Market Overview

30 June 2025

Resilience, Reform and a Rally in Resources

Local equities gained for the 4th month in a row over June 2025 with the FTSE/JSE All Share generating 2.4%. The local markets continued to show their resilience over the past month whilst managing to maintain their more discrete position than the US counterpart. Spotlights were on the US markets as the world watched the Elon and Trump breakup transpire. The FTSE/JSE All Share's year-to-date performance pushed even further to 16.7% by June month-end with a 12-month return of 25.2%. Large Caps led the way generating 2.6%, while Mid-Caps and Small Caps generated 2.0% and 2.1% respectively. On a sector basis, Financials delivered 1.0% and Industrials 2.5%, while SA Resources generated a 4.2% return over June as the platinum price gained significantly over 2025. Earnings gain outpaced prices, resulting in lower multiples and an increase in rating.

Reinet Investments SCA staged a late-June rally, gaining 18.3% over the month on news of a potential sale of its stake in UK insurer Pension Insurance Corporation (PIC). Both Prosus (7.8%) and Naspers (6.8%) also closed June in positive territory, supported by the release of their full-year results. Resource stocks saw notable strength as well, with Northam Platinum Holdings rising 26.6% and Implats climbing 23.0%, posting significant gains for the month.

Local bonds gained 2.3% over June 2025 despite a sharp mid-month selloff triggered by an Israeli military strike. The asset class continues to lag domestic equities and property on both a year-to-date basis (6.6%) and over the past 12 months (18.4%). The South African 10-year government bond yield declined by 20 basis points, ending the month at 9.9%. This reflects a broad-based downward shift across the yield curve.

Annual consumer price inflation held steady at 2.8% in May 2025, unchanged from April. On a monthly basis, CPI rose 0.2%. The key drivers of annual inflation were housing and utilities (4.5%, contributing 1.0 percentage point), food and non-alcoholic beverages (4.8%, contributing 0.9 percentage points), and alcoholic beverages and tobacco (4.3%, contributing 0.2 percentage points). Core inflation remained flat over May 2025 and has been inside the SARB's target for the past 49 months. Cash remains attractive, offering a yield of 4.5%.

With inflation anchored near the lower end of SARB's 3–6% target band, calls to narrow the target to a flat 3% have surfaced. Such a shift would align South Africa with developed market norms and potentially lower its risk premium. While still speculative, a firmer inflation anchor signals stronger policy intent, enhancing SARB's credibility and possibly attracting foreign investment. However, monetary policy alone is not a silver bullet, structural reforms and broader macro factors remain essential. If well executed, this transition could initially be challenging but may ultimately support market confidence. **Chart 1** (below) compares South Africa's inflation to developed peers, highlighting SARB's relative success in managing price stability. A formal 3% target could further entrench this credibility, especially as global inflation trends normalise.

In June 2025, the Rand depreciated against the trade-weighted basket and the Euro, while strengthening against the Pound Sterling and the US Dollar, moving from R18.00/$ to R17.70/$ by month-end. On a 12-month rolling basis, the Rand weakened 6.8% against the Euro and 5.7% against the Pound Sterling, while gaining 2.6% against the US Dollar. The Rand remains undervalued by 47% relative to the Dollar.

Global markets gained 4.5% in June 2025, marking the third positive month since the first-quarter tariff shocks, despite a brief mid-month selloff during the Israel-Iran conflict. By the halfway mark of 2025, the global equity index stood at a 10% year-to-date return. Developed markets rose 4.3% over the month, led by US equities which gained 5.0%. European equities advanced 2.7%, while the UK market added 1.7%. Emerging markets outperformed, returning 6.0% in June, with Brazil leading at 7.8% and South Africa close behind at 4.0%. China (3.7%), India (3.1%), and Japan (1.7%) also posted positive returns. Global IT stocks stood out with a 9.5% gain, while Energy (5.0%), Industrials (3.8%), and Financials (3.6%) also contributed to the rally. Across market caps, Small Caps led with a 4.9% gain, followed by Large Caps (4.6%) and Mid-Caps (4.2%).

