

Market Commentary

May 2025

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Global market themes

Global markets posted strong gains in May 2025, buoyed by a temporary easing in global trade tensions, strong corporate earnings, and more stable monetary policy expectations. Developed markets led the rally, with the MSCI World Index up 5.92% in US dollar terms. The MSCI Emerging Markets Index followed with a gain of 4.27%, supported by renewed risk appetite following the suspension of proposed tariff hikes.

US equities rallied broadly. The S&P 500 Index gained 6.29%, the Dow Jones Industrial Average climbed 4.2%, and the Nasdaq Composite Index surged 9.56%. First-quarter corporate earnings exceeded expectations by 9%, the largest earnings beat in three years. Technology stocks led the gains, boosted by optimism around artificial intelligence (AI), while industrials and consumer discretionary sectors also performed well.

Macroeconomic data in the US was mixed. Headline inflation declined to 2.31% year-on-year, while core inflation held at 2.78%. The labour market added 177,000 jobs in April. However, consumer sentiment deteriorated significantly, with the University of Michigan Consumer Sentiment Index falling to 52.20, its third-lowest reading on record. The Federal Reserve maintained the federal funds rate at 4.25%-4.50%, citing risks from tariffs, inflation, and slowing growth. Despite the cautious tone, investor sentiment improved as the Chicago Board Options Exchange Volatility Index (VIX) fell to 18.57 from 24.70.

In Europe, the STOXX All Europe Index rose 5.13% in euro (EUR) terms. The European Central Bank kept its benchmark rate at 2.25%, following a cut in April, and noted that while inflation was easing, growth risks remained. The European Commission revised its 2025 GDP growth forecast down to 0.9%, with inflation projected at 2.1%.

The United Kingdom saw the Bank of England unexpectedly cut its base rate by 25 basis points to 4.25%, despite a jump in inflation from 2.6% in March to 3.5% in April, driven by higher airfares and energy costs. The FTSE 100 Index rose 3.83% in

British pound sterling (GBP), with energy and financials leading gains. News of a limited UK-US trade deal added to positive sentiment late in the month.

In China, growth and policy stimulus remained key themes. First-quarter GDP grew 5.4% year-on-year, but industrial activity remained subdued, with the official Manufacturing Purchasing Managers' Index (PMI) stuck at 49.0. The government responded with targeted stimulus measures, including liquidity support and infrastructure investment. Equity markets responded positively, with the MSCI China Index up 2.74% in USD and the CSI 300 Index gaining 0.82% in Chinese yuan (CNY). The Hang Seng Index also rebounded on optimism around US-China tariff de-escalation and expectations of further credit easing.

Japanese equities extended their rally, with the Nikkei 225 Index up 4.15% in Japanese yen (JPY), supported by a weaker currency and strong export earnings. Inflation rose to 3.5% in April, following the rollback of energy subsidies. The Bank of Japan (BoJ) held its policy rate steady, continuing its gradual path towards normalisation. The Manufacturing PMI edged up to 48.5 but remained below the expansion threshold, with export orders still under pressure.

Emerging markets also advanced. Brazil's Bovespa Index rose 1.75%, supported by stronger commodity prices and improved economic sentiment. India's SENSEX increased by 1.45%, while the MSCI BRIC Index returned 1.93%, reflecting broader resilience across key emerging economies. A weaker US dollar further supported emerging market assets.

Commodity markets were mixed in May. Oil prices rose 2.82% in US dollars, while industrial metals posted notable gains: copper rose 4.71%, platinum climbed 9.06%, and palladium increased 3.15%. Gold remained flat at +0.02%, reflecting more balanced risk sentiment. The USD/ZAR exchange rate appreciated by 2.95%, in line with global US dollar weakness and improved risk appetite.



