

Monthly Market Report

June 2025



Index	Open	Close	% Change
JSE FTSE ALSI Top 40	86553.42	88757.81	2.55%
S&P 500	5911.69	6204.95	4.96%
Nasdaq Composite	19113.77	20369.73	6.57%
Dow Jones Industrial	42270.07	44094.77	4.32%
FTSE 100	8772.38	8760.96	-0.13%
Nikkei	37965.1	40487.39	6.64%
Hang Seng	23289.77	24072.28	3.36%
DAX	23997.48	23909.61	-0.37%
CAC 40	7751.89	7665.91	-1.11%

Commodity	Open	Close	% Change
Gold	3289.25	3303.14	0.42%
Platinum	1057.84	1359.42	28.51%
Iron Ore	95.64	94.3	-1.40%
Brent Crude Oil	63.9	67.61	5.81%

Currency	Open	Close	% Change
USD-ZAR	18.0027	17.7118	-1.62%
EUR-ZAR	20.4121	20.8752	2.27%
GBP-ZAR	24.2204	24.3234	0.43%

Source: Bloomberg

Local and Global Macro Economic Perspectives



South Africa

26.1029°S, 28.0576°E

South Africa's economy recorded slight growth of just 0.1% quarter-on-quarter in Q1 2025, highlighting the fragile state of the recovery. The marginal expansion was driven almost entirely by a 15.8% surge in agricultural output, while key sectors like mining (-4.1%) and manufacturing (-2.0%) posted declines. Only four of ten industries reported positive growth. Annual GDP growth came in at 0.8% year-on-year, slightly ahead of market expectations, but the broader picture remains weak. The economy continues to underperform, with structural challenges such as logistics bottlenecks and weak investment weighing on momentum. Statistics South Africa also revised down Q4 2024

growth to 0.4% (from 0.6%). Consumer activity showed modest improvement, aided by lower inflation and early access to pensions via the two-pot reform, but gross fixed capital formation fell 1.7%, reinforcing concerns about a lack of investment-led growth. Net exports detracted from GDP, as import growth outpaced exports. While business and consumer sentiment has improved following the formation of a Government of National Unity (GNU), this has yet to translate into stronger output. The South African Reserve Bank (SARB) recently downgraded its 2025 GDP growth forecast from 1.7% to 1.2%, underscoring the persistent headwinds facing the economy.

Headline consumer inflation held steady at 2.8% year-on-year in May, matching April's five-year low and remaining below the SARB's 3%-6% target range. While overall price pressures stayed subdued, a notable acceleration in food inflation presents a growing risk. The main drivers of annual inflation were food and non-alcoholic beverages (4.8%), housing and utilities (4.5%), and alcohol and tobacco (4.3%), while transport costs fell sharply by 4.8% due to ongoing fuel price disinflation. On a monthly basis, the consumer price index (CPI) rose just 0.2%, the smallest increase in five months. Core inflation remained unchanged at 3.0%, suggesting that underlying price trends are still well anchored. Risks remain tilted to the upside, with geopolitical tensions and trade-related uncertainty still potential threats to the inflation outlook. The next Monetary Policy Committee meeting in July is expected to result in no change to interest rates.

South Africa's manufacturing sector remained under pressure in May, with the seasonally adjusted Absa PMI falling to 43.1, down from 44.7 in April. This marks the seventh consecutive month below the neutral 50-point threshold, and the sharpest contraction since April 2020, pointing to continued weakness in factory activity. Persistent logistical challenges, policy uncertainty, regional trade disruptions, and tariff concerns continue to weigh heavily on the sector. While the business activity index improved slightly to 43.4 and new sales orders rose to 38.3, both remain firmly in contractionary territory, reflecting weak demand and ongoing operational headwinds. The employment index deteriorated further, marking 14 consecutive months of decline. Inventories slipped to 44.7, and respondents flagged material shortages and fragile supply chains. Although supplier delivery times improved, this likely reflects weaker demand rather than easing logistics constraints, particularly as issues at Transnet continue to disrupt freight rail and port operations. On a positive note, business expectations surged, with the index tracking future conditions rising to 62.5, the highest since late 2024. Optimism was driven by the suspension of global tariffs and hopes that domestic policy uncertainty will ease under the new political landscape. Input cost pressures also moderated, with the purchasing price index falling sharply to 60.4 on the back of lower fuel prices and a stronger rand. The outlook will depend on sustained domestic demand recovery, resolution of logistics bottlenecks, and greater policy certainty.



