JULY 2025

Monthly Economic and Market Overview

MENTENOVA

GLOBAL

Trade partners rush to strike tariff deals ahead of the August 1st deadline.

LOCAL

SARB decreasing borrowing rates by 25bps to 7.0%. Latest economic data signalling cautious optimism.

2.27%
FTSE/JSE ALL Share Index

1.38%
MSCI ACWI Index

2.73%
FTSE/JSE All Bond Index

-1.79%
WGBI

4.75%
FTSE/JSE SAPY

$72.53
Brent Crude Oil Price/Barrel

R18.22
USDZAR

As at close 31 July 2025

MACRO LANDSCAPE

As we move into the second half of the year, tariffs remain a dominant theme in global macroeconomics, driving market volatility and policy realignments. The much-anticipated 90-day cooling-off period concluded with an unexpected extension by US President Donald Trump, who pushed the deadline to August 1st. However, markets breathed a sigh of relief as the US secured reciprocal tariff agreements with key partners, including the EU, Japan, Indonesia, and the Philippines, mitigating some near-term trade risks.

Despite a slowdown in growth during the first half of 2025, recent indicators provide grounds for cautious optimism. The AI boom continues to be a major growth driver, with big tech firms ramping up capital expenditures to secure dominance in AI-related markets. In the United States, business activity remains resilient, supported by a strong services sector. The S&P US Composite PMI held steady at 54.6 in July, while the services PMI rose by 2.3 points to 55.2, signalling sustained expansion. In contrast, manufacturing weakened, with the sector's PMI falling below the neutral 50.0 mark to 49.5, down from 52.9 in June, reflecting ongoing challenges in industrial demand.

The domestic economy is showing early indications of stabilisation, with mining production rising by 3.7% (MoM) in May, rebounding from a stagnant performance in April. Retail sales posted a modest 0.1% MoM increase, lifting the YoY growth rate to 4.1%, supported by easing inflationary pressures and a gradual recovery in disposable incomes. Credit expansion has gained momentum, reflective of the lowering interest rate environment, while improved household finances, driven by subdued inflation and rising incomes, are providing further support. The trade surplus widened to R21.7 billion as exports rebounded by 6.3% MoM in May, recovering from a -3.5% contraction in April.

However, the manufacturing sector remains subdued, despite the Absa PMI rising by 5.3 points to 48.5 in June, as the industry continues to face excess capacity amid weak global and domestic demand. Inflation ticked up slightly to 3% in June, though it remains well within the target range, with the Monetary Policy Committee explicitly stating a preference for inflation to settle at 3%. On the political front, renewed optimism has emerged around the Government of National Unity (GNU), following unanimous support for the 2025 Appropriation Bill. This development has alleviated earlier concerns of a potential deadlock after the Democratic Alliance had threatened to oppose the bill unless President Cyril Ramaphosa addressed misconduct by a cabinet minister.

Major central banks have opted to hold borrowing rates steady, signalling a measured approach to monetary policy as inflation trends toward target levels. The European Central Bank (ECB) reinforced its commitment to price stability, projecting inflation to stabilise at its 2% target. Meanwhile, the People's Bank of China (PBOC) maintained its prime loan rate, though further easing remains on the horizon, with a potential 20bps cut constrained by structural economic bottlenecks.

In the U.S., the Federal Reserve held interest rates unchanged while revising its economic outlook downward, reflecting persistent uncertainties. Contrasting this cautious stance, the South African Reserve Bank (SARB) cut its repo rate by 25bps, responding to subdued inflation and sluggish growth in a bid to stimulate economic activity.

EQUITIES

For the second consecutive month, emerging markets upstaged their developed counterparts, with the MSCI World Index playing second fiddle, posting a modest 1.3% gain in July. The US market remained the backbone of developed market performance, with the S&P 500 climbing 2.2%, hitting fresh all-time highs intra-month, which brought its YTD gain to a solid 8.6%. The AI race continued unabated, as surging capital expenditures propelled the Bloomberg Magnificent 7 Index up 5.8% (a staggering 27.2% over three months). Earnings season saw mixed data from tech titans, as Alphabet dazzled, beating estimates and jumping 4.4%, while Tesla stumbled after missing the mark.

