

Market Commentary

March 2025

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Uncertainty surrounding US policy may affect market performance forecasts



Eurozone inflation eased in March, raising expectations for an ECB rate cut in April



China's factory activity recovers modestly with a rise in new orders and stronger demand



Japan, South Korea, China resume first economic dialogue in over five years

Global market themes

Market performance in March was mixed across different markets, with some indices recording gains and others declines. US trade tariffs and relations remained in the spotlight this month. The S&P global real GDP growth projection was revised down to 2.5% in the March review, down slightly from 2.6% in February. A slight pick-up is expected in 2026 with an estimate of 2.7%, which is assuming a boost in fiscal stimulus from Europe. However, uncertainty surrounding US policy could pose a downside to these forecasts.

US inflation data for February levelled at 2.8% during the month, while core inflation dipped from 3.3% in January to 3.1% in February. During the Federal Open Market Committee (FOMC) meeting on 19 March 2025, the Federal Reserve maintained its fund rate within the target range of 4.25%-4.50%.

In March, major indices performed as follows: the Dow Jones Industrial Average dipped by 4.2%, the S&P 500 dropped by 5.8%, and the Nasdaq Composite fell by a larger 11.4%. On a sector level in the US, Energy and Utilities had a strong month, conversely Consumer Discretionary fell by 8.3% and Communication Services slipped down by 5.2%. In USD terms, the MSCI World Index dropped by 4.5%, while the MSCI All-Country World Index decreased by 4.0%. The MSCI Emerging Markets Index increased by 0.6% for the month, though Japan's Nikkei 225 fell by 3.3%. The STOXX All Europe dropped by 3.6%.

Figures released during March reflected that the UK economy shrank by 0.1% month-on-month over January. This was largely due to a contraction in the productivity sector. At the Bank of England's Monetary Policy Committee meeting on 20 March 2025, the Bank Rate was voted to remain at 4.5%. The twelve-month CPI inflation rate in the UK decreased from 3.0% in January to 2.8% in February. The domestic price and wage pressures were evening out, albeit still elevated. The intensified global trade policy uncertainty has also played a role.

The Eurozone inflation rate dipped as expected in March, coming in at 2.2%. Core inflation (which excludes volatile components such as food, energy, alcohol, and tobacco prices) dropped to 2.4% in March compared to 2.6% in February. These results have fed into expectations for a 25-basis-point interest rate cut from the European Central Bank at its April meeting. The region's unemployment rate stood at 6.1% in February, which has indicated a slight downward trend. US tariffs could result in further deflationary pressures for the Eurozone.

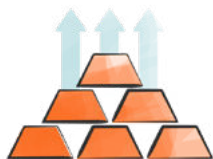
During March, factory activity in China showed signs of modest recovery, with the Caixin Manufacturing Purchasing Managers' Index (PMI) rising to 51.2, an increase from 50.8 in February. This increase was driven by a continued rise in new orders and stronger demand. Input prices also dropped, which led to lower raw material costs. The official PMI rose slightly to 50.5 in March, up from 50.2 in February. Chinese equities, as measured by the MSCI China Index, gained 2.0% (in USD terms) over March. China has seen strong investor optimism for the year-to-date, attributed to its progress in generative AI and continued government stimulus measures. The services inflation rate declined to 3.4% in March, from 3.7% in February.

Japan, South Korea, and China held an economic dialogue meeting during March, which was aimed at improving free trade in the region. Key attendees at the meeting included South Korean Industry Minister Ahn Duk-geun, the Japanese counterpart Yoji Muto, and Chinese Commerce Minister Wang Wentao. This was the first economic dialogue for these three countries in over five years. The trade ministers agreed to cooperate on a South Korea-Japan-China free trade agreement aimed at enhancing regional and global trade.

