Market Commentary

April 2025

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Trump's tariff shock triggered global volatility and market-wide risk-averse sentiment

Tech stocks rose but energy and health care sectors underperformed

Eurozone inflation remained steady, but European equities declined

UK inflation eased, raising expectations of a rate cut

Global market themes

Global markets faced a turbulent April, largely driven by renewed policy shocks from the United States. Investor sentiment was rattled early in the month following President Trump's surprise announcement of sweeping tariffs on several major trading partners, sparking fears of a broader trade war and retaliation from affected countries. Market volatility spiked, with the VIX surging to 52.33 – its highest level in years – before easing to 24.70 after the White House introduced a 90-day pause and softened its tone. Despite this, macroeconomic indicators continued to point to slowing global momentum, reinforcing concerns over potential policy missteps and an elevated risk of recession.

In the United States, equity markets were mixed. The S&P 500 slipped by 0.7%, while the Dow Jones Industrial Average declined by 3.1%, weighed down by sharp losses in energy stocks. The Nasdaq Composite, which briefly entered bear-market territory mid-month, managed a 0.9% gain as tech stocks rebounded. Sector dispersion was wide: seven of eleven S&P sectors ended lower, led by Energy (-13.9%), as oil prices collapsed. Health Care dropped 3.8%, dragged by UnitedHealth's disappointing earnings. Technology (+1.7%) and Consumer Staples (+0.2%) were the only sectors to post notable gains.

Macro data signalled a deteriorating economic outlook. Q1 GDP contracted by 0.3% quarter-on-quarter, marking the first decline since Q1 2022 and well below Q4's 2.4% gain. The contraction was driven by a 41.3% surge in imports, as companies front-loaded orders ahead of anticipated tariffs. Consumer spending slowed to 1.8%, and government spending fell sharply. In contrast, fixed investment rose 7.8%, offering a silver lining. Inflation indicators were mixed: March CPI softened to 2.4% year-on-year and core CPI to 2.8%, but the Fed's preferred inflation gauge – core PCE – unexpectedly rose to 3.5%. Consumer confidence fell to 86, its lowest level since the pandemic.

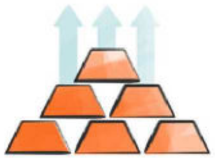
In Europe, economic and market dynamics remained cautious. The Eurozone's annual inflation held steady at 2.2%, while core inflation rose to 2.7% amid rising service and food prices. The European Central Bank (ECB) responded by cutting its deposit rate by 25bps to 2.25% – its eighth cut in 13 months – as it sought to balance disinflationary progress with trade-related uncertainty. European equities were subdued: the STOXX Europe 600 declined 0.9%, Germany's DAX was up 1.5%, and France's CAC 40 dropped 1.3%.

UK inflation eased to 2.6% in March from 2.8% in February, coming in below the Bank of England's forecast of 2.7%. Core inflation also declined, reinforcing expectations for a potential rate cut in May. However, the FTSE 100 ended April down 0.7%, primarily due to geopolitical tensions and economic uncertainties.

Asian markets were under pressure from deepening US-China trade tensions. The US imposed tariffs of up to 145% on certain Chinese goods not covered by the temporary pause, prompting retaliation from Beijing. China's Q1 GDP rose 1.2% QoQ, below expectations and its slowest pace since Q2 2024. Policymakers pledged further support, with the Politburo expected to announce new fiscal measures. The Caixin Manufacturing PMI slipped to 50.4 in April, down from 51.2, reflecting weakening demand and falling export orders. The MSCI China Index fell sharply by 4.3% over the month.

Elsewhere in Asia, Japan's au Jibun Bank Composite PMI rose to 51.1, from 48.9, supported by a rebound in the services sector. Manufacturing remained weak but showed signs of stabilising. Annual inflation eased to 3.6% in March, the lowest since November, while core inflation climbed to 3.2%, led by rising clothing, healthcare, and transport costs. Monthly CPI rose 0.3%, reversing February's 0.1% decline. Business confidence fell to its

