

# Market Commentary

August 2025

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## Global market themes

Global equity markets maintained positive momentum in August, with the MSCI World Index gaining 2.6% (in USD) for the month. This performance came despite ongoing trade tensions and concerns about central bank independence in the United States. Corporate earnings generally exceeded expectations, with many companies in the S&P 500 outperforming forecasts by the largest margin since 2021. The MSCI Emerging Markets Index underperformed developed markets, rising 1.3% (in USD) in August. Market sentiment was supported by expectations that major central banks would begin easing monetary policy, particularly after Federal Reserve Chair Jerome Powell's dovish comments at the Jackson Hole symposium.

US equity markets extended their gains in August, with the S&P 500 rising 2.0% (in USD) despite volatility during the month from downward revisions to employment data and concerns over artificial intelligence investment returns. Market breadth improved, as 337 of the S&P 500 constituents advanced compared with 166 that declined. Nine of the eleven sectors ended higher, led by Materials (+5.6%), Health Care (+5.3%), and Communication Services (+3.6%), while Utilities (-2.0%) and Industrials (-0.2%) were the only sectors to retreat. Smaller companies also benefited from the rally, with the S&P MidCap 400 gaining 3.3% and the S&P SmallCap 600 surging 6.9%, signalling a notable rotation into areas that had previously lagged.

The Dow Jones Industrial Average outperformed with a 3.2% (in USD) gain, while the tech-heavy Nasdaq added 1.6% (in USD), marking its fifth consecutive positive month. The most significant market-moving event was the release of weaker-than-expected July non-farm payrolls data, suggesting a slowing labour market. This prompted Federal Reserve Chair Powell to acknowledge at Jackson Hole that "the balance of economic risks had shifted,"

potentially warranting policy adjustment. Markets subsequently priced in a high likelihood of a 25-basis-point rate cut at the Fed's September meeting.

US inflation remained stable with headline CPI holding at 2.7% year-over-year in July, while core PCE inflation ticked up to 2.9% from 2.8% in June. Political developments also attracted market attention when President Trump attempted to dismiss a Federal Reserve Board member, raising questions about central bank independence. Despite these concerns, the US economy showed resilience with second-quarter GDP growth revised upwards to 3.3% annualised, supported by consumer spending.

European markets delivered mixed performance in August. The STOXX All Europe Index gained 0.9% (in EUR) while Germany's DAX declined 0.7%. Economic data showed improvement with the Eurozone composite PMI reaching 51.1 in August, its highest level since May 2024, with manufacturing output expanding for the first time in three years. However, political uncertainty in France weighed on sentiment after the Prime Minister called a no-confidence vote scheduled for 8 September, following unsuccessful attempts to secure support for budget cuts. The French CAC 40 index fell 0.9% over the month as a result. In the UK, the FTSE 100 advanced 1.2% (in GBP) despite inflation concerns, with July's CPI rising to 3.8% year-on-year, the highest since early 2024. The Bank of England cut interest rates by 25 basis points to 4.0% in August, though the decision was split with a 5-4 vote, signalling a potentially slower easing pace ahead.

Chinese equity markets posted strong gains in August, with the Shanghai Composite Index surging 8.0% and the CSI 300 rising 10.5% (in CNY). This performance was driven by government efforts to boost domestic semiconductor production, with



Global equities extended gains in August, supported by strong earnings despite trade tensions



US markets advanced, while Powell signalled possible September rate cut after weak employment data



European markets delivered mixed performance in August



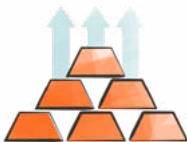
China outperformed, driven by semiconductor policy support



In August, Japan saw steady growth with stronger GDP and trade deal tailwinds



Across emerging markets, performance varied widely



Commodities diverged this month, with gold +4.8% to record highs but oil -5.9%

Beijing announcing plans to triple China's chip supply by 2026. However, economic data remained mixed, with July retail sales growth slowing to 3.7% year-on-year from 4.8% in June, reflecting persistently weak consumer sentiment. Manufacturing activity continued to contract with the official PMI at 49.4 in August, marking the fifth consecutive month below the 50-point threshold separating expansion from contraction. The US and China extended their trade truce until 10 November, providing temporary relief for export-oriented firms.

