Monthly Market Report

April 2025

CARTESIAN CAPITAL

Index	Open	Close	% Change
JSE FTSE ALSI Top 40	81,410.32	84,225.99	3.46%
S&P 500	5,611.85	5,569.06	-0.76%
Nasdaq Composite	17,299.29	17,446.34	0.85%
Dow Jones Industrial	42,001.76	40,669.36	-3.17%
FTSE 100	8,582.81	8,494.85	-1.02%
Nikkei	35,617.56	36,045.38	1.20%
Hang Seng	23,119.58	22,119.41	-4.33%
DAX	22,163.49	22,496.98	1.50%
CAC 40	7,790.71	7,593.87	-2.53%

Commodity	Open	Close	% Change
Gold	3,123.57	3,288.71	5.29%
Platinum	997.81	969.96	-2.79%
Iron Ore	100.99	96.31	-3.73%
Brent Crude Oil	74.74	63.12	-15.55%

Currency	Open	Close	% Change
USD-ZAR	18.3227	18.6057	1.54%
EUR-ZAR	19.8197	21.0746	6.33%
GBP-ZAR	23.6701	24.9162	5.26%

Source: Bloomberg

Local and Global Macro Economic Perspectives

South Africa

26.1029°S, 28.0576°E

April saw the FTSE/JSE Top 40 Index rise by 3.46%, supported by strong gains in gold and platinum stocks as commodity prices climbed. The market faced pressure from a weaker rand and the impact of U.S. tariffs on South

African exports, which hurt sectors like manufacturing and agriculture. Political instability also created uncertainty, but resource stocks helped the index end the month in positive territory.

South Africa's Government of National Unity (GNU) found itself grappling with a highly contentious proposal to increase VAT. Finance Minister Enoch Godongwana had originally put forward this plan to bridge a significant revenue gap of R75 billion, but the idea was met with fierce opposition, particularly from the Democratic Alliance. They argued that such a tax hike would hit the country's poorest households the hardest, exacerbating the already deep economic inequalities. The debate intensified, with the DA and EFF even taking the matter to court, and the growing resistance eventually forced the finance minister to backtrack on the VAT increase. In response to the political backlash, the finance ministry announced it would present a revised budget on the 21st of May 2025, focusing on stabilising public debt and finding alternative solutions to the revenue shortfall.

In the wake of the VAT debacle, tensions within South Africa's Government of National Unity (GNU) reached a boiling point, pushing the coalition to the brink of collapse. This political uncertainty had immediate economic consequences. The rand, already under pressure from global risk aversion, slumped to its weakest level in history. Foreign investors, already wary of South Africa's economic trajectory, responded by pulling capital out of the market, pushing the currency lower, and bond yields higher.

South Africa's consumer inflation cooled to 2.7% year-on-year in March, down from 3.2% in February and below the Bloomberg consensus of 3.0%, marking the lowest reading since the 2020 Covid-19 lockdowns. The deceleration was driven mainly by lower fuel prices and a softer rise in education fees, which rose 4.5% versus 6.4% last year. Food inflation ticked up to 2.2%, but staple items like maize meal and hot beverages remain pressure points, with maize meal up 13.1% year-on-year and instant coffee 18.8% higher. While the print sits below the SARB's 3–6% target band, rate cuts remain uncertain, as the MPC is likely to tread carefully given ongoing global instability tied to the U.S. trade war. Nonetheless, if inflation remains subdued in the months ahead, it could pave the way for policy easing later this year.