After three years of growth averaging around 3%, Brazil's GDP growth for 2025 is expected to slow to 1.6%, followed by 1.8% in 2026. This is largely driven by tighter monetary conditions,



The IMF disbursed US\$1.2bn to Egypt, boosting economic support measures



Gold gained an impressive 9.3% in March

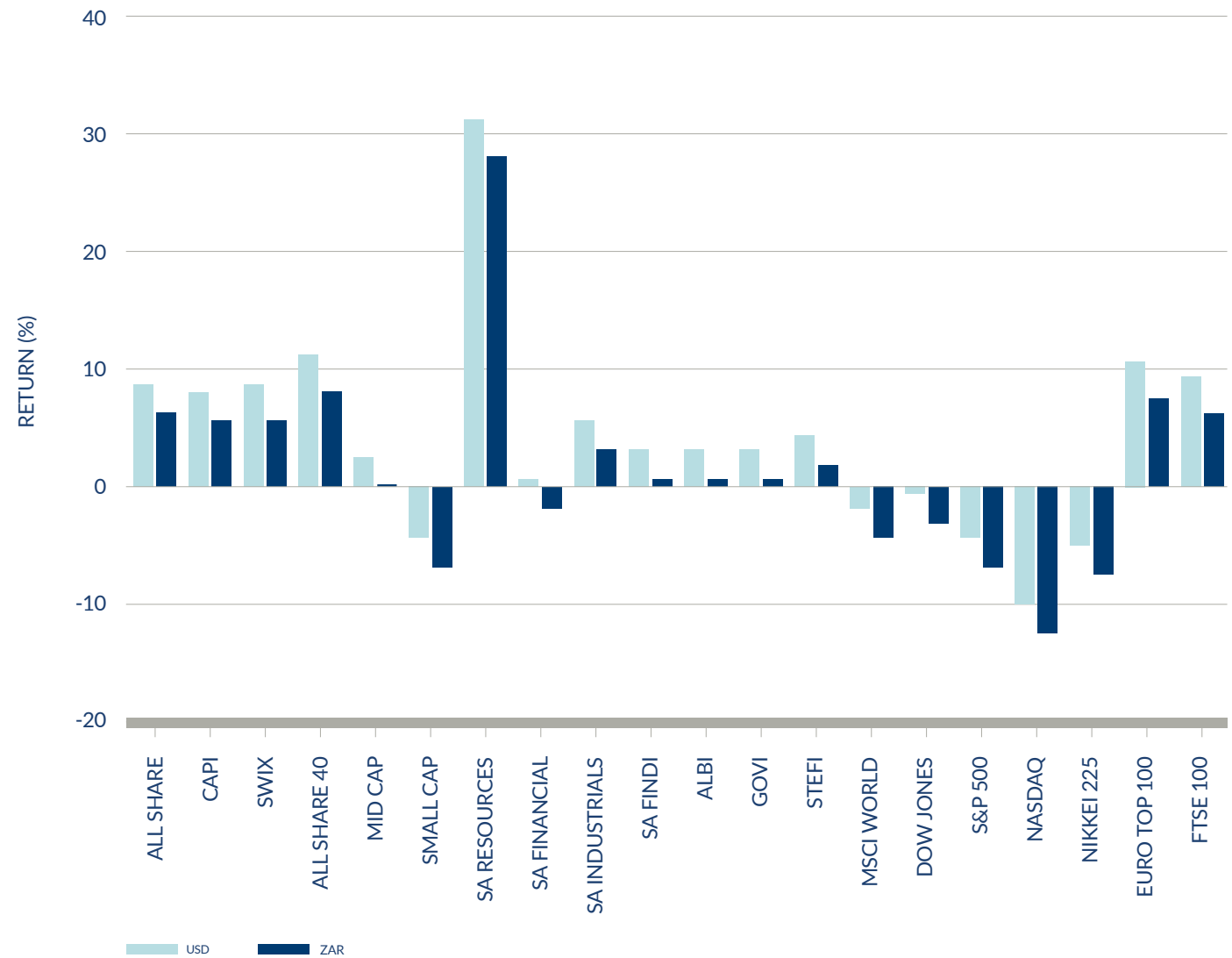
the effects of fiscal policy, and being a less favourable trade partner in global trade. Government finances have been weaker, which has led to stronger inflation and higher interest rates. Despite this, exports to Argentina have increased which provides some export stability. Exports to Argentina totalled US\$13.8 billion in 2024.