Japan's Nikkei index rose 4.1% (in JPY) in August, supported by the US-Japan trade deal agreed in late July and positive economic data. Japan's economy grew by 0.3% quarter-on-quarter in the second quarter, exceeding expectations, while core machinery orders increased 3.0% month-on-month, suggesting improving corporate capital expenditure. Inflation moderated slightly with July's headline CPI declining to 3.1% year-on-year from 3.3% in June, though it remained above the Bank of Japan's 2% target for the 40th consecutive month. The "core" inflation rate (excluding fresh food and energy) held steady at 3.4%, keeping the door open for another potential rate hike later this year.

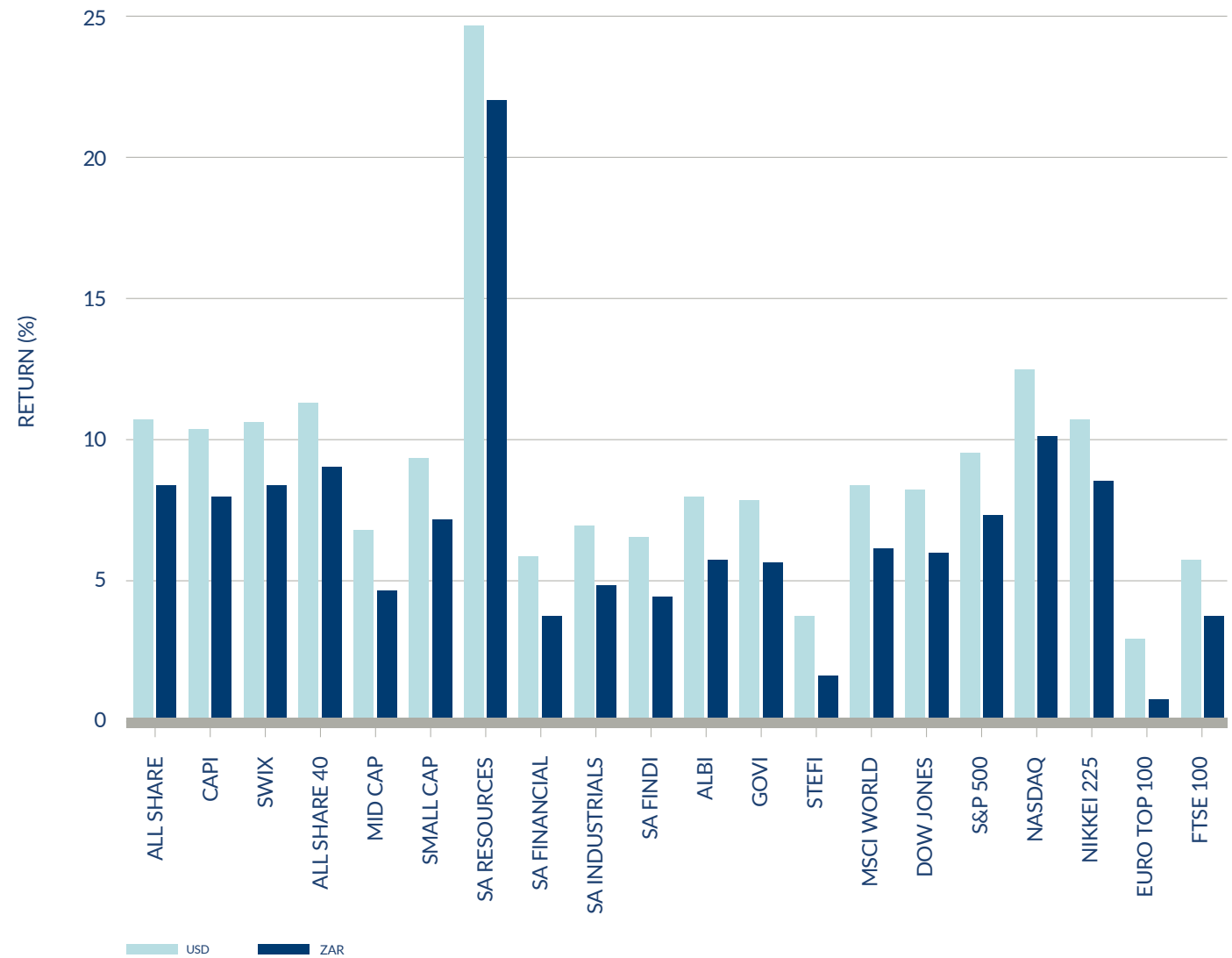
Across emerging markets, performance varied widely. The MSCI Emerging Markets ex-South Africa index gained 4.5% (in USD) in August. Indian equities faced pressure after the US imposed a 50% tariff on Indian imports, citing concerns about Russian oil purchases. South Korean stocks were affected by domestic tax reforms, while Brazilian equities benefited from improving economic conditions with the BVSPA Index rising 6.3% (in BRL) for the month.

