

MARKET OVERVIEW

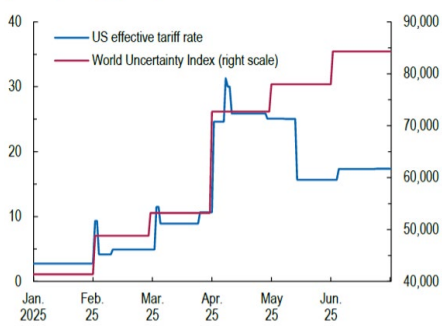
JULY 2025

ECONOMIC AND MARKET OVERVIEW

At month-end, the International Monetary Fund (IMF) released an update to its annual World Economic Outlook. Global growth is now projected at 3.0% for 2025 and 3.1% for 2026 - an upward revision from the April 2025 outlook. The revision reflects front-loading ahead of tariffs, lower-than-expected effective tariff rates, improved financial conditions, and fiscal expansion in some major jurisdictions.

Since the April 2025 World Economic Outlook was published, uncertainty has remained elevated, despite a decline in effective tariff rates (Figure 1). Most notably, China and the United States agreed on 12 May to temporarily lower tariffs - until 12 August - that were imposed following the post "Liberation Day" escalation.

Figure 1. Tariffs and Global Uncertainty
(Percent; index, right scale)



Sources: World Trade Organization; World Uncertainty Index (WUI) database; and IMF staff calculations.
Note: US effective tariff rates include the tariffs announced April 2, until April 9, when they were paused, and additional tariffs on China announced April 8 and afterward, until May 10, when they were paused. These effective tariff rates are based on a pre-2025 United States-Mexico-Canada Agreement compliance rate. The WUI database is constructed based on methodology in Ahir, H. N. Bloom, D. Fuenzi, 2022, "The World Uncertainty Index: NBER Working Paper 29763. The WUI is calculated by counting the frequency of the word "uncertain" in Economist Intelligence Unit country reports and normalizing by the total number of words. The index is then rescaled by multiplying by 1,000,000 and weighted using the 5-year moving average of nominal GDP in US dollar.

ATOM
CAPITAL

The U.S. pause on higher tariffs for most trading partners expired on 1 August. In July, the U.S. administration issued letters to some partners, threatening tariffs even higher than those announced on 2 April.

While the passage of the One Big Beautiful Bill Act (OBBBA) in July clarified the near-term path of U.S. fiscal policy, it has also increased uncertainty around long-term fiscal sustainability.

The European Union and the United States reached trade agreements establishing a new framework to avert a major transatlantic trade war. Under the deal, the U.S. will impose a baseline 15% tariff on most EU exports - including cars, pharmaceuticals, and semiconductors - while exempting key sectors such as aircraft, generic drugs, semiconductor equipment, and select agricultural goods. Steel and aluminium will remain subject to a 50% tariff.

In return, the EU committed to purchasing USD 750 billion in U.S. energy over three years and pledged USD 600 billion in investment into the U.S. by 2029.

While some European leaders welcomed the trade deal as pragmatic, others criticised it as overly one-sided, noting that the U.S. faces no new tariffs on its exports to Europe. The deal triggered mixed market reactions and raised concerns about strategic asymmetry but ultimately averted harsher tariffs that could have cost Europe millions of jobs.

The United States has raised tariffs on all South African exports from 10% to a blanket 30%, effective 7 August 2025, following an executive order by President Donald Trump. Previously, many South African goods entered the U.S. duty-free under the African Growth and Opportunity Act (AGOA).

South Africa's revised trade proposals - including offers to import U.S. natural gas and allow seasonal access for American agricultural goods - were rejected. The U.S. cited concerns over South Africa's foreign policy positions (e.g. ties with Russia and Iran, and its genocide case against Israel) and domestic policies such as black economic empowerment.

The U.S. claims the tariffs are "reciprocal," although South Africa's average tariff on U.S. goods is well below 30%. Economists estimate the tariffs could cost South Africa up to 100,000 jobs and reduce GDP by 0.2%. Key affected sectors include automotive, agriculture, steel, and chemical production.

At its July 2025 meeting, the South African Reserve Bank's Monetary Policy Committee (MPC) cut the repo rate by 25 basis points to 7.0%, citing subdued inflation and weak domestic growth.