Trade tensions remained a key undercurrent, with the US and EU inching toward a compromise, lowering proposed tariffs from 30% to 15% on select European goods. While facing headwinds, trade deals managed to materialise; however, the EU had retaliation plans ready, noting that if trade deals failed, it would put the global economy at additional risk. In Europe, the STOXX 600 rose 1.0%, while Japan's Nikkei 225 gained 1.4%, turbocharged by a tariff cut in autos (from 25% to 15%). Beneath the surface, service sectors held steady, but manufacturing wobbled into contraction; however, July's gloomy surveys reflected pre-deal tariff jitters.

Emerging markets stole the spotlight, with the MSCI EM Index jumping 2.0%. China's CSI 300 delivered 4.3% for the month as tariff détente held firm. South Africa's JSE All Share Index up 2.3% made headlines, smashing through the 100 000 mark, fuelled by precious metals rallying, budget battle avoidance, and gains in industrials (14.8%) and financials (14.7%) were the main drivers, while the resource sector (4.7%) gained marginally. Not all EMs joined the party, as India's Nifty 50 slumped 2.8% on weak earnings, foreign outflows, and stalled US trade talks, while Brazil's market sank 4.2%. Taiwan, however, sprinted ahead with a 6.9% gain. Style performance saw growth stocks shine up 2.1%, while the MSCI World Value Index stalled, returning 0.5%.

FIXED INCOME

Fixed income investors endured a bumpy month with bond yields whipsawing before settling higher, pressuring returns as markets digested political noise and Fed uncertainty. The Bloomberg Global Aggregate Index slipped 0.6%, mirroring the broader sluggishness. US Treasuries faced volatility, with long-term yields initially spiking after US President Trump suggested he might fire Fed Chair Jerome Powell, stoking fears over central bank independence. Yields later retreated as the remarks were walked back, but the episode underscored the market's sensitivity to political rhetoric. Investment-grade issuance met expectations effortlessly, reinforcing confidence in the asset class.

In South Africa, the 10-year nominal yield edged down by 24bps to 9.72% as June inflation ticked up modestly to 3% right in line with forecasts. The ALBI returned 2.7%, while inflation-linked bonds eked out a 0.5% gain, despite bond inflows having mellowed. Meanwhile, the US 10-year yield traded in a narrow range ahead of the Fed's rate decision, with monthly drama fuelled by Trump's Powell comments. By month-end, it climbed to 4.4%, as fresh concerns over the US tax bill reignited debt sustainability fears.

PROPERTY

The global property market remains linger in low gear as mortgage rates remain stubbornly high, continuing to weigh on buyer activity. The Nareit Global REIT Index returned a sluggish -0.7% for the month, narrowing its year-to-date advancements to 4.0%, while the MSCI US REIT Index mirrored the directional performance, declining by 0.8%, though seasonal lifts over the 3 months couldn't disguise the sector's broader lethargy. Housing markets felt the pinch, with existing and new home sales falling 2.7% in June as buyers retreated in the face of persistently high borrowing costs. The standoff continues, with real estate waiting in the wings for rate relief to reignite demand. Locally, South African listed property was up 4.8%, while the European property market saw declines of -3.9%.

COMMODITIES

Commodity markets, displayed by broad weakness, saw the Bloomberg Commodity Index post declines of 0.5% in July, though beneath the surface, performance was decidedly mixed. Oil kept its upward momentum, with Brent crude climbing to $72.53/barrel as tight supply conditions outweighed lingering demand concerns. Meanwhile, gold softened as concerns relating to the US tariff war on global trade eased. Palladium and Iron Ore quietly outperformed, gaining 8.3% and 10.6% respectively on mounting supply disruptions, while copper prices tumbled after the US announced 50% tariffs, though refined metals were notably exempted, returning -2.6% for the month.

CURRENCY

After months on the back foot, the U.S. dollar mounted a 3.2% comeback in July, as jittery investors flocked to cash ahead of critical August 1st tariff deadlines and anticipated Fed rate stability. This greenback resurgence sent ripples across FX markets. The rand felt the squeeze, depreciating 2.9% against the dollar, though it held its own elsewhere, gaining 1.7% on the yen, 0.4% against the European euro, and 1.1% against a beleaguered pound (weighed down by UK policy U-turns after Labour scrapped £5 billion in planned welfare cuts).