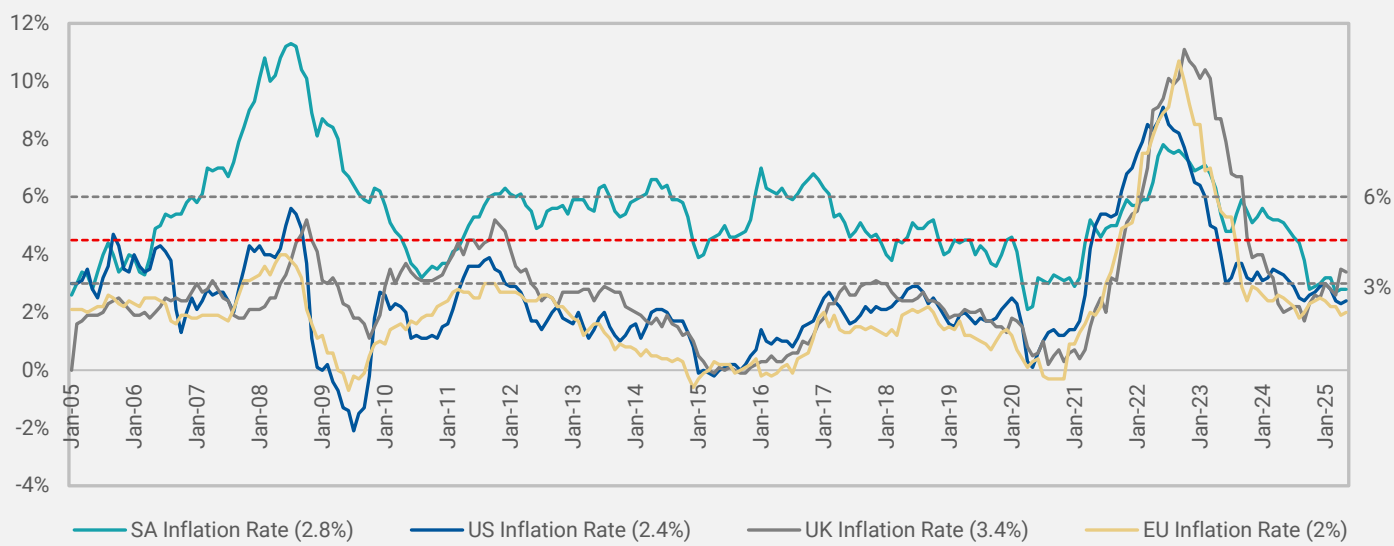
AI-driven sales momentum and robust data centre demand continued to drive performance in global markets. Technology stocks such as Micron Technology Inc (30.5%), ARM Holdings PLC (ADR) (29.9%), and Advanced Micro Devices Inc (AMD) (28.2%) were among the top performers in US markets over June 2025.

Global listed property rose 0.8% in June 2025 but remains under pressure from elevated interest rates and subdued global demand.

US government bond yields declined by 14 basis points in June 2025, while the Bloomberg Global Aggregate Index advanced 1.9%. The move signals a shift in market sentiment, away from persistent inflation fears toward concerns over slowing US growth and rising political uncertainty. In this environment, BCA maintains a preference for government bonds over credit and inflation-linked securities. Elevated fiscal risks, sticky interest rates, and a fragile macro backdrop continue to weigh on corporate debt, while softening demand and disinflationary forces reduce the appeal of inflation-linked assets.

US Core PCE inflation rose to 2.7% in May, up from 2.6% at April month-end, which was above market expectations. Inflation remains close to the Fed's 2% target. BCA views the U.S. Federal Reserve as constrained in its ability to respond to economic weakness due to lingering inflation and political pressure. They express concern over potential interference with Fed independence under the Trump administration. While some rate cuts are possible, BCA sees limited flexibility and prefers non-U.S. sovereign bonds as safer alternatives.

Chart 1: South African Inflation Relative to Developed Peers



Source/s : IRESS & Seed Investments (2025)

Asset Class Check In

30 June 2025

How Equities, Bonds and Currency Responded to Resilience, Reform and Risk

Asset Class (ZAR)	MTD	YTD	1 Year	3 Years	5 Years	10 Years
Local Equity	2.4%	16.7%	25.2%	17.8%	16.4%	10.1%
Local Property	-0.9%	5.3%	23.9%	19.8%	16.6%	3.0%
Local Bonds	2.3%	6.6%	18.4%	13.4%	10.9%	9.2%
Local Cash	0.6%	3.7%	7.8%	7.5%	6.0%	6.2%
Global Equity	2.8%	3.6%	13.1%	20.6%	14.2%	14.3%
Global Property	-0.8%	-0.6%	9.0%	7.2%	6.6%	8.5%
Global Bonds	0.3%	1.0%	6.0%	5.6%	-0.7%	5.1%
Global Cash	-1.2%	-3.8%	2.0%	7.7%	3.4%	6.1%

Source/s : Morningstar (2025)

Local Asset Classes

Equity

Local equities rose for a fourth straight month in June 2025, with the FTSE/JSE All Share Index returning 2.4%. Despite remaining in the shadow of US markets, local equities continued to show resilience. The public fallout between Elon Musk and Donald Trump grabbed global headlines, while the All Share Index extended its year-to-date return to 16.7% and 12-month return to 25.2%. Large Caps led at 2.6%, with Small and Mid Caps close behind at 2.1% and 2.0%. Financials gained 1.0%, Industrials 2.5%, and Resources outperformed with 4.2% on strong platinum prices. Earnings outpaced price gains, compressing valuation multiples and contributing to a positive re-rating. The Model Ranking was upgraded to 3, while the IC Ranking held steady at 3.

