Market Commentary

July 2025

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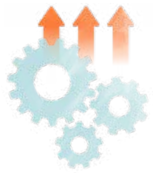


ALSI gains 2.3% in July, briefly surpassing 100 000 points for the first time, led by strong resource sector performance

Adcock Ingram, Sasol, and Sibanye Stillwater outperformed, while Bytes Technology Group fell sharply

Bonds and property strengthened, and the rand weakened 1.8% but remains stronger YTD

Inflation rose to 3.0% in June, driven by higher food prices, while core inflation eased to 2.9%

South African market themes

The South African equity market maintained its upward trend in July, with the FTSE/JSE All Share Index (ALSI) gaining 2.3% month-on-month (MoM), bringing its year-to-date (YTD) return to 19.4%. The FTSE/JSE Capped SWIX followed a similar trajectory, advancing 2.2% MoM and 18.7% YTD. July marked a historic milestone as the ALSI crossed 100 000 points for the first time before retreating slightly to close the month at 98 519.51. Resources (+5.1%) outperformed, led by precious metal miners, with platinum miners contributing significantly to the month's returns. Industrials gained 1.2%, while Financials rose 1.3% for the month. From a market cap perspective, Mid-Caps led the gains (+3.3%), followed by Small Caps (3.1%), whilst Large Caps advanced 2.3% for the month of July.

Among individual stocks, Adcock Ingram was July's standout performer (+36.9%) following a takeover bid announcement from India-listed Natco Pharma at R75/share, representing a significant premium to its previous closing price. Sasol rallied strongly (+19.0%), benefiting from higher oil prices and a positive trading update indicating a 20%-plus year-on-year (YoY) rise in earnings. Sibanye Stillwater (+18.9%) gained on the back of surging precious metal prices. On the downside, Bytes Technology Group was the worst performer (-30.5%) after issuing a profit warning citing a challenging macro environment and deferred customer buying decisions. Mondi Plc (-14.8%) and Anheuser-Busch InBev (-12.4%) also declined following disappointing earnings reports.