In May, global equities rallied on easing trade tensions and strong earnings



Tech stocks led gains in the US, boosted by optimism around AI

25%

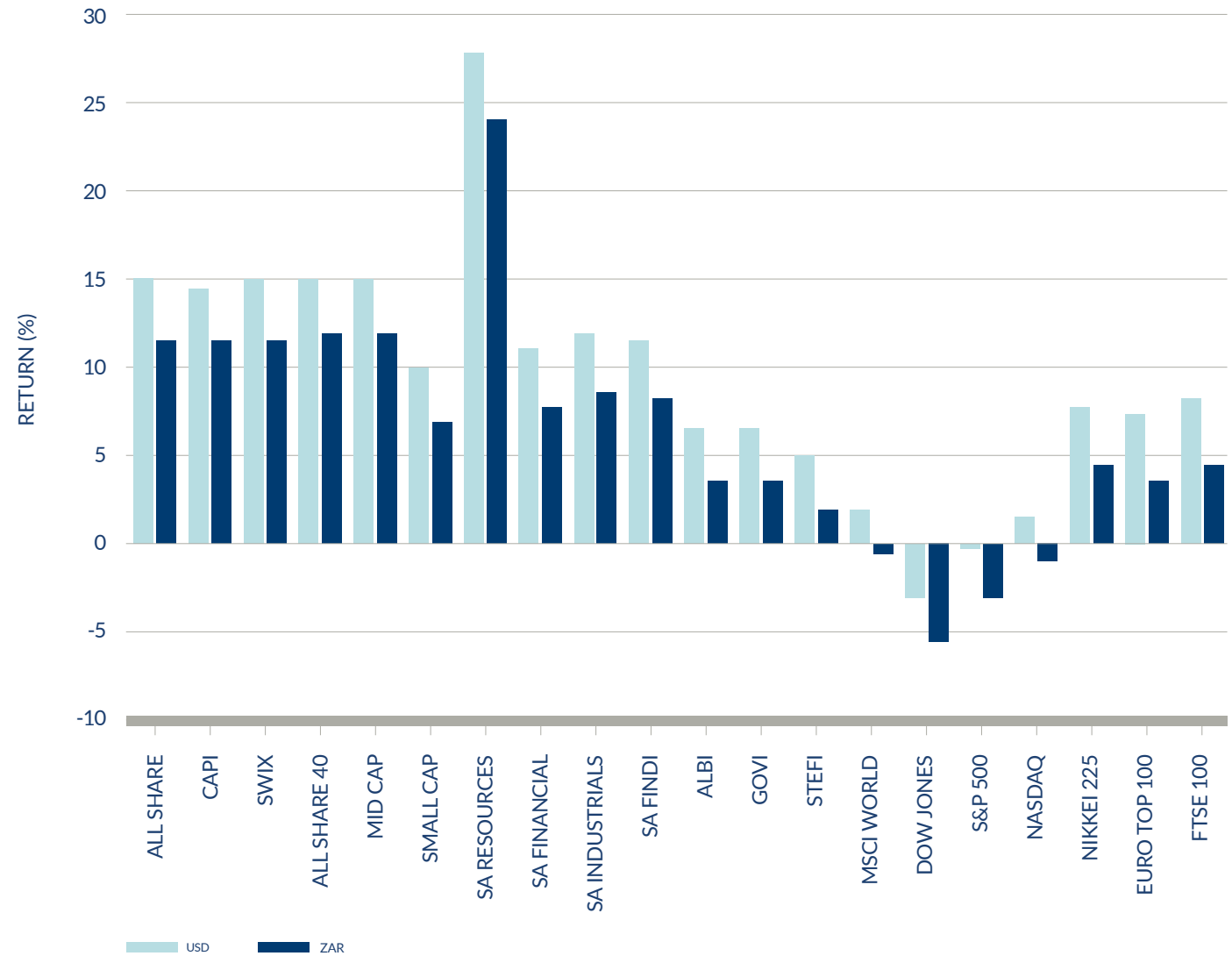
BoE surprised markets with a 25 bps rate cut, despite rising UK inflation



