Market Commentary

June 2025

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South African market themes

SA equities rose across indices, supported by stronger sentiment and commodities

Resources outperformed in June, boosted by platinum's 28.5% price surge

The rand appreciated against the dollar, supported by stable inflation and trade

Q1 GDP rose 0.1% QoQ, reflecting weak but positive growth

The SA equity market ended the second quarter on a positive note, with broad-based gains across major indices. Investor sentiment improved as commodity prices rebounded and inflation remained subdued, while the local currency strengthened modestly against the US dollar. The FTSE/JSE All Share Index gained 2.4% month-on-month (MoM), bringing its year-to-date (YTD) return to 16.7%, whilst the FTSE/JSE Capped SWIX Index returned 2.2% in June and is now up 16.1% YTD. From a sector perspective, Resources led the market higher, returning 4.2% over the month, supported by a sharp rally in platinum prices, while Industrials and Financials rose by 2.5% and 1.2%, respectively. Broader market participation was also evident in the mid-and small-cap indices, which advanced 1.9% and 2.1% respectively.

Telkom rose 38.6% following the release of strong full-year results and the reinstatement of its dividend. Platinum miners saw robust gains, with Tharisa up 28.1%, Northam Platinum advancing 26.6%, and Impala Platinum increasing by 23.1%, all benefitting from a 28.5% MoM surge in platinum prices, underpinned by expectations of sustained demand and ongoing supply constraints likely to keep the market in deficit for several years. WeBuyCars rose 22.2% amid positive sentiment following strong earnings and expansion plans, while Blue Label Telecoms gained 20.7% on news of a planned Cell C listing.

On the downside, KAP Industrial Holdings fell 19.0%, due to concerns around earnings and a more cautious macroeconomic outlook. Afrimat lost 15.5%, pressured by weaker iron ore prices and logistical challenges. Sappi, Karooooo, and Woolworths also came under pressure, recording declines of 13.8%, 12.0%, and 11.7% respectively.