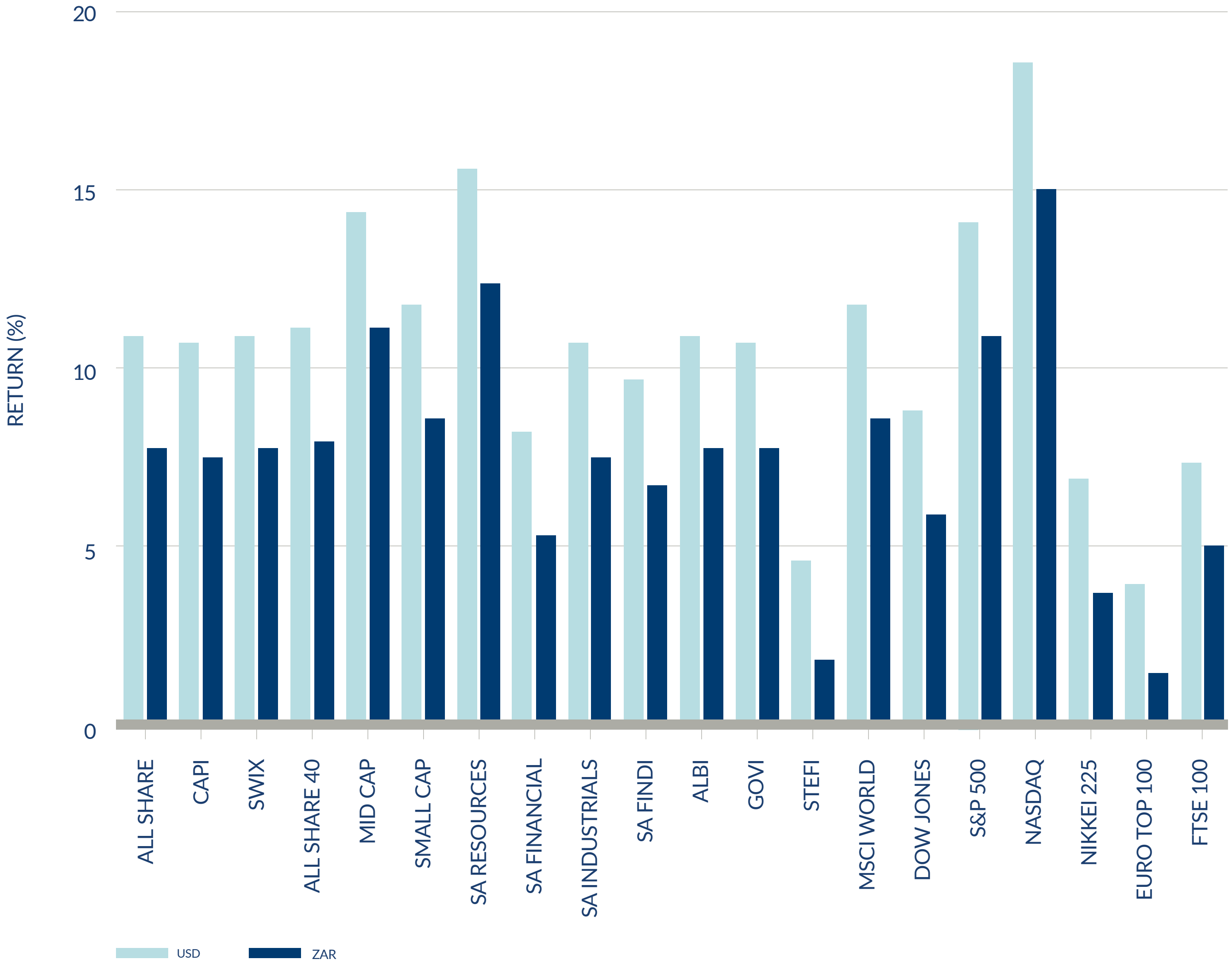
The fixed income market showed resilience in July, with the All Bond Index (ALBI) gaining 2.73%, while inflation-linked bonds (CILI) posted a modest 0.59% gain. The cash benchmark SteFI returned 0.62% for the month of July. The property sector outperformed broader equities with the All Property Index (ALPI) advancing 4.4%. The rand weakened against the US dollar, with the ZAR/USD rate increasing by 1.8%, although the currency remains 4.2% stronger YTD.

South Africa's headline inflation rate increased to 3.0% YoY in June from 2.8% in May, reaching the lower bound of the South African Reserve Bank's (SARB's) target range. Monthly CPI rose 0.3%, up from 0.2% in May. Food and non-alcoholic beverages inflation accelerated to 5.1% YoY, contributing 0.9 percentage points to the headline figure, while housing and utilities inflation moderated slightly to 4.4% from 4.5%. Transport prices continued to decline, though at a slower pace of -3.3% YoY compared to -4.8% in May. Core inflation, which excludes volatile items like food and fuel, edged down to 2.9% YoY from 3.0%, reflecting subdued underlying demand conditions.

On 31 July, the SARB unanimously cut the repo rate by 25 bps to 7.0%, lowering the prime lending rate to 10.5%. This marks the third reduction this year, totalling 75 basis points for 2025, and represents the lowest rate since end-2022. The decision reflects the SARB's response to persistent subdued inflation and stagnant domestic growth. The central bank revised its 2025 GDP growth forecast downward from 1.2% to 0.9%, citing persistent supply-side challenges and deteriorating business and consumer confidence. Significantly, the SARB signalled a structural shift in its inflation targeting regime, explicitly stating a preference for inflation to settle at 3% rather than the midpoint of its 3-6% target range. This change could pave the way for deeper interest rate cuts in the future, with the SARB's models indicating the repo rate could fall below 6% over the medium term.