In commodity markets, gold continued its upward trajectory, rising 4.8% to close at \$3,447.95 per ounce. Oil prices declined with Brent crude falling 5.9% to end the month at \$67.48 per barrel.

Among industrial metals, copper gained 2.7%, while platinum rose 6.1%. In currency markets, the US dollar weakened against most major currencies. The ZAR/USD exchange rate strengthened by 2.2% to close at R17.69, reflecting improved sentiment toward emerging market currencies and a broadly weaker US dollar.

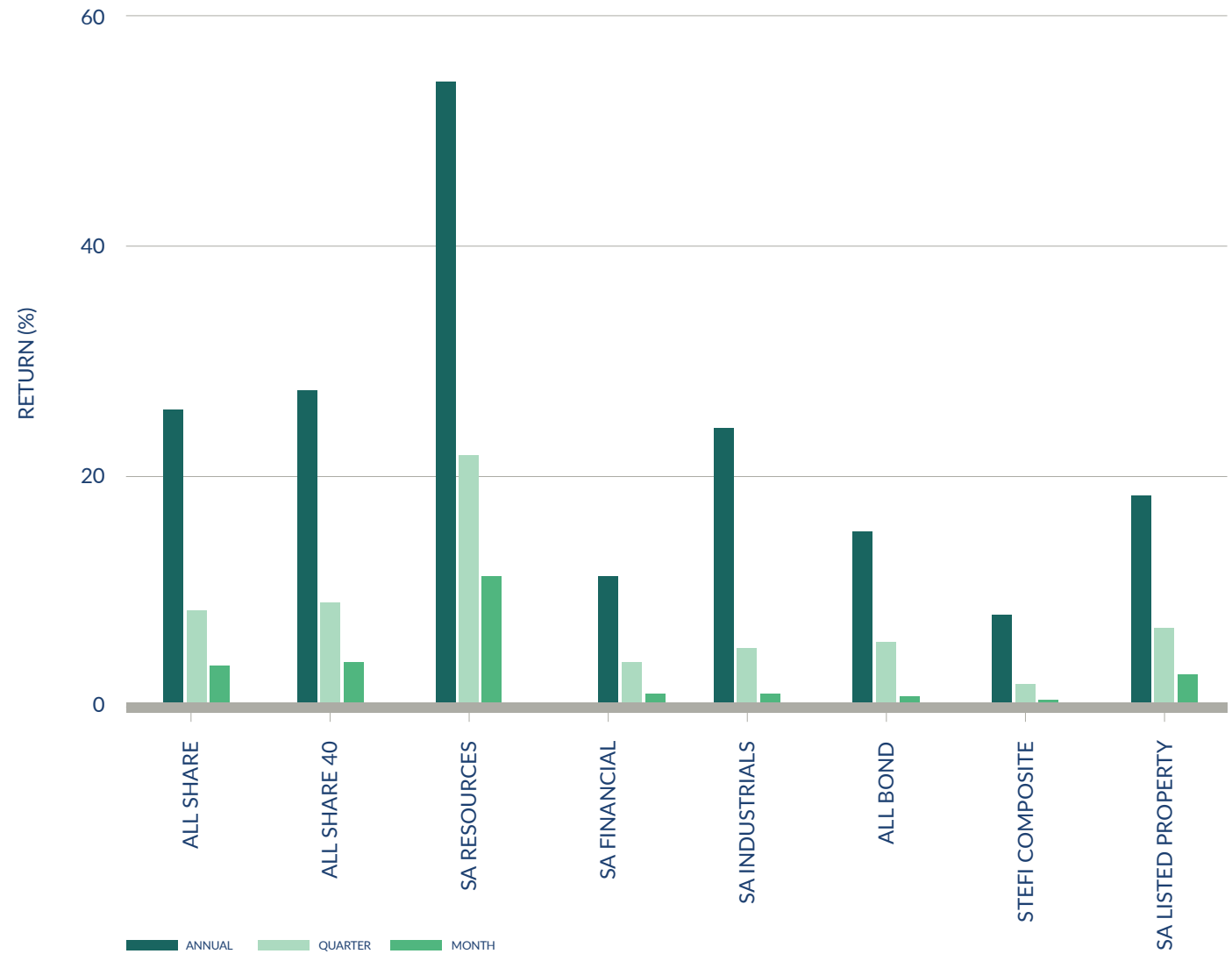
## World Market Indices Performance

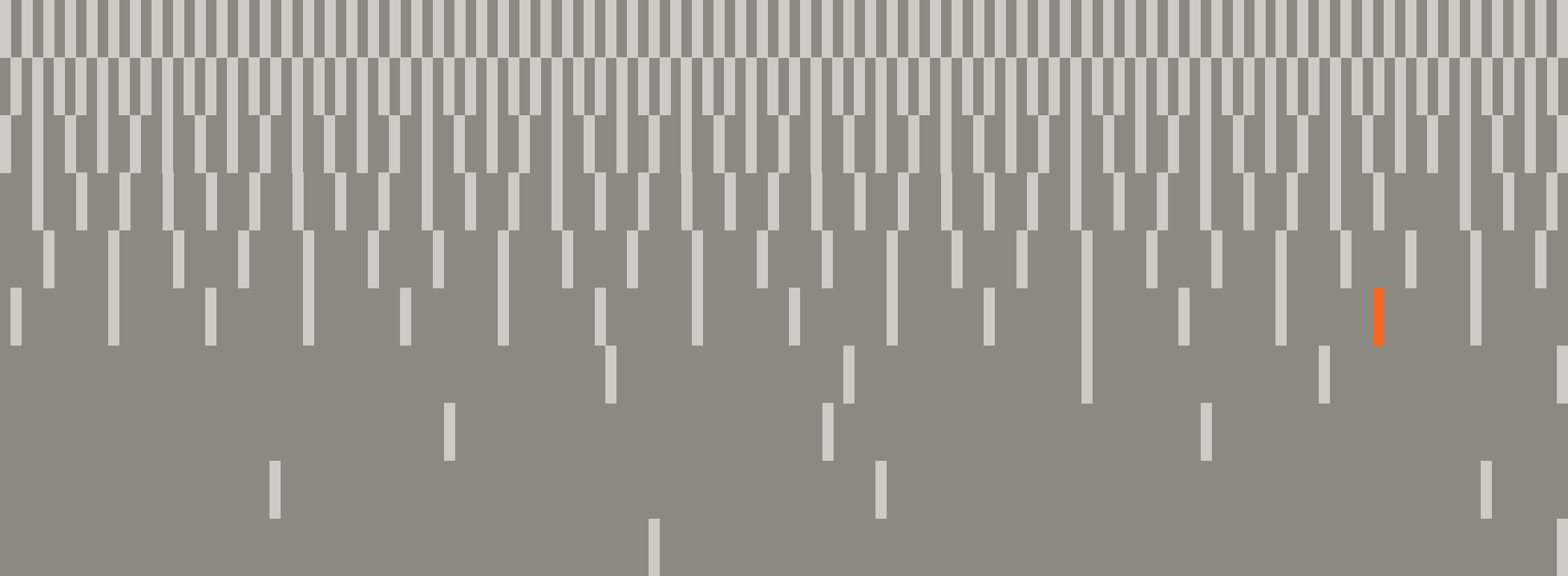
QUARTERLY RETURN OF MAJOR INDICES



## South African Market Indices Performance

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