Monthly market commentary | March 2025

Equity markets retreated in March amid rising tariff-driven economic concerns and escalating geopolitical tensions. US markets were down sharply at the start of the month before recovering some losses by month's end, with the S&P 500 down by 5.7%[1] in US dollar (USD) terms. The tech-heavy NASDAQ index declined by -8.1%[1] in USD terms. European markets fared slightly better, benefitting from ongoing rotation from investors seeking alternatives to the US, with the MSCI Europe (ex UK) 0.6%[1] lower in USD terms. South African equities (FTSE/JSE Capped SWIX) bucked the trend, delivering a strong positive performance of 3.6%[1], being the best performing asset class year-to-date, up 5.8%[1].

Elevated uncertainty stemming from the volatile nature of US trade policy dampened growth expectations in the US, while in Europe, the fiscal response has been much more forceful than many were anticipating. These factors combined pushed developed market equities (MSCI World) down 4.5%[1] in USD terms for the month. Emerging market equities (MSCI EM) outperformed developed markets, 0.6%[1] higher in USD terms, with Chinese equities (MSCI China) also up 2%[1] in USD terms. Global property (FTSE EPRA Nareit) did not escape the volatility, 2.1%[1] lower for the month.

In bond markets, yields surged initially as optimism rose. However, yields plunged sharply towards the end of the month, amid safe-haven demand ahead of Trump's tariffs announcement. It is worth noting that yields move in the opposite direction of prices (and returns), with a lower yield indicating greater demand for government debt. Global bonds (FTSE WGBI) delivered a positive return overall, up 0.7%[1] for the month in USD terms. The rand held steady, strengthening by 1.8%[2] to trade at R18.32[2] against the US dollar at month's end.

South African equities (FTSE/JSE Capped SWIX) had a strong month, up 3.6%[1]. The resources sector was the main driver of local equity returns, 18.4%[1] higher for the month and 27.9%[1] year-to-date. Industrials were down 0.3%[1] after a strong month in February, while Financials ended the month flat. Listed property (ALPI) ended the month 1.5%[1] lower and down 4.2%[1] year-to-date.

SA bonds (FTSE/JSE ALBI) ended the month in positive territory, up 0.2%[1] overall. However, the yield curve continued to steepen in March as bonds at the long end of the curve, in the 12+ year spectrum, came under pressure in response to the budget, down 0.7%[1]. Shorter dated instruments in the one to 3-year and three to 7-year maturities contributed 0.8%[1] and 1%[1] respectively, to offset losses from longer dated bonds, while bonds in the seven to 12-year spectrum contributed 0.4%[1]. As the South African Reserve Bank (SARB) kept the repo rate unchanged at 7.5%, in line with the consensus forecast, local cash (SteFI) continued to deliver inflation-beating returns, 0.6%[1] higher for the month and 8.3%[1] over the past year.

During times of sharp market movements, caution and patience is required. Even though March saw sharp swings driven by intensifying concerns over tariffs, unsettling markets and elevating volatility, a diversified approach to portfolio construction remains the best tool to navigate uncertainty.

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