United States

40° 42' 24.7572" N, 74° 0' 40.554" W

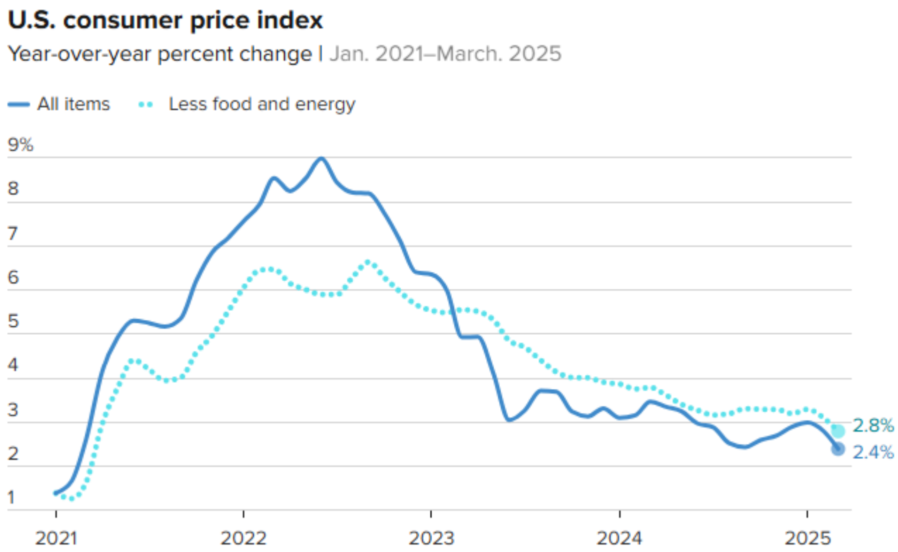
U.S. equity markets were unsettled in April, as the rollout of President Trump's new tariff regime weighed on sentiment and sparked renewed concerns about global trade. The Dow Jones Industrial Average fell 3.17%, dragged down by losses in industrial and energy stocks. The S&P 500 slipped 0.76%, with many companies pulling their guidance or lowering expectations due to the uncertain economic outlook. In contrast, the Nasdaq Composite managed a 0.85% gain, supported by resilience in large-cap tech.

April saw increased volatility following President Donald Trump's announcement of 'Liberation Day' tariffs, which reignited the trade war between the U.S. and China. The tariffs included a blanket 10% duty on all imports, with Chinese goods facing significantly higher rates, reaching 145% by mid-month. In response, China quickly imposed retaliatory tariffs of up to 125% on U.S. exports, leading to a sharp sell-off in global markets. The S&P 500 dropped 12% in early April, while Asian markets also saw steep declines, with the Hang Seng Index falling over 10% in a single day. In an effort to ease market pressure, the White House suspended most new tariffs for 90 days, with the exception of those targeting China.

During April, President Trump also escalated his criticism of the Federal Reserve, questioning its independence. He publicly attacked Jerome Powell, claiming that his own understanding of interest rates was superior, and suggested Powell's removal was long overdue - despite legal experts confirming that a sitting Fed Chair cannot be dismissed without cause. Trump's rhetoric contributed to market volatility, as investors grew increasingly concerned about potential political interference in monetary policy.

The U.S. economy contracted by 0.3% in Q1’2025, marking the first decline since Q1’2022. This contraction was largely driven by a 41.3% surge in imports, as businesses rushed to stockpile goods ahead of Trump's tariffs. While imports reduced Q1 GDP, this trend may reverse in the coming quarters, potentially mitigating the overall impact.

March inflation came in softer than expected. The consumer price index (CPI) fell 0.1% month-over-month, bringing the annual inflation rate down to 2.4% from 2.8% in February. Core inflation, excluding food and energy, rose by 0.1% month-over-month, but its annual rate slowed to 2.8% (from 3.1%), the lowest level since March 2021. A drop in energy prices, particularly gasoline, played a key role in moderating inflation, while food prices saw a modest 0.4% increase, mainly due to a continued rise in egg prices. Shelter costs rose by just 0.2%, the smallest increase since late 2021, signalling some cooling in one of the more persistent inflation components. Despite concerns over the inflationary impact of President Trump's ongoing tariffs, March's data suggests inflation pressures have eased, leading to market expectations for potential rate cuts later in the year.



(Source: US Bureau of Labor Statistics)

United Kingdom

51°30'32.39" N, 0°05'33.90" E

The FTSE 100 index fell 1.02% over the month as investors continue to grapple with global trade policy uncertainty.

The UK economy grew by 0.5% MoM in February, beating the consensus estimate by 0.4 percentage points. The growth was driven primarily by a 0.3% gain in the services sector, up from a 0.1% increase in January. Production output also rebounded, growing 1.5% month-on-month after a 0.5% contraction the previous month. Construction activity recovered as well, rising by 0.4% in February compared to a 0.3% decline in January. Despite the February rebound, the U.K. economy has struggled for momentum over the past year, with GDP growth of just 0.1% in the fourth quarter of 2024 after stagnating in the previous quarter.