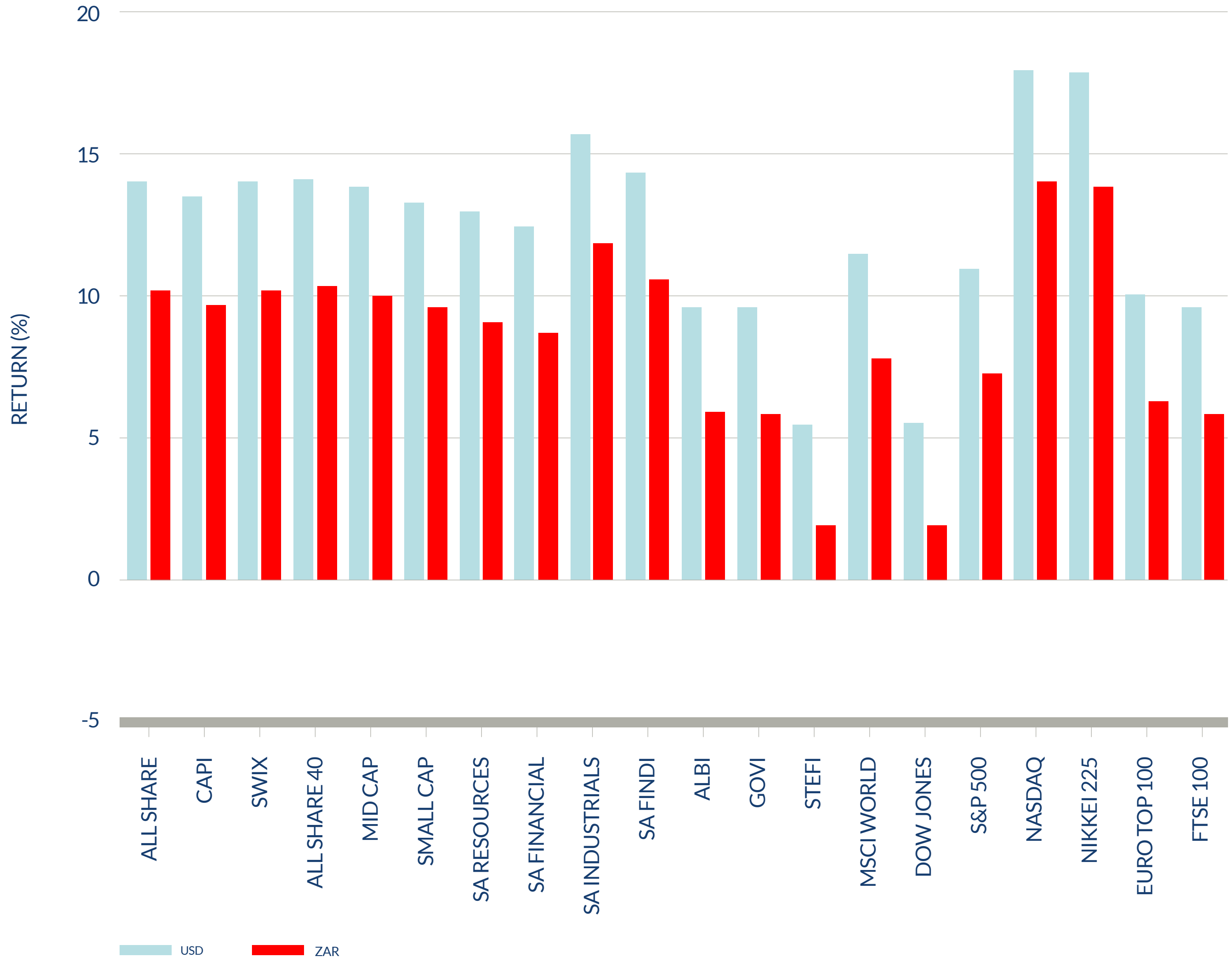
Bond markets delivered solid returns, with the FTSE/JSE All Bond Index (ALBI) up 2.3% in June, as inflation prints remained low and interest rate expectations stable. Inflation-linked bonds rose by 0.7%, and cash returned 0.6% as measured by the STeFI Composite Index. The SA Listed Property Index (ALPI) slipped 0.2% but remained positive at 6.1% YTD. The rand appreciated by 1.59% against the US dollar, closing the month at R17.77/USD. The currency was buoyed by improved trade dynamics and broad-based US dollar weakness.

Inflation remained muted in May, with headline consumer price inflation steady at 2.8% YoY, matching April's five-year low. Higher inflation in food and non-alcoholic beverages (4.8% vs. 4.0% in April), housing and utilities (4.5% vs. 4.4%), and clothing and footwear (1.3% vs. 1.2%) was offset by slower price growth in alcohol and tobacco (4.3% vs. 4.7%), restaurants and accommodation (1.8% vs. 3.0%), and personal care and miscellaneous services (1.7% vs. 1.6%). Transport prices declined by 4.8%, deepening from a 3.9% fall the previous month. The CPI rose 0.2% MoM, down from April's 0.3% increase, and the lowest monthly rise in five months. Core inflation was unchanged at 3.0% YoY, marking its lowest level since July 2021. Despite subdued inflationary pressure, the SARB has reiterated that risks remain to the upside, including rising electricity tariffs, a potentially weaker rand, and elevated global food prices.

South Africa's economy expanded by 0.1% quarter-on-quarter (QoQ) in the first quarter of 2025, in line with muted expectations. This marks the second consecutive quarter of positive, albeit weak, growth. On a YoY basis, GDP increased by 0.8%, matching the prior quarter's performance. Agriculture and transport were the main contributors to growth, with the agricultural sector expanding by 13.5%, and transport, storage, and communication collectively growing by 3.3%. Meanwhile, mining and manufacturing contracted by 2.3% and 1.4% respectively, reflecting continued structural headwinds, including energy constraints and logistical challenges. Fixed investment and consumer demand remained subdued, highlighting the fragile nature of the current recovery.