EM strengthened, helped by a weaker dollar and stronger commodity prices

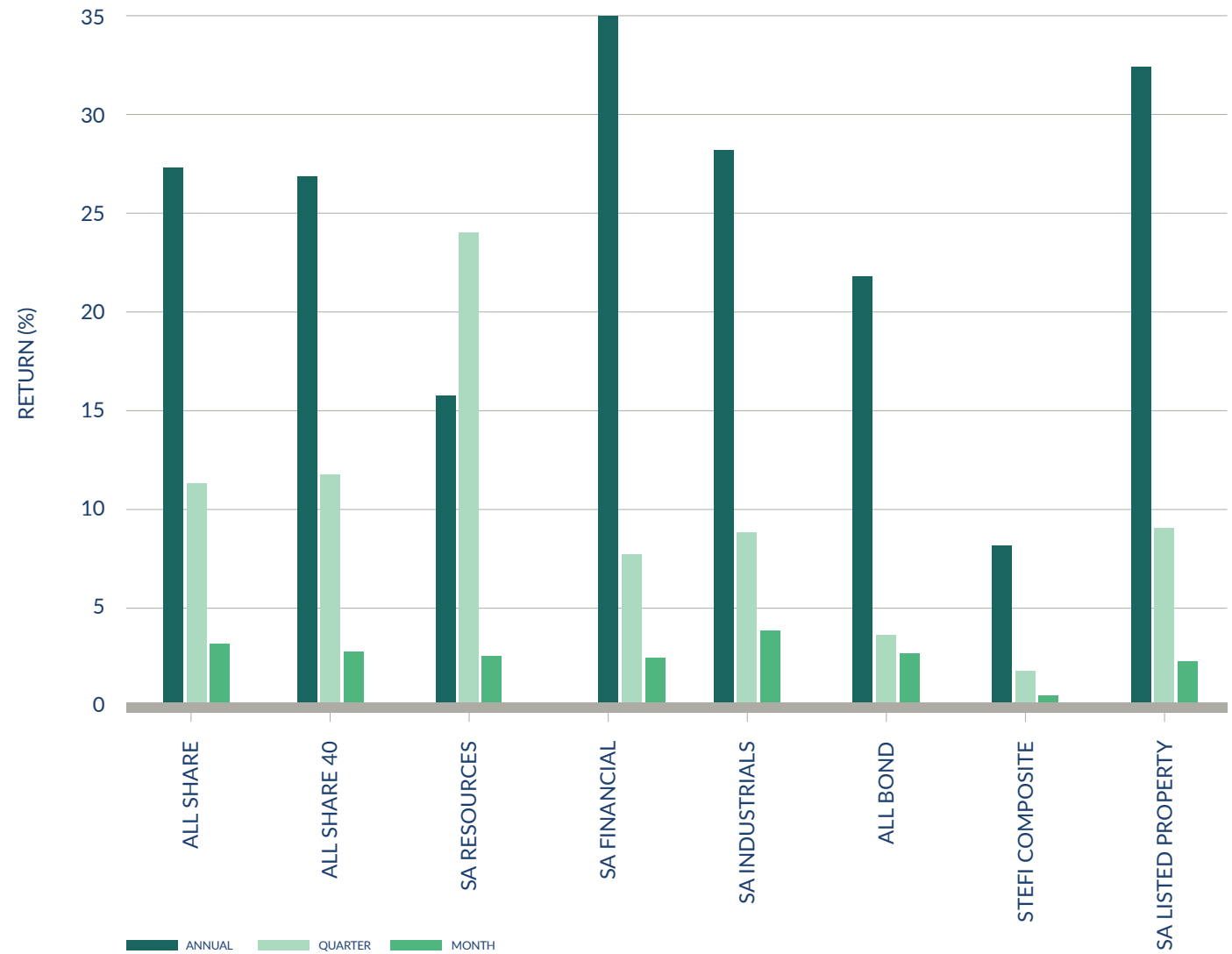
World Market Indices Performance

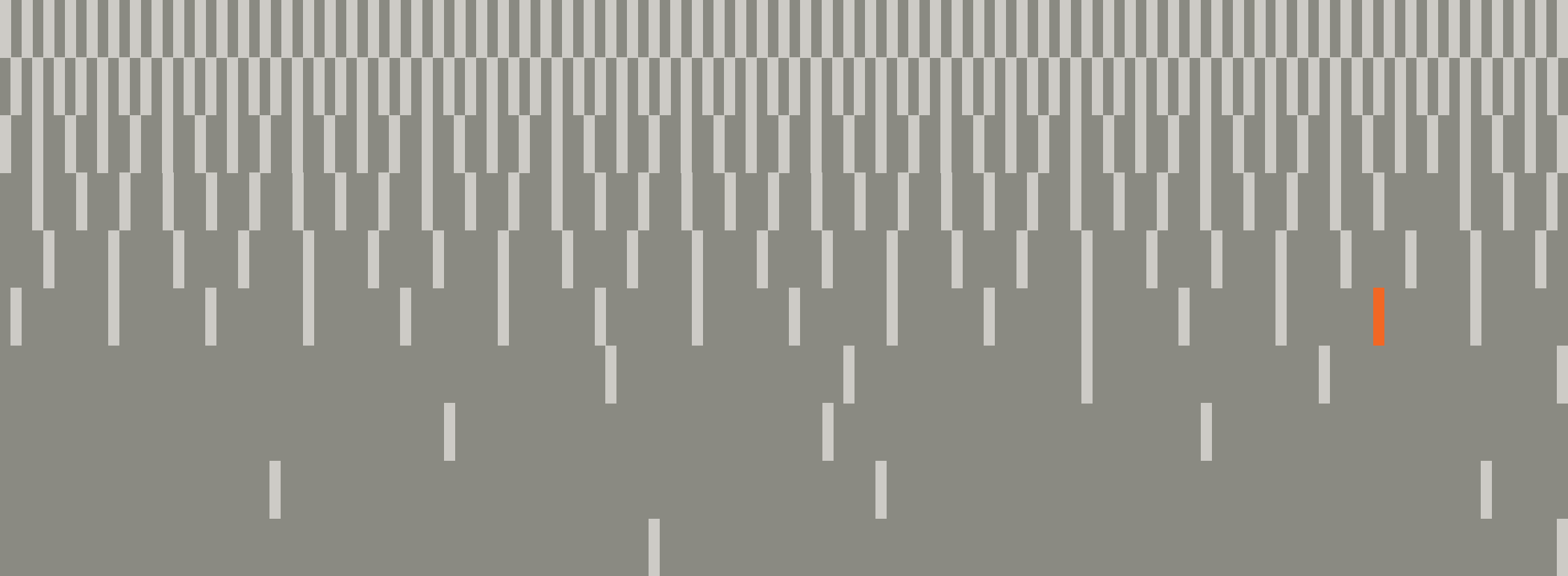
QUARTERLY RETURN OF MAJOR INDICES



South African Market Indices Performance

RETURNS OF THE FTSE/JSE SECTORS AND INDICES





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