U.K. consumer inflation continued to moderate in March, with headline CPI rising 2.6% YoY, slightly below the 2.7% consensus estimate and down from 2.8% in February. On a month-on-month basis, prices increased by 0.3%, also coming in below the expected 0.4% rise. The slowdown was broad-based, as annual goods inflation eased to 0.6% from 0.8%, while services inflation softened to 4.7% from 5.0%. Core CPI, which excludes energy, food, alcohol, and tobacco, eased to 3.4% as anticipated, down from 3.5% in February. Inflation remains above the Bank of England's 2% target.

The UK manufacturing sector remained under pressure in March, with the S&P Global UK Manufacturing PMI dropping sliding to a 17-month low of 44.9 in March from 46.9 in February. Business optimism also weakened sharply, hitting its lowest point since November 2022, as declines in output, new orders, and export demand deepened. March marked the fifth straight month of falling output, with the rate of contraction the sharpest since October 2023. The end of the first quarter saw manufacturing conditions deteriorate further, with faster rates of decline in both production and new orders. Persistent challenges such as rising costs, uncertain government policy, heightened geopolitical risks, and looming tariff threats weighed on current activity and future expectations, driving business confidence down to a two-and-a-half-year low. The UK Services PMI rose to 52.5 in March from 51.0 in February and reached its highest level since August 2024, mainly driven by strong performances in the technology and financial services sectors. Despite the recovery, service sector firms remained cautious about the short-term outlook, with business confidence remaining near two-year lows.

Eurozone

51°30'32.39" N 0°05'33.90" E

European equity markets ended the month on a mixed note, while the Euro posted its strongest monthly gain against the dollar in three years, climbing 4.73%. Optimism over Germany's proposed fiscal stimulus lifted the euro, while concerns over Trump's economic policies weighed on the greenback. Germany's DAX advanced 1.50% MoM, but France's CAC 40 slipped 2.53%. The broader Euro Stoxx 600 index declined 1.21% MoM.

The European Central Bank cut its benchmark rate by 25 basis points to 2.25% in April, as widely expected. This marks the ECB's seventh rate cut over the past year, as easing inflation and evolving global trade risks cloud the outlook. President Christine Lagarde emphasised that economic uncertainty remains exceptionally high, particularly in light of potential U.S. tariff actions against the EU. While the ECB dropped references to rates being "restrictive," Lagarde stressed a data-dependent, meeting-by-meeting approach going forward. The ECB warned that a full impact assessment of trade tensions would only be possible later in the year.

Eurozone inflation cooled further to 2.2% YoY in March from 2.3% in February. Inflation rates varied widely across member states: France recorded the lowest rate at 0.9%, while Romania posted the highest at 5.1%. Compared to February, annual inflation fell in 16 countries, remained unchanged in one, and rose in ten. Services were the largest contributor to Eurozone inflation, followed by food, alcohol and tobacco. Economists note that softer inflation, heightened uncertainty, and US tariffs on European goods are likely to keep downward pressure on growth and prices, paving the way for further easing later this year.

The Eurozone manufacturing sector contracted at a softer pace in March with the HCOB Eurozone Manufacturing PMI inching higher to 48.6 from February's 47.6 reading. Encouragingly, manufacturing output expanded for the first time in two years, growing at the fastest pace since May 2022, even as new business volumes declined. The services sector saw modest growth with the HCOB Eurozone Services PMI improved to 51.0 in March, exceeding both the preliminary estimate and February's figure of 50.6. This resulted in a composite PMI reading of 50.9 marking the third straight month of expansion. Despite the improvement in activity, business confidence slipped to its weakest level since December.

China

31° 14′ 12.3″ N, 121° 30′ 31.5″ E

The Hang Seng and Shanghai Composite indices declined by 4.33% and 1.70% respectively in April as US tariffs on Chinese goods surged to 145%, with no negotiations yet underway between the world's two largest economies.

China's economy grew faster than expected in the first quarter, expanding by 5.4% (versus the consensus estimate of 5.1%), supported by strong consumer spending and industrial production. However, this momentum could soon falter, with US tariffs presenting a meaningful threat to China's growth prospects in decades. President Donald Trump has sharply increased tariffs on Chinese exports, leading Beijing to impose retaliatory duties on US goods, escalating tensions between the world's two largest economies. Retail sales rose 5.9% YoY, well above forecasts of 4.2%, while industrial production jumped 7.7% compared to expectations of 5.8%. China has set a 2025 GDP growth target of around 5%, but this will be difficult to meet due to the escalating trade war and ongoing domestic consumption challenges.

