Market Commentary

July 2025

RISCURA

Global market themes

Global equities rose in July, driven by easing trade tensions and strong US earnings

The IMF raised its 2025 growth forecast, with the US rebounding and UK inflation surprising higher

China's GDP beat expectations but imports fell, and manufacturing stayed in contraction phase

Global equity markets maintained a positive tone in July, with global equities advancing amid improving risk sentiment and easing trade tensions. The MSCI World index gained 1.3% for the month, pushing year-to-date (YTD) returns into double digits at 10.9%. This performance was supported by strong US corporate earnings, particularly from technology companies, and the announcement of new trade deals that provided more certainty to some economies. The US reached agreements with Japan and the European Union (EU), setting a 15% tariff rate on imports, which, while higher than pre-Trump rates, reduced fears of an escalating trade war. The IMF raised its 2025 global economic growth forecast to 2.7%-3.0%, with stronger projections for major economies. Market volatility remained relatively contained, with the VIX index closing the month at 16.72, reflecting investor confidence despite ongoing geopolitical uncertainties.

In the US, Q2 GDP rebounded with 3.0% annualised growth following a 0.5% contraction in Q1. June headline inflation accelerated to 2.7% YoY (from May's 2.4%), while core CPI edged up slightly to 2.9% from May's 2.8% YoY print. Core PCE, the Fed's preferred inflation gauge, remained steady at 2.8% YoY. The labour market showed resilience with unemployment at 4.2%, although July nonfarm payrolls added just 73 000 jobs, with significant downward revisions to previous months. The Federal Reserve maintained its target rate range at 4.25-4.50% during its July meeting, with Chair Powell signalling that policy is appropriately positioned, tempering expectations for a September rate cut.

US equity markets reached record highs, with the S&P 500 gaining 2.2%, the Nasdaq Composite advancing 3.7%, while the Dow Jones lagged with a modest 0.2% gain for the month of July. Technology stocks led gains, fuelled by strong semiconductor and AI-related earnings.

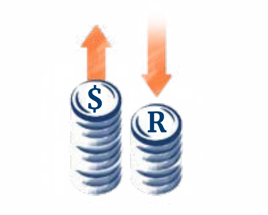
In the Eurozone, economic sentiment improved modestly despite continued concerns about trade policies. A trade agreement with the US introduced 15% tariffs on most EU exports but also included EU commitments to invest in the US and purchase energy products. Inflation remained stable at 2.0% in June, with core inflation unchanged at 2.3%. The ECB held rates steady, signalling a pause after seven consecutive cuts. German equities gained 0.7% and France's CAC rose 1.4%, while broader European indices were more muted due to concerns around growth impacts from tariffs and weak Chinese demand. The STOXX All Europe Index rose 1.2% for the month. UK inflation surprised to the upside, rising to 3.6% in June, with core inflation at 3.7%. This was driven largely by transport and recreation costs. The FTSE 100 outperformed major peers, gaining 4.2% in July, supported by upward revisions in earnings estimates in energy and materials.

China's Q2 GDP rose 5.2% YoY, slightly ahead of expectations but largely driven by falling imports, pointing to weak domestic demand. Government-led investment in infrastructure and manufacturing continued to support growth, albeit at a slower pace than in previous quarters.

The manufacturing PMI slipped to 49.3 in July, remaining in contraction territory, while the non-manufacturing PMI also declined to 50.1. Housing activity remained sluggish, with new housing starts and property sales continuing their multi-year decline.

Chinese equity markets performed well in July, with the Shanghai Composite Index climbing 4.3% and Hong Kong's Hang Seng rising 2.9% for the month. These gains were fuelled by the country's stimulus efforts and infrastructure optimism, including a major hydropower dam launch in Tibet, while broader investor confidence was supported by easing US-China trade tensions.

Oil prices jumped, while precious and industrial metals moved in mixed directions



The rand weakened 1.8% against the US dollar in July

Japanese equities posted a 1.4% gain in July, with the Nikkei 225 buoyed by relative stability and fading political noise. Inflation eased slightly to 3.3% YoY in June, remaining above the BoJ's 2% target for the 39th consecutive month. The Bank of Japan left policy settings unchanged amid concerns over growth following a ruling party loss in the upper house election. Bond yields rose, with the 10-year yield touching 1.56%, the highest since 2008.

