Monthly market commentary | January 2025

January ushered in a strong start to 2025 for investors, with global equities delivering positive returns led by European markets, which seem to have played catch-up after lagging for some time. The return of President Trump to the White House, along with his 'America First' policy agenda proved supportive for US equities, with the S&P 500 returning 2.8%[1] in US dollar (USD) terms, amidst heightened volatility driven by a series of executive orders that impacted sectors directly affected by his policies. The S&P 500 continued its impressive run and ended the 12-month period up 25.9%[1]. The month was also characterised by consequential underperformance by technology stocks post claims that DeepSeek, a Chinese AI company, had developed more efficient technology vs US rivals.

Developed market equities (MSCI World) ended the month 3.5%[1] higher in USD terms while emerging market equities (MSCI EM) ended 1.8%[1] higher in USD terms, supported by the Chinese announcements for more proactive policy support in 2025. The MSCI China ended marginally higher, up 0.9%[1] in USD terms. However, the Indian market (MSCI India) countered gains, down for the fourth consecutive month, ending the month 3.6%[1] lower in USD terms. Global property (FTSE EPRA Nareit) reacted positively to the US Federal Reserve (Fed) keeping interest rates unchanged and political shifts, up 1.4%[1] in USD terms.

The Fed keeping interest rates unchanged emphasised the need for sustained inflation improvement before cutting, resulting in an increase in US Treasury yields across the board. The 10-year Treasury yields increased by 0.20%[1] in the first two weeks of January, as President Trump's return to office fuelled investors' expectations for fiscal grants and inflation stickiness. US government bonds subsequently rallied, with the FTSE WGBI ending 0.5%[1] higher in USD terms. Fewer US interest rate cuts were supportive of a stronger USD, which drove the rand down 1.2%[1] and ending the month at R18.67 to the USD.

SA equities (FTSE/JSE Capped SWIX) outperformed the emerging market composite over the month, up 2.6%[1], and still ahead of emerging markets by a healthy margin over the past 12 months, up 19.7%[1]. Resources rebounded strongly, up 16.3%[1], while financials ended 2.8%[1] lower. Industrials delivered a positive performance, up 0.5%[1]. After outperforming all other local asset classes last year, listed property (ALPI) started 2025 poorly delivering -3%[1]. It was still up a significant 20.6%[1] for the past 12 months, placing it amongst the best performing local asset class over the past year.

SA bond yields ended the month marginally higher, as volatility increased amid concerns around the Government of National Unity's (GNU) sustainability and in response to the global macro volatility. Local bonds (FTSE/JSE ALBI) returned 0.4%[1]. The primary drivers were bonds in the one to 3-year and three to 7-year spectrum, which both delivered positive returns of 0.8%[1]. Bonds in the 12+ year maturity spectrum added 0.1%[1] and the seven to 12-year maturities 0.5%[1].

Headline inflation continued to surprise on the positive side, however, as base effects start to disappear the possibility for negative inflation surprises increases. The South African Reserve Bank (SARB) lowered the repo rate by 0.25% to 7.5%, in line with consensus, but maintained a hawkish stance amid heightened global uncertainty over US monetary policy. Local cash (STeFI) returned 0.7%[1] during the month and 8.4%[1] for the past 12 months.

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