United States

40° 42' 24.7572" N, 74° 0' 40.554" W

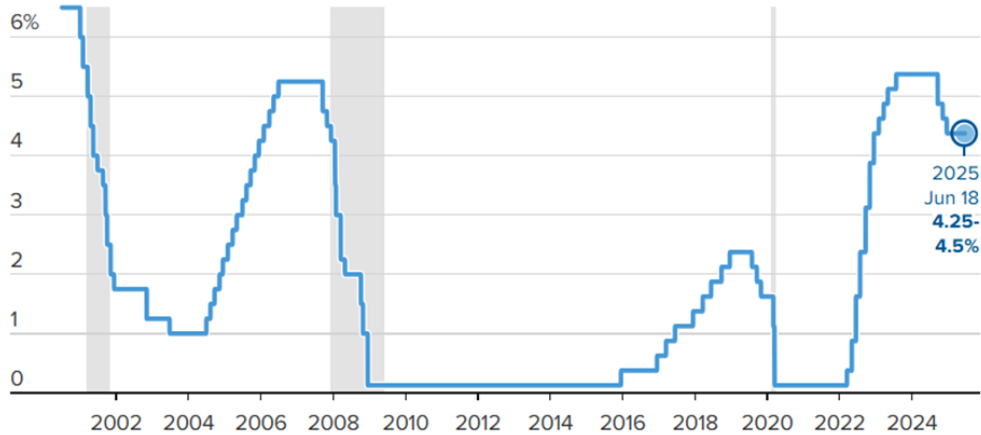
The S&P 500 (+4.96% MOM) surged to a new record high toward the end of June and again on the final trading day, completing a powerful 24% rebound from April's tariff-induced sell-off. This recovery unfolded over just 89 trading days, marking the fastest-ever recovery back to a record close following a decline of at least 15%. The Nasdaq soared 6.57% for the month, and the Dow Jones Industrial Average rose 4.32%, with both indices closing June on a strong and confident note.

The Federal Reserve held its policy rate steady at 4.25%-4.5% in June, where it has remained unchanged since December 2024. In its updated Summary of Economic Projections (SEP), the Fed maintained its guidance for two rate cuts in 2025 but signalled a slower pace of easing thereafter, trimming one cut each from the 2026 and 2027 forecasts. The June SEP also reflected a more stagflationary outlook compared to the March update: GDP growth

for 2025 was revised down to 1.4% (from 1.7%), while core PCE inflation was revised up to 3.1% (from 2.8%). The unemployment rate is now expected to rise slightly to 4.5%, up from the previous projection of 4.4%.

U.S. federal funds target rate

July 2000–June 2025



(Source: Federal Reserve Bank of New York)

US job growth moderated in May, with nonfarm payrolls increasing by 139,000, slightly above economists' expectations of 126,000, while the unemployment rate held steady at 4.2 percent. However, revisions to March and April data reduced combined job gains by 95,000 from earlier estimates, indicating more cautious hiring amid uncertainties related to the Trump administration's tariff policies. Strength persisted in service sectors such as health care, social assistance, leisure, and hospitality, supporting job creation despite signs of a broader slowdown. Core PCE, the Fed's preferred inflation measure, rose 0.2% in May, pushing the annual rate to 2.7%, slightly above expectations of 2.6%. Overall inflation increased 0.1% month over month, keeping the year-over-year rate steady at 2.3%, in line with forecasts. These figures highlight persistent inflationary pressures, especially in the services sector where prices increased 3.4% over the past year, while goods prices remained mostly flat. Meanwhile, consumer spending and personal income declined by 0.1% and 0.4% respectively.