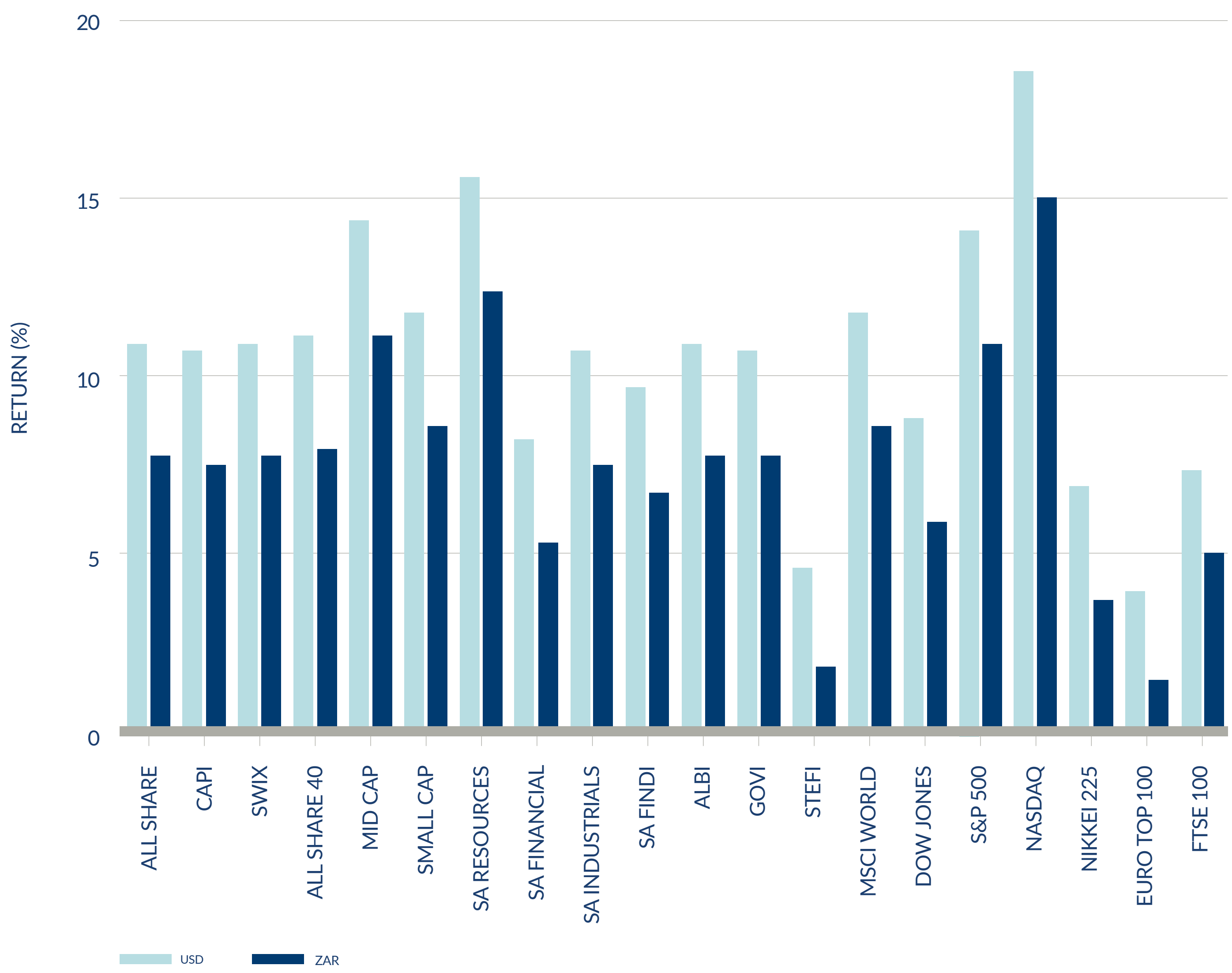
Emerging market equities outperformed developed markets in July, with the MSCI Emerging Markets index gaining 2.0% for the month. Chinese stocks led the gains, while Taiwan benefited from continued optimism around AI applications and semiconductor demand. Brazil's Bovespa index declined 4.2%, while India's Sensex fell 2.8% for the month of July. The MSCI EFM Africa ex-SA index rose 5.7%, supported by commodity price gains and improved risk sentiment. However, concerns remain over monetary policy divergence and continued US dollar strength.

Oil markets rallied in July, with Brent crude gaining 7.4% to end at US$71.70 per barrel, supported by OPEC+ production cuts and renewed geopolitical tensions. Gold eased 0.4% lower but remained up 25.4% YTD. Copper prices initially spiked due to concerns over supply shortages and potential tariffs but reversed sharply after the US announced that key inputs, such as ores and cathodes, would be excluded from the tariffs. This surprise policy shift triggered a market correction, leaving copper down 4.9% for the month. Platinum also declined, falling 5.0%. In contrast, palladium gained 8.3%, silver rose 1.7%, and iron ore prices climbed 5.8% during the month on optimism around Chinese housing support.