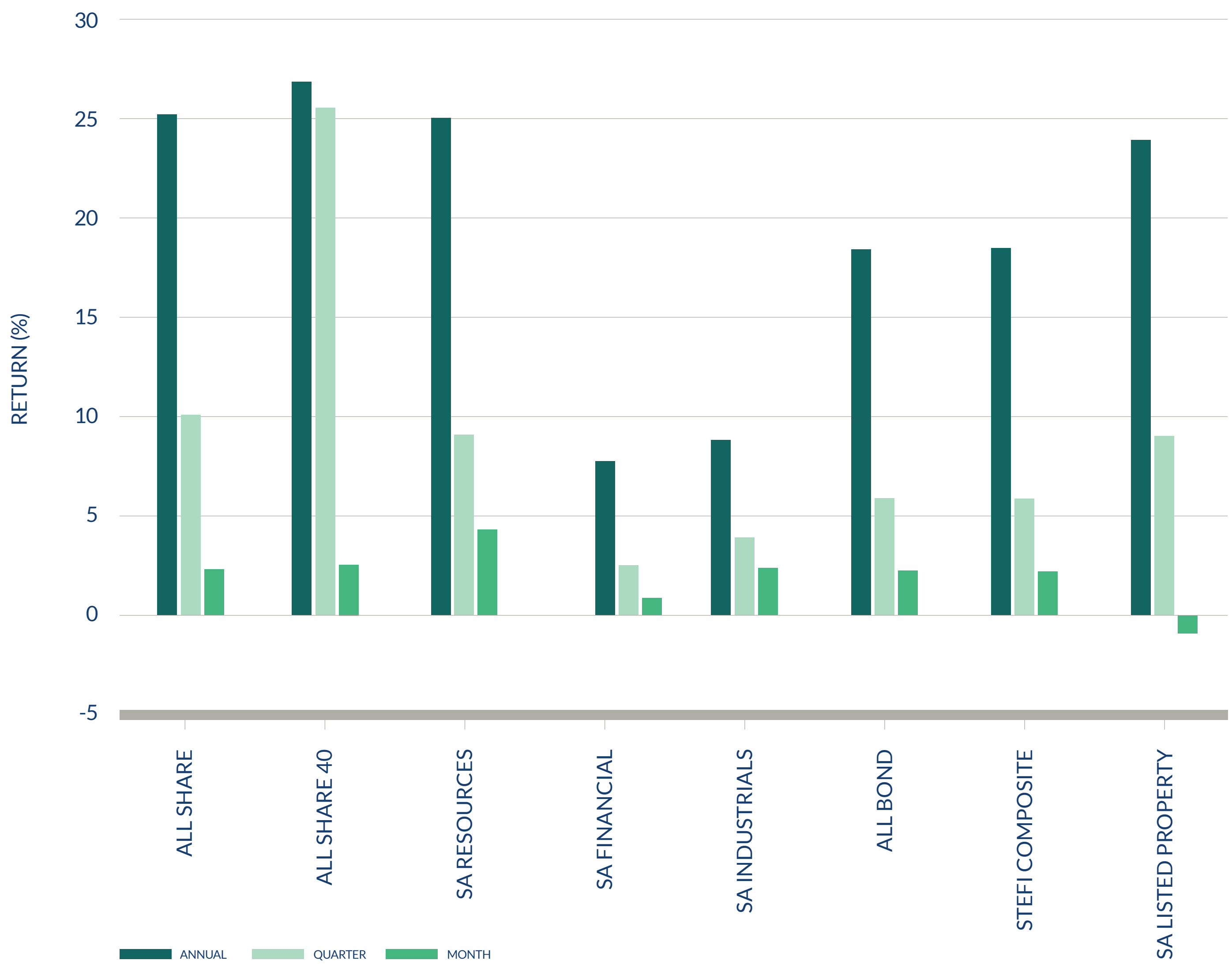
World Market Indices Performance

QUARTERLY RETURN OF MAJOR INDICES



South African Market Indices Performance

RETURNS OF THE FTSE/JSE SECTORS AND INDICES



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