Fixed Income

Local bonds gained 2.3% over June 2025 despite a sharp mid-month selloff triggered by an Israeli military strike. The asset class continues to lag domestic equities and property on both a year-to-date basis (6.6%) and over the past 12 months (18.4%). The South African 10-year government bond yield declined by 20 basis points, ending the month at 9.9%. This reflects a broad-based downward shift across the yield curve. Both the Model Ranking and IC Ranking were downgraded from 3 to 2.

Cash

Annual consumer price inflation held steady at 2.8% in May 2025, unchanged from April. On a monthly basis, CPI rose 0.2%. The key drivers of annual inflation were housing and utilities (4.5%, contributing 1.0 percentage point), food and non-alcoholic beverages (4.8%, contributing 0.9 percentage points), and alcoholic beverages and tobacco (4.3%, contributing 0.2 percentage points). Core inflation remained flat over May 2025 and has been inside the SARB's target for the past 49 months. Cash remains attractive, offering a yield of 4.5%. Model and IC Rankings remain at a 5.

Currency

In June 2025, the Rand depreciated against the trade-weighted basket and the Euro, while strengthening against the Pound Sterling and the US Dollar, moving from R18.00/$ to R17.70/$ by month-end. On a 12-month rolling basis, the Rand weakened 6.8% against the Euro and 5.7% against the Pound Sterling, while gaining 2.6% against the US Dollar. The Rand remains undervalued by 47% relative to the Dollar. Model and IC Rankings remain neutral.

Global Asset Classes

Equity

Global markets advanced 4.5% in June, marking a third consecutive positive month since the Q1 tariff shock, despite a brief mid-month selloff following the Israel-Iran conflict. At the halfway mark of 2025, global equities are up 10% year-to-date. Developed markets rose 4.3%, led by the US (5.0%), with the EU (2.7%) and UK (1.7%) trailing. Emerging markets outperformed, gaining 6.0%, with Brazil (7.8%) and South Africa (4.0%) leading, while China (3.7%), India (3.1%), and Japan (1.7%) all closed in the green. Global IT stocks surged 9.5%, while Energy (5.0%), Industrials (3.8%), and Financials (3.6%) also contributed. By market cap, Small Caps led at 4.9%, followed by Large Caps (4.6%) and Mid Caps (4.2%). The Model Ranking was upgraded to 3, while the IC Ranking remained at 3.

Property

Global listed property rose 0.8% in June 2025 but remains under pressure from elevated interest rates and subdued global demand. With valuations still unattractive, a cautious stance is maintained. Model and IC rankings remain at 2.

Fixed Income

US Government Bond yields declined 14 basis points over June 2025, while the Bloomberg Global Aggregate Index gained 1.9%. The move reflects a shift in market expectations from persistent inflation fears and political uncertainty. The Downtick reflects a more cautious outlook on US growth. BCA maintain a preference for government bonds over credit and inflation-linked securities. Ongoing fiscal risks, sticky interest rates and a fragile macro backdrop are headwinds for corporate debt. While softening demand and disinflationary forces deter inflation linked securities. Model and IC rankings remain at a 4.

Cash

US Core PCE inflation rose to 2.7% in May up from 2.6% at April month end, which was above market expectations. Inflation remains close to the Fed's 2% target. BCA views the U.S. Federal Reserve as constrained in its ability to respond to economic weakness due to lingering inflation and political pressure. They express concern over potential interference with Fed independence under the Trump administration. While some rate cuts are possible, BCA sees limited flexibility and prefers non-U.S. sovereign bonds as safer alternatives. Model and IC rankings have both been downgraded to a 2.

Alternative

Other asset classes that can be considered include structured notes, private equity, direct real estate, commodities, and hedge funds and can provide investors with uncorrelated returns. These uncorrelated global assets are particularly attractive in low-interest rate environments as they offer asymmetric return profiles. Alternative asset classes can thus perform a useful role in multi asset portfolios as they help provide more consistent returns.

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