Atlanta Fed GDP Now Reading



After briefly slipping into negative territory earlier this year, the Atlanta Fed's GDPNow model has since recovered. As of end of June, it estimates second-quarter US GDP growth at 2.9%. The model closely tracks incoming data using a methodology similar to the Bureau of Economic Analysis, but without any discretionary adjustments.



United Kingdom

51°30'32.39" N, 0°05'33.90" E

The UK economy experienced its sharpest monthly decline since 2023 in April, with GDP shrinking by 0.3%, a steeper drop than the 0.1% contraction economists had forecast. The decline followed 0.2% growth in March and reflects growing challenges for Chancellor Rachel Reeves as she tries to stimulate growth to fund government spending. The services sector, which makes up the bulk of the economy, contracted by 0.4%, with the end of a tax incentive on home purchases hitting legal and real estate firms. Meanwhile, exports to the US dropped by a record amount, likely due to front-loaded activity ahead of new tariffs introduced by President Trump in April. Despite 0.7% GDP growth in Q1 2025, the Bank of England expects a slowdown to just 0.1% in Q2.

The Bank of England kept its benchmark interest rate steady at 4.25% at its latest meeting, with most economists now expecting the next cut to come in August. Of the nine members on the Monetary Policy Committee (MPC), six voted to hold rates, while three supported a 25 basis point reduction. After the announcement, Governor Andrew Bailey signalled that rate cuts could be on the horizon, potentially as soon as August. He noted that rates are “on a gradual downward path,” but cautioned that global uncertainty remains high. Bailey flagged concerns about the labour market and wage pressures, and said the Bank is closely watching developments in the Middle East, particularly rising oil prices and their potential impact on inflation.

The UK’s inflation rate eased slightly to 3.4% YoY in May, down from 3.5% in April and in line with expectations. The biggest downward driver was transport costs, which slowed to 0.7% from 3.3%, largely due to a 5% drop in airfares, affected by the timing of Easter and school holidays, as well as lower fuel prices. A correction in the Vehicle Excise Duty data, which had overstated April’s figures, also contributed to the decline. Housing and household services inflation moderated to 6.9% from 7%, with owner occupiers' housing costs easing to 6.7% from 6.9%. Services inflation also cooled, falling to 4.7% from 5.4%. On the upside, the strongest inflationary pressures came from food and non-alcoholic beverages, which rose 4.4% YoY, up from 3.4%, driven by increases in prices for chocolate, confectionery, and ice cream. Furniture and household goods also saw prices rise by 0.8%, the highest since December 2023. Month-on-month, the Consumer Price Index (CPI) increased by 0.2%.

The seasonally adjusted S&P Global UK Manufacturing PMI rose to 46.4 in May from 45.4 in April, but remained below the neutral 50.0 threshold for the eighth consecutive month, indicating continued contraction. Manufacturers continued to face headwinds from weak global demand, volatile trading environments, and rising input costs. As a result, output, new orders, exports, and employment all fell, with four of the five key PMI components signalling ongoing contraction.



Eurozone

51°30'32.39" N 0°05'33.90" E

The eurozone and EU economies grew by 0.6% QoQ in 1Q25, surpassing the consensus expectation of 0.3%. Stronger exports played a key role in boosting GDP, with eurozone exports rising by 1.9%. Investment also contributed positively, increasing by 1.8% in both the euro area and the broader EU, up from 0.7% and 0.6%, respectively, in the previous quarter. Among individual member states, Ireland recorded the strongest quarterly growth at 9.7%, followed by Malta at 2.1% and Cyprus at 1.3%, while Luxembourg experienced the largest

contraction, with GDP down 1%. The eurozone saw a 0.2% rise QoQ in employment, compared to 0.7% growth a year earlier.