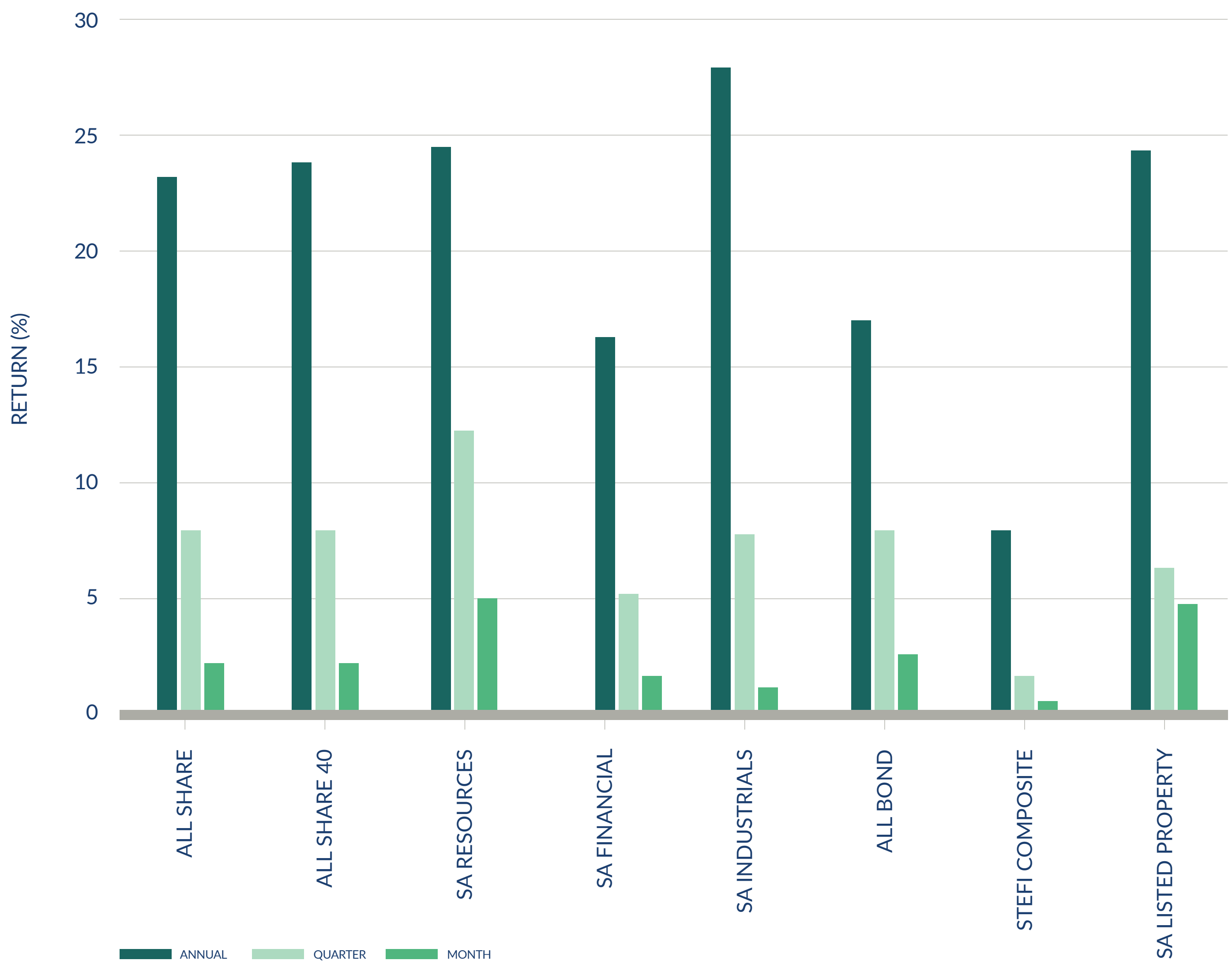
World Market Indices Performance

QUARTERLY RETURN OF MAJOR INDICES



South African Market Indices Performance

RETURNS OF THE FTSE/JSE SECTORS AND INDICES



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