MSCI Emerging Markets Index 1.3%, led by strength in Brazil and Mexico



Gold surged, while oil and base metals fell on weak demand

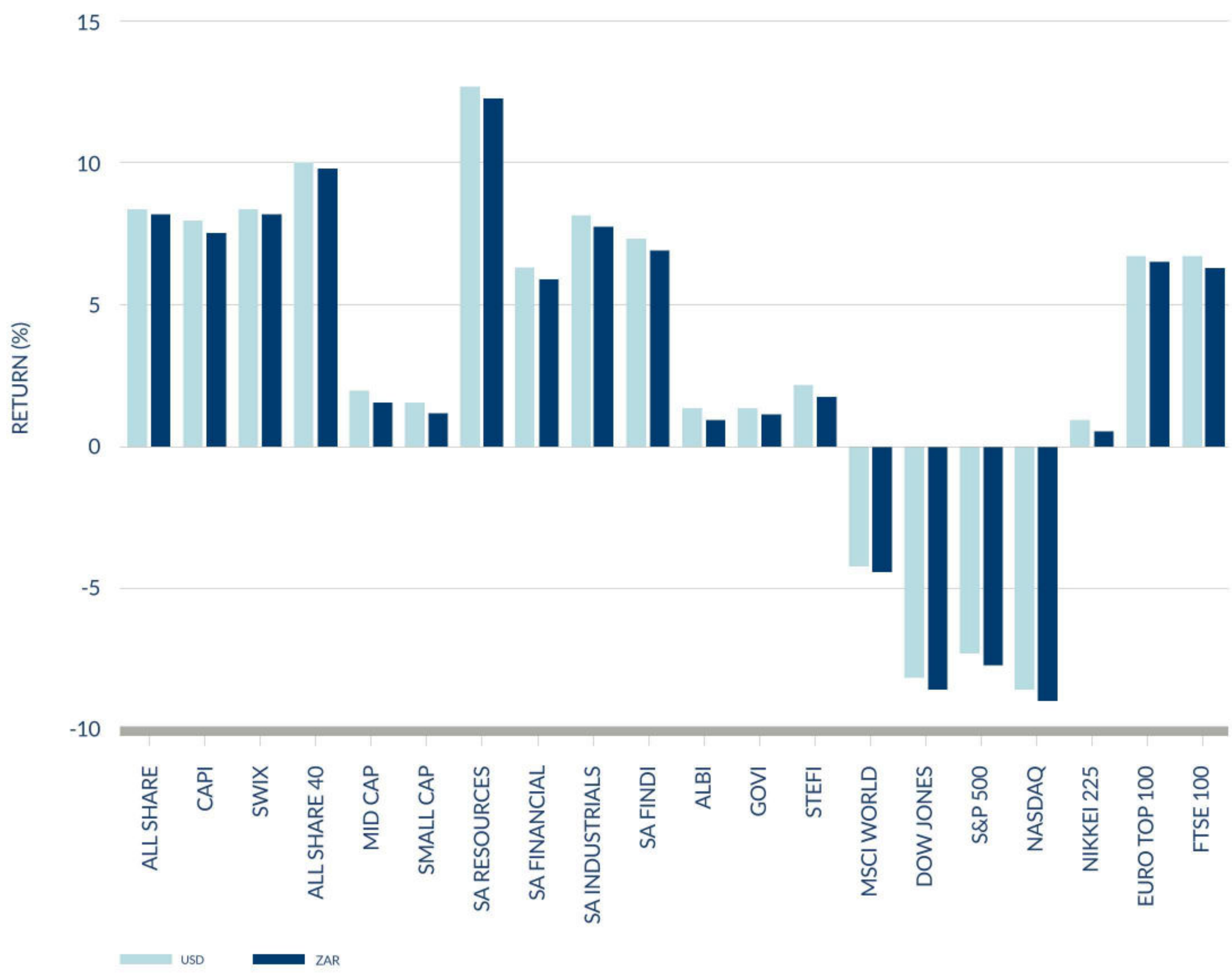
lowest level since August 2020 amid ongoing demographic and global uncertainties. The Nikkei 225 advanced 2.35% in April, recovering from March's decline.

Emerging markets showed relative resilience. The MSCI Emerging Markets Index gained 1.3%, outperforming both the MSCI World Index (+0.9%) and MSCI All Country World Index (+0.9%). Latin American markets led the gains, with Brazil and Mexico benefiting from favourable domestic conditions and minimal US tariff exposure. Asian EMs, in contrast, lagged due to their trade links with China and weaker export demand.

