people with the promise of wealth, excitement, and instant gratification. However, at its core, gambling often functions as a tax on ignorance, disproportionately affecting those who fail to grasp its fundamental odds and economic mechanics. The industry thrives on exploiting cognitive biases and irrational decision-making, leading many to voluntarily part with their money in a system designed to ensure their loss.

At its most basic level, gambling is a game of probabilities, and the odds never favour the player. Casinos, lotteries, and betting houses are meticulously designed to ensure the house always wins over time. The concept of the “house edge” means that every game — from slot machines to roulette — is calibrated to extract profit while offering just enough occasional wins to keep players engaged. In effect, the system operates as a voluntary financial drain for individuals who fail to appreciate basic probability and statistics.

In South Africa, the National Gambling Board estimates that more than R1.1 trillion¹ was spent on wagers between April 2023 and March 2024. This makes the total amount of R7.3 billion spent on the Lotto in 2024 look like a mere drop in the ocean.

The total amount spent on wagers includes bets placed on casinos, sports betting, horse racing, bingo and limited pay-out machines. Betting on sports and horse racing contributed to 60% of the gross gambling revenue (nearly R60 billion in total) made by operators.

This means that gambling operators, on average, earn 5% of total bets waged. And gamblers, on average, lose that 5% if they keep on betting for long enough. And here’s the lesson – the longer you keep on going, the more likely you are to keep on giving a portion of your money away. If your neighbour is winning on his Liverpool versus Manchester United bet, though, chances are that you are losing more than a long run average of 5%.

This is almost like lending money to the German government a few years ago when Bund yields were negative – you knew (for certain) that you would get paid less after ten years than what you put in. That’s not a very good idea, is it?

Beyond having a mathematical disadvantage, gamblers fall victim to cognitive biases. The gambler’s fallacy convinces players that past losses increase their

chances of future wins, while the illusion of control makes them believe their skills or strategies can influence fundamentally random outcomes. These flawed beliefs are the driving force behind compulsive gambling, ensuring that individuals continuously feed money into a losing system, often worsening their financial situations.

While governments tax income and consumption to fund social programs, gambling effectively acts as a self-imposed tax on those most susceptible to financial misjudgement. In many cases, low-income individuals disproportionately contribute to lottery sales and casino revenues, believing gambling to be a viable path to wealth. Instead, gambling redistributes money away from the poor and uneducated, and funnelling wealth into government budgets, casino operators, and wealthy shareholders.

While gambling may seem like harmless entertainment (and, if done in moderation costs less than a padel game...), its economic structure ensures it operates as a tax on those who misunderstand risk and probability. Those who believe they can “beat the system” contribute to a relentless flow of wealth toward corporations and governments, while individuals bear the brunt of financial ruin. In this light, gambling isn’t just a game—it’s a voluntary penalty on ignorance. Just ask your financial adviser...

¹Total turnover is the rand value of money wagered, which includes “recycling” (amounts that are staked on more than one occasion).

IS GAMBLING A TAX ON IGNORANCE?

continued

Afterthought

Even though lottery ticket sales form a very small portion of total gambling in South Africa, it is interesting to look at the odds of winning. Since 2017 there are 52 numbers to pick from in the National Lottery, which gives a participant a one in (about) 20 million chance of winning. That is 0.000005%. Or just about zero.

The following events all are more likely, than winning the lottery:

- Getting struck by lightning – About 1 in 1 million chance, in a given year
- Dying from a bee sting – Roughly 1 in 6.1 million
- Becoming a movie star - 1 in 1.5 million
- Dating a millionaire – Roughly 1 in 215
- Getting a royal flush in poker – 1 in 649 740
- Winning an Olympic gold medal – 1 in 662 000, meaning an elite athlete has a better shot at glory than a lottery player.
- Having identical quadruplets – 1 in 15 million, a rare biological event that still beats lottery odds.
- Becoming the President of South Africa – 1 in 10 million, and
- Getting a hole in one – 1 in 12 500

Happy saving!

Disclaimer

For internal use only. The information provided is of a general nature only and does not take into account investor's objectives, financial situations or needs. The information does not constitute financial product advice and it should not be used, relied upon or treated as a substitute for specific, professional advice. It is, therefore, recommended that investors obtain the appropriate legal, tax, investment and/or other professional advice and formulate an investment strategy that would suit the investor's risk profile prior to acting on such information and to consider whether any recommendation is appropriate considering the investor's own objectives and particular needs. Although the information provided and statements of fact are obtained from sources that Atom Capital considers reliable, we do not guarantee their accuracy, completeness or currency and any such information may be incomplete or condensed. No guarantee of investment performance should be inferred from any of the information contained in this document. Collective Investment Schemes in Securities ("CIS") are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to future performance.

Any opinions, statements and information made available, whether written, oral or implied are expressed in good faith. Views are subject to change, without prior notice, on the basis of additional or new research, new facts or developments. All data is in base currency terms unless otherwise indicated, and sourced as disclosed.