The South African rand weakened against the US dollar, with the ZAR/USD rate at 18.08, representing a 1.8% depreciation for the month of July.

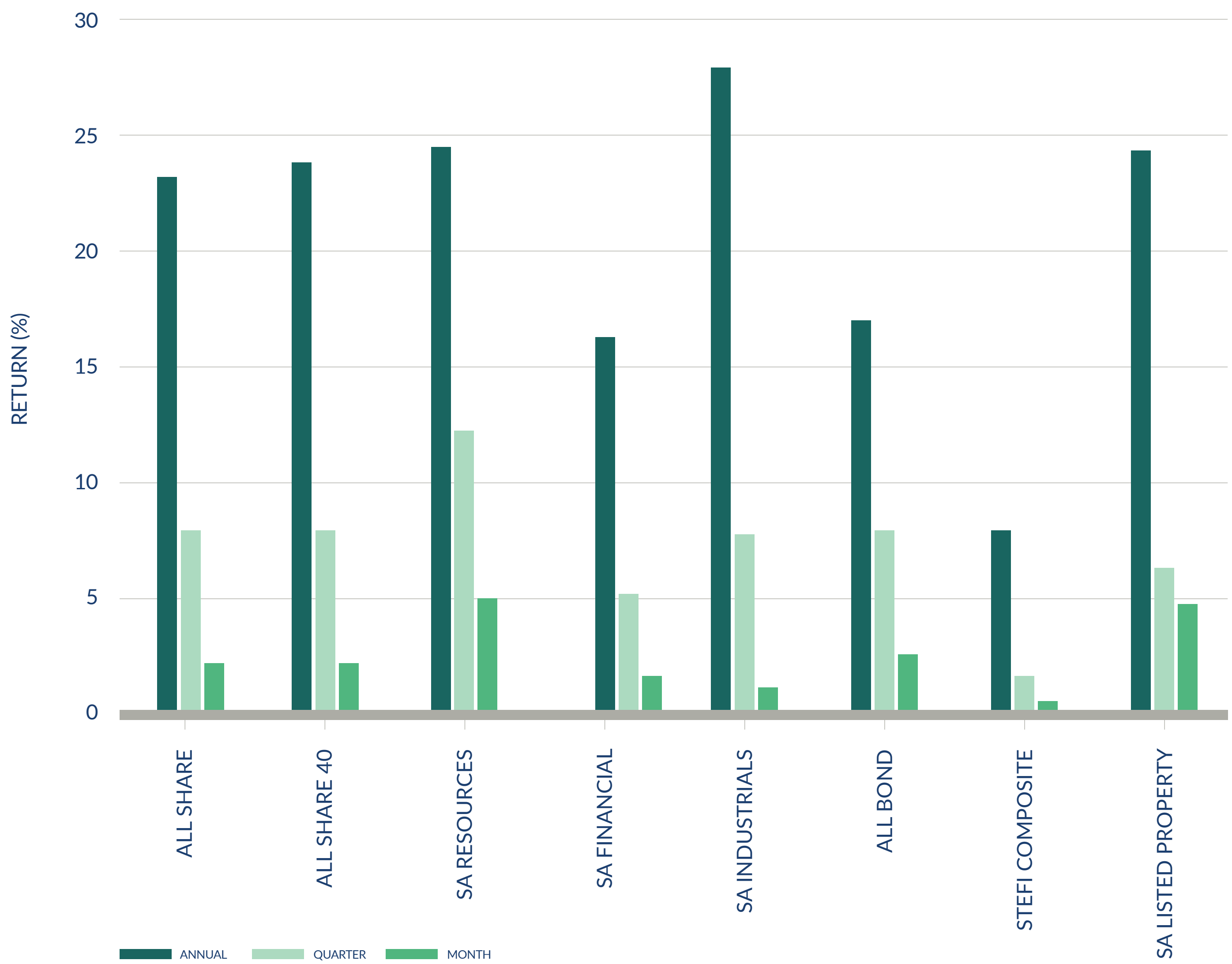
World Market Indices Performance

QUARTERLY RETURN OF MAJOR INDICES



South African Market Indices Performance

RETURNS OF THE FTSE/JSE SECTORS AND INDICES



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