Governor Lesetja Kganyago announced a strategic shift in inflation targeting, with the MPC now aiming for inflation to settle at 3.0% - the lower end of the 3-6% target band. Although not yet formally endorsed by National Treasury, the move reflects the Bank's goal of entrenching price stability and lowering long-term borrowing costs. Headline inflation was 3.0% in June and is forecast to average 3.3% for 2025.

MARKET PERFORMANCE

Global equity markets posted broadly positive returns in July 2025, supported by strong corporate earnings, easing trade tensions, and accommodative central bank policies. The MSCI All Country World Index (ACWI) rose 1.4%, reflecting gains across both developed and emerging markets.

The S&P 500 advanced 2.2%, driven by strong Q2 earnings and optimism around US–Asia trade deals, while the NASDAQ gained 2.4% on continued enthusiasm for AI and tech giants like Microsoft and Meta. In Europe, the EUROSTOXX 50 added 0.5% as GDP data surprised to the upside and the ECB held its policy steady. The UK's FTSE 100 outperformed, rising 4.3% on strength in financials, mining, and defensive sectors. Japan's Nikkei 225 climbed 1.4%, supported by a new trade agreement with the US and easing inflation.

China's Shanghai Composite surged 4.1% on hopes of a tariff truce and improving ties with the Trump administration. South Africa's JSE All Share rose 2.3%, lifted by a rate cut, political stability under the GNU, and rebounds in mid-cap (up 3.3%) and property stocks (up 4.8%). Local bonds gained 2.7%, also benefiting from improved sentiment and the rate cut.

Gold ended the month flat, while Brent crude oil rose 7.3%. Platinum pulled back slightly but still ended the three-month period 33.5% higher.

MARKET INDICES ¹	31 JULY 2025		
(All returns in Rand except where otherwise indicated)	3 months	12 months	5 years ²
SA equities (JSE All Share Index)	8.0%	23.2%	16.4%
SA property (S&P SA REIT Index)	9.1%	32.2%	18.4%
SA bonds (SA All Bond Index)	7.9%	17.0%	11.4%
SA cash (STeFI)	1.9%	8.0%	6.3%
Global developed equities (MSCI World Index)	8.9%	15.5%	15.7%
Emerging market equities (MSCI Emerging Markets Index)	9.8%	17.2%	7.1%
Global bonds (Bloomberg Barclays Global Aggregate)	-2.8%	3.8%	-0.9%
Rand/dollar ³	-2.8%	-0.6%	1.2%
Rand/sterling	-3.7%	2.4%	1.4%
Rand/euro	-2.1%	5.1%	0.5%
Gold Price (USD)	-0.4%	35.7%	10.9%
Oil Price (Brent Crude, USD)	14.9%	-10.1%	10.9%

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.

SIZE MATTERS (AND SO DOES WEIGHT)

“I’d much rather eat pasta and drink wine than be a size 0.”

- Sophia Loren

“Relative to yesterday, today is a revolution. Relative to tomorrow, it’s a footnote.”

- Anonymous

Investors are flooded with market headlines daily - record highs, inflation lows, gold surges, Bitcoin booms. While these sound impressive, context matters. There’s a big difference between gold doubling over five years versus five days.

Many follow these stats. Fewer understand them. If you’re still reading, you’re probably in the latter group - or at least aspire to be. So, here’s something to share with your less enlightened friends.

Commodity prices are a perfect example. While most are quoted in USD, others use different units: rapeseed is priced in euro per metric ton, palm oil in Malaysian Ringgit, copper and coffee in pounds, cocoa and aluminium in metric tons, gold in troy ounces, oil per barrel, and wheat per bushel.

But what exactly is a bushel or barrel?

A bushel began as a medieval English volume measure (around 35.24 litres), but in U.S. grain markets today, it’s defined by weight - 60 pounds (27.22 kg) of wheat at 13.5% moisture. That’s about 1 million kernels yielding 20 kg of flour.

A barrel of oil, once a physical 42-gallon wooden cask (~159 litres), became standard in the 1860s. Though oil is no longer transported this way, the term persists. At USD 70 per barrel, that’s about R8 per litre in SA - making up 35 - 40% of what we pay at the pump. So, a 10% increase in oil prices typically raises fuel costs by around 3.5% - 4%, assuming all else is equal (which, of course, it rarely is).

When something “becomes a commodity,” it’s often thought of as being simplified. But as you can see, commodities are anything but simple.

All that glitters, isn’t gold.

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