Monthly market commentary | February 2025

If we were to summarise February in one word, it would be uncertainty. And there is generally not much that markets dislike more than uncertainty, which was also reflected in returns for the month. Concerns about the impact of the United States (US) administration's policy agenda weighed on both business and consumer sentiment, as questions about growth started to re-emerge. The S&P 500 contracted by 1.3%[1] in US dollar (USD) terms for the month. South African (SA) equities ended the month virtually flat and underperformed the Emerging Market (EM) composite. The publication of the national budget, which ended up not being tabled, illustrated again that the slow progress of economic reform that continues to stifle growth, means that SA's fiscal challenges are not likely to be resolved anytime soon.

Weak US performance was a drag on developed market equities (MSCI World), down 0.7%[1] for the month in USD terms. Continued positive momentum in Chinese technology stocks contributed to the strong returns for the MSCI China Index during February, 11.8%[1] higher in USD terms. This helped emerging markets (MSCI EM) outperform their developed market peers, up 0.5%[1] in USD terms for the month. The Indian market (MSCI India), however, pulled back significantly, 8%[1] lower for the month in USD terms, and detracting from the EM index performance. Global property (FTSE EPRA Nareit) had another positive month and was 2.2%[1] higher in USD terms.

All major fixed income sectors delivered positive returns in February, as falling US yields fed through to other parts of the market. The FTSE WGBI ended the month 1.4%[1] higher in USD terms, following last month's 0.5%[1] increase. The rand strengthened by 0.9%[1] against the USD, ending the month at R18.471 to the USD.

SA equities (FTSE/JSE Capped SWIX) were relatively flat, down 0.4%[1], and underperformed the EM composite. The resources sector pulled back, losing 7.1%[1] after a 16.3%[1] return in January. Industrials were up 2.8%[1], with big index and rand hedge shares Naspers, Prosus and AB Inbev contributing to performance. Financials also ended the month in positive territory, up 0.8%[1]. Listed property (ALPI) ended the month 0.3%[1] higher, but still down 2.8%[1] year to date, after a difficult start to the year.

SA bonds (FTSE/JSE ALBI) ended the month 0.1%[1] higher as the yield curve continued to steepen, with bonds in the seven to 12-year, and 12+ year maturities detracting from performance, down 0.03%[1] and 0.1%[1] respectively. Shorter dated instruments in the one to 3-year and three to 7-year maturities contributed 0.5%[1] and 0.3%[1] respectively. Local cash (SteFI) continued to deliver inflation-beating returns, up 0.6%[1] for the month and 8.3%[1] for the past year.

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