Commodities were broadly weaker, with a few exceptions. Gold surged 5.3% to $3,288.71/oz, supported by safe-haven flows. Brent crude oil fell 15.5% to $61.01/bbl after OPEC+ unexpectedly raised production targets. Industrial metals also declined: Platinum, Silver, and Palladium fell by 2.8%, 4.3%, and 4.7% respectively; Copper and Iron Ore dropped by 5.6% and 5.9%. The rand weakened 1.2% against the US dollar to end the month at R18.61/USD.

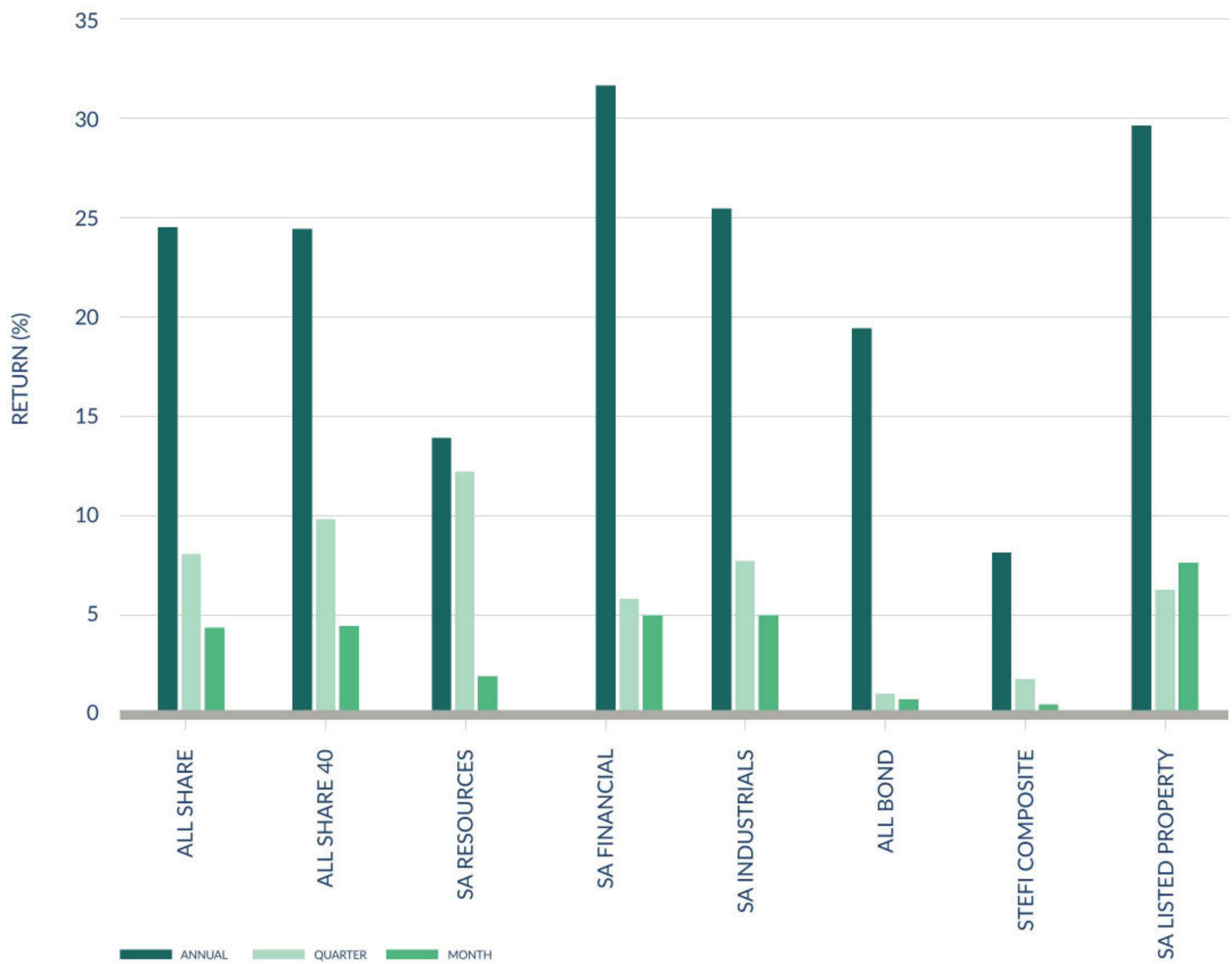
World Market Indices Performance

QUARTERLY RETURN OF MAJOR INDICES



South African Market Indices Performance

RETURNS OF THE FTSE/JSE SECTORS AND INDICES



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