The International Monetary Fund (IMF) completed its fourth review of Egypt's economic reform programme in March. Following the review, a US\$1.2 billion disbursement was approved and immediately available for Egyptian authorities to draw down from. The country has been grappling with high inflation, increases in fuel prices, and increases in transport. The IMF executive board also approved an arrangement under its Resilience and Sustainability Facility, granting Egypt access to an additional US\$1.3 billion.

Commodity prices were largely up over March. The Brent crude oil price increased over the month and settled at \$74.77 per barrel. Precious metals gained strongly: Platinum, Silver, and Palladium were all up by 5.1%, 9.4% and +7.4%, respectively. Copper was up by 3.4% and Gold jumped up by an impressive 9.3%. The price of Iron Ore dropped by 1.4%. The USD/ZAR exchange rate strengthened, ending the month at R18.39.

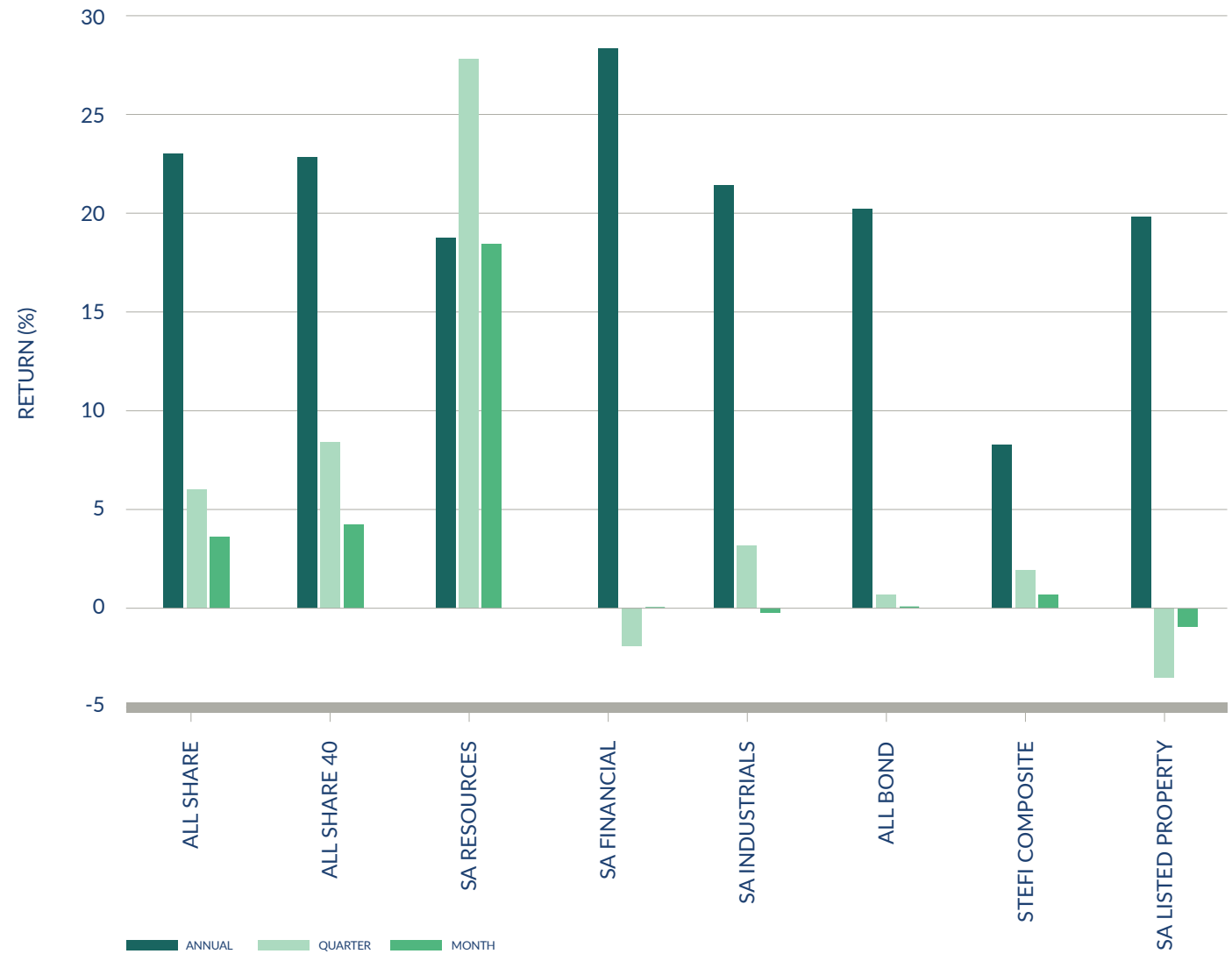
World Market Indices Performance

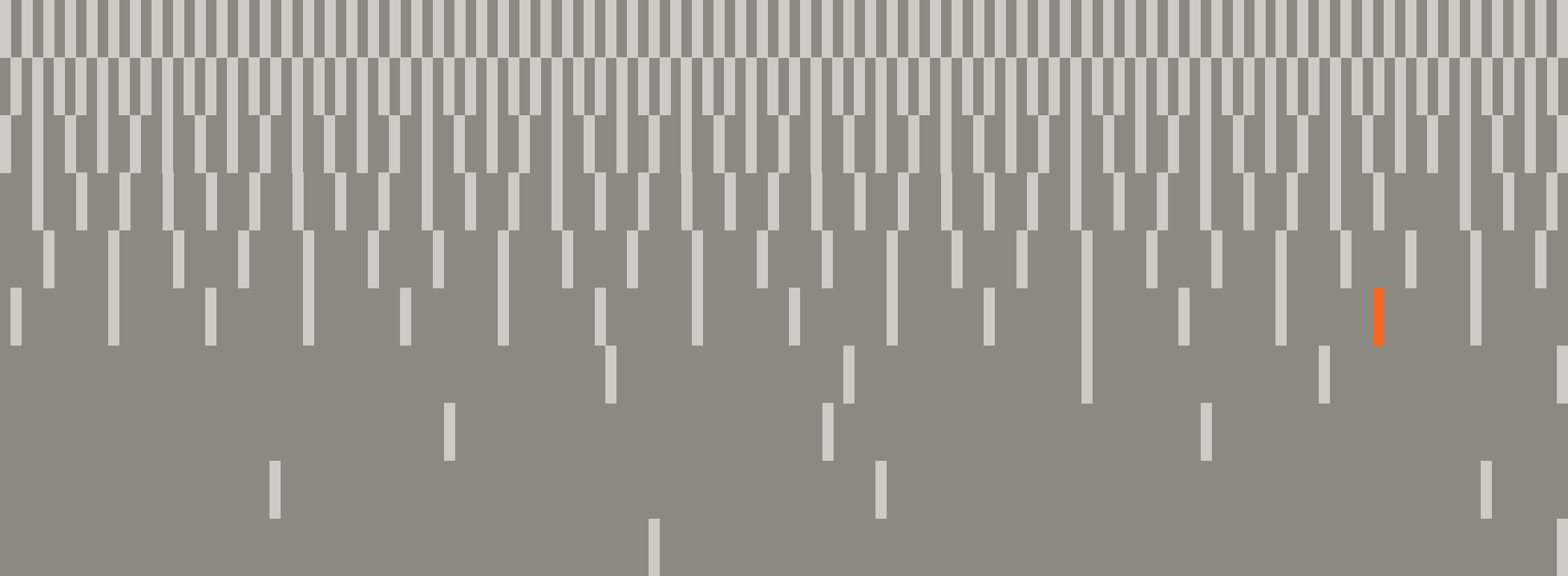
QUARTERLY RETURN OF MAJOR INDICES



South African Market Indices Performance

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