The European Central Bank (ECB), as widely expected by the markets, opted to cut its key deposit rate for the 8th time in the past year by 25 basis points to 2%, its lowest level in more than two years. ECB President Christine Lagarde acknowledged that the current monetary policy cycle is likely approaching its end, saying, “We are in a good place” and emphasised that the decision was “virtually unanimous” among policymakers. The ECB revised its inflation forecast for 2025 downward, now expecting price growth to align with the 2% target. Having raised rates sharply to combat surging inflation, the central bank now appears confident that price pressures are under control. Growth expectations for 2025 were left unchanged at 0.9%.

Eurozone consumer inflation came in at 1.9% YoY in May 2025, down from 2.2% in April and falling below the European Central Bank’s 2% target for the first time since September 2024. The decline was mainly due to a sharp slowdown in services inflation, which dropped to 3.2% from 4.0%, its lowest rate since March 2022. Energy prices continued to contract, falling 3.6% YoY, while inflation for non-energy industrial goods held steady at 0.6%. Food, alcohol, and tobacco inflation picked up slightly, rising to 3.2% from 3.0% in April. Core inflation, which excludes volatile food and energy prices, also eased, reaching 2.3%, its lowest level since January 2022.

The HCOB Eurozone Manufacturing PMI was confirmed at 49.4 in May 2025, slightly higher than April’s 49.0. This marked the slowest contraction in the manufacturing sector since August 2022, with output growing for the third month in a row. New orders showed signs of stabilising after nearly three years of continuous declines, and the pace at which backlogs were cleared eased to its slowest since June 2022. In terms of pricing, input costs fell for a second consecutive month, recording the steepest drop in 14 months, while output prices declined for the first time since February. Looking ahead, business sentiment strengthened, reaching its highest level in over three years.

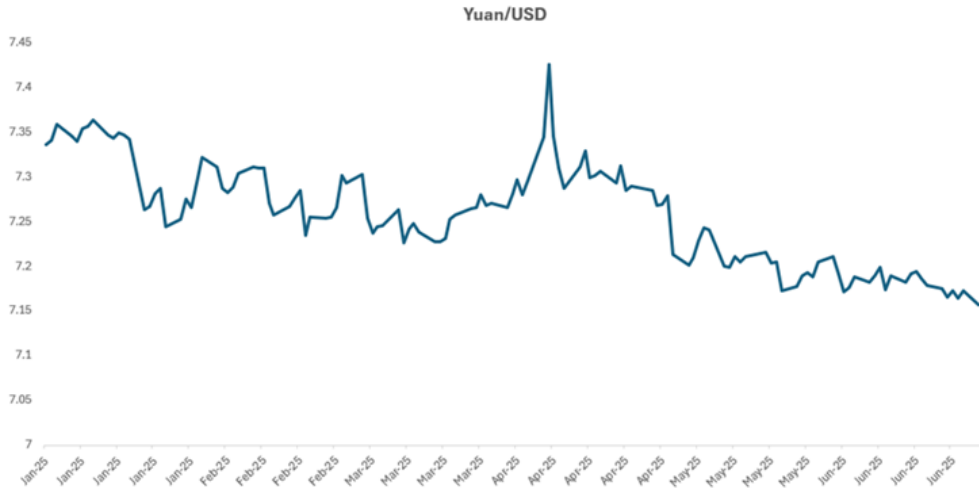


China

31° 14' 12.3" N, 121° 30' 31.5" E

The Hang Seng Index rose 3.36% in June, closing the month decisively higher. Mainland equities followed suit, with the CSI 300 advancing 1.37% over the month.

China held its benchmark lending rates steady in June, keeping the one-year loan prime rate at 3% and the five-year rate at 3.5%, following a modest 10 basis point cut in May - the first easing move since October last year. The decision to hold rates comes as trade tensions with the United States ease, after both sides agreed to uphold a deal reached in Geneva that allows rare earth and technology trade to resume while suspending punitive tariffs. This truce has helped calm market nerves and lifted the yuan, which has regained ground after hitting record lows in April.