China kept its benchmark lending rates unchanged for the sixth consecutive month on Monday, in line with market expectations. Stronger-than-anticipated first quarter GDP growth reduced the immediate pressure for monetary easing, even as markets still anticipate more stimulus measures in the coming months to help sustain economic momentum amid a worsening trade conflict with the US. Policymakers are also cautious due to a weakening yuan and narrowing profit margins for banks, which limit the room for further rate cuts.

China's consumer prices fell for a second consecutive month in March, while producer price deflation deepened amid global trade disruptions. The consumer price index (CPI) declined 0.1% YoY in March, following a 0.7% fall in February. The consensus expectation was for prices to remain flat. Producer prices dropped for the 29th straight month, falling 2.5% YoY, the sharpest decline since November 2024 and worse than the consensus estimate for a 2.3% fall. Core inflation, which excludes volatile food and energy prices, rose 0.5% in March, up from a 0.1% drop in February.

China's Caixin Manufacturing Purchasing Managers' Index (PMI) climbed to 51.2 in March, up from 50.8 in February, slightly exceeded market expectations of 51.1. Manufacturers benefited from improved market conditions and promotional efforts, with output rising for the 17th consecutive month and at the quickest pace in four months. The subindex for total new orders remained in expansion territory for the sixth month in a row. China's services sector grew at its fastest pace in three months during March, with business activity and new orders improving from February. The Caixin/S&P Global Services Purchasing Managers' Index (PMI) rose to 51.9 in March from 51.4 in February, marking the highest level since December. However, growth prospects face new headwinds as Trump's tariffs pose a major threat to China's export-driven momentum.

Japan

35° 40' 34.55" N, 139° 46' 26.21" E

Japan's benchmark Nikkei index rebounded in April, rising 1.20% and marking its first monthly gain since December. The recovery came as investors grew cautiously optimistic about progress in U.S.-Japan tariff talks, with Japan's chief negotiator traveling to Washington for further discussions. Despite weaker-than-expected factory output in

March — largely driven by a slump in motor vehicle production — markets regained stability as hopes of easing trade tensions lifted sentiment.

Japan's headline inflation moderated slightly in March, with headline CPI rising 3.6% YoY, down from 3.7% in February, marking the lowest reading since November 2024. Food inflation eased slightly (7.4% vs 7.6%), despite a sharp 92% surge in rice prices linked to poor harvests, surging tourist demand, and government stockpile releases. Energy inflation also cooled, helped by subsidies, with electricity and gas price growth slowing further. Core inflation, which excludes fresh food but includes energy, accelerated to 3.2% YoY from 3.0%, matching market expectations. The "core-core" inflation figure — which strips out both food and energy and is closely watched by the Bank of Japan (BOJ) — rose to 2.9% YoY, up from 2.6% in February. The rise was driven largely by higher costs for goods rather than services, with services inflation up just 1.4% versus a 5.6% rise in goods prices. The data reinforces the view that cost-push pressures, especially from food and imported goods, remain persistent. However, rising U.S. tariffs have introduced new downside risks to Japan's export-led economy. Forecasts from economists now anticipate weaker GDP growth and a delay to further BOJ rate hikes. While underlying inflation remains above the BOJ's 2% target, supporting the case for gradual policy normalisation, economic uncertainty linked to trade tensions may force a more cautious approach. Markets now expect just one further BOJ rate hike by early 2026, compared to earlier expectations of two hikes.

Japan's economic momentum softened in March, with the Au Jibun Bank Japan Composite PMI falling to 48.9, down from 52.0 in February, signalling the steepest contraction in private sector activity since November 2022. The decline was led by a sharper downturn in manufacturing output and stagnating service sector growth. Manufacturing PMI was revised slightly higher to 48.4 but remained in contraction for a ninth consecutive month. Factory activity weakened further as production and new orders fell sharply amid subdued domestic and overseas demand. Firms responded by cutting purchases and running down inventories, although hiring activity picked up at the fastest pace this year. Input costs rose — driven by higher labour, material, and energy prices as well as yen weakness — but output inflation moderated to a five-month low. Business sentiment, while slightly improved, remained near multi-year lows. The Services PMI recorded a neutral reading of 50.0, a marginal improvement from preliminary estimates but down sharply from February's six-month high. Growth in new orders slowed, export orders expanded more moderately, and job creation eased. Businesses faced sharply rising input costs, yet competitive pressures led to a softening in output price inflation.