With less pressure on the currency, the People's Bank of China appears to have more room for policy flexibility, though officials seem satisfied with the current stance. Economists expect Beijing to take a measured approach to further stimulus in the near term, favouring limited interest rate cuts while focusing more on structural ways to support growth. Still, as the initial boost from frontloaded activity fades, additional easing could be needed later this year.

China's consumer prices fell for the fourth consecutive month in May, deepening concerns about deflation as domestic demand remains weak. The consumer price index declined 0.1% year on year, following a 0.7% drop in February and 0.1% declines in both March and April. This persistent price weakness is partly driven by a fierce price war in the automotive sector and falling property prices. In response, policymakers are calling for more targeted stimulus measures to boost consumption amid these ongoing challenges.

China's manufacturing activity contracted for the third straight month in June, with the official PMI rising slightly to 49.7 but staying below the growth threshold of 50. Production and new orders improved modestly, while factory inventories continued to decline. The non-manufacturing PMI edged up to 50.5, driven by stronger construction activity. Export orders showed signs of recovery following the recent U.S.-China trade truce, but manufacturers still face challenges from weak demand, excess supply, and high tariffs.



Japan

35° 40' 34.55" N, 139° 46' 26.21" E

The Japanese economy stalled in the first quarter of 2025, with GDP flat quarter-on-quarter, an improvement on the initial estimate of a 0.2% contraction but a sharp deceleration from 0.6% growth in Q4 2024. The revised data showed slightly stronger private consumption (+0.1%) and business investment (+1.1%), helped by government support measures aimed at easing the burden of higher food and energy prices. Inventories also provided a modest boost. However, external trade weighed heavily on growth. Net exports subtracted 0.8 percentage points from GDP as exports declined for the first time in a year, while imports surged ahead of anticipated U.S. tariff hikes. Government spending fell 0.5%, its first decline in five quarters. Despite the upward revisions, the data confirm that Japan entered 2025 on a weaker footing, even before the latest round of U.S. tariffs came into effect. With heightened global uncertainty and fragile domestic demand, the Bank of Japan is expected to maintain a cautious stance in the near term.

Japan's core consumer inflation, which excludes energy prices, surged to 3.7% year-on-year in May driven largely by a sharp spike in rice prices, which more than doubled (up 101.7% y/y). This marks the third consecutive month of outsized gains in rice costs, prompting government intervention via emergency stockpile releases. The so-called "core-core" inflation measure, which excludes both fresh food and energy and is closely monitored by the Bank of Japan (BOJ), rose to 3.3%, reinforcing expectations that inflationary pressures remain sticky. While headline inflation edged slightly lower to 3.5%, May marked the 38th straight month of CPI exceeding the BOJ's 2% target.

Despite keeping rates steady at 0.5% in its latest meeting, the BOJ maintained a tightening bias, citing pass-through effects from higher wages and elevated food costs. Governor Ueda reiterated that further rate hikes remain on the table, though emphasised the need to monitor downside risks to growth, particularly from slowing GDP (-0.2% q/q in Q1) and ongoing global trade uncertainties. Market speculation is building around a potential rate hike in the coming months, particularly if food-driven inflation persists. However, policymakers are treading carefully, as underlying inflation dynamics remain uncertain amid a soft economic backdrop and geopolitical risks affecting energy prices.

Japan's Composite PMI eased to 50.2 in May, down from 51.2 in April, indicating a slowdown in overall private sector growth. The slight expansion was supported by continued, albeit weaker, growth in services, while manufacturing remained in contraction for an 11th straight month. The Manufacturing sector saw a reading of 49.4, reflecting a softer contraction driven by easing declines in new orders and modest output shrinkage. However, subdued demand, particularly from overseas amid U.S. tariffs, kept conditions weak. On the upside, employment in the sector rose at the fastest pace in over a year, and inflationary pressures on input and output prices eased. The Services PMI was revised to 51.0 but slowed from April's reading of 52.4, as client demand softened and trade uncertainty weighed on foreign sales. Employment growth slowed, though providers continued to pass through elevated input costs to customers. Despite the moderation, business confidence picked up, offering a more optimistic outlook.