MAJOR ASSET CLASS PERFORMANCE

31 July 2025 (Local Currency)	1M	3M	YTD	1 Year	3 Year (annualised)	5 Year (annualised)	10 Year (annualised)
FTSE/JSE ALSI Total Return	2.27%	8.0%	19.3%	23.2%	17.0%	16.4%	10.3%
S&P 500 Total Return	2.24%	14.2%	8.6%	16.3%	17.1%	15.9%	13.7%
STOXX 600 Total Return	0.97%	4.5%	9.8%	8.2%	10.5%	11.7%	6.0%
Nikkei 225 Total Return	1.44%	14.1%	4.1%	7.1%	16.2%	15.8%	9.3%
MSCI World Total Return	1.31%	12.0%	11.2%	16.2%	16.4%	14.3%	11.2%
MSCI ACWI Total Return	1.38%	12.1%	11.9%	16.4%	15.8%	13.3%	10.6%
MSCI EM Total Return	2.02%	12.9%	17.9%	17.9%	11.0%	5.8%	6.2%
MSCI World Value Index	0.47%	7.5%	11.4%	11.9%	12.8%	13.9%	8.5%
MSCI World Growth Index	2.09%	16.5%	10.9%	20.4%	19.7%	14.3%	13.5%
MSCI World Small Cap Index	1.22%	12.3%	9.0%	8.9%	9.9%	10.9%	8.2%
Shanghai Shenzhen CSI 300 Index	4.27%	9.9%	5.7%	21.7%	2.0%	-0.4%	3.0%
Korea Stock Exchange KOSPI Index	5.68%	27.3%	37.4%	19.7%	12.2%	9.9%	7.0%
Taiwan Stock Exchange Weighted Index	6.91%	18.7%	4.6%	9.2%	19.8%	17.0%	14.6%
NSE Nifty 50 Index	-2.75%	2.5%	5.8%	0.7%	14.6%	19.1%	12.8%
Ibovespa Brasil Sao Paulo Stock Exchange Index	-4.17%	-1.5%	10.6%	4.2%	8.9%	5.3%	10.1%
Bloomberg Magnificent 7 Total Return Index	5.77%	27.2%	7.5%	32.1%	39.0%	32.3%	37.8%
STEFI	0.62%	1.9%	4.4%	8.0%	7.9%	6.3%	6.8%
ALBI	2.73%	7.9%	9.5%	17.0%	13.5%	11.4%	9.4%
IGOV	0.52%	1.6%	2.0%	5.9%	6.4%	8.9%	5.1%
WGBI	-1.79%	-0.6%	5.3%	3.6%	0.5%	-3.5%	0.3%
Bloomberg US Agg Total Return	-0.26%	0.5%	3.7%	3.4%	1.6%	-1.1%	1.7%
Bloomberg US Corporate High Yield TR Index	0.45%	4.0%	5.0%	8.7%	8.0%	5.1%	5.5%
SAPY Total Return	4.75%	6.2%	10.3%	24.4%	18.3%	18.5%	3.0%
MSCI US REIT Total Return	-0.79%	0.7%	-0.9%	1.7%	2.1%	7.6%	5.7%
STOXX 600 Real Estate Total Return	-3.93%	-0.4%	4.7%	0.7%	-2.5%	-0.6%	-0.9%
FTSE EPRA Nareit Global REITs TR Index	-0.70%	2.4%	4.0%	3.8%	1.4%	6.1%	4.0%
Crude Oil	7.28%	14.9%	-2.8%	-10.1%	-13.0%	10.9%	3.3%
Aluminium	-1.25%	6.9%	0.5%	12.0%	1.0%	8.4%	4.7%
Copper	-2.61%	5.3%	9.6%	4.2%	6.7%	8.4%	6.3%
Gold	-0.40%	0.0%	25.4%	34.4%	23.0%	10.7%	11.6%
Platinum	-4.96%	33.2%	42.4%	32.0%	12.8%	7.4%	2.8%
Nickel	-1.91%	-3.3%	-2.4%	-9.9%	-14.4%	1.4%	3.0%
Palladium	8.32%	27.0%	31.4%	29.1%	-17.4%	-10.5%	7.0%
Iron Ore	10.62%	4.5%	2.8%	2.7%	-2.1%	-2.1%	6.0%
Bloomberg Commodity Index Total Return	-0.45%	1.4%	5.0%	9.7%	-1.4%	11.3%	3.1%
USDZAR	2.86%	-2.1%	-3.3%	0.1%	3.1%	1.3%	3.7%
GBPZAR	-1.09%	-3.0%	2.1%	2.8%	5.9%	1.5%	2.0%
EURZAR	-0.39%	-1.3%	6.6%	5.4%	6.9%	0.7%	4.1%
JPYZAR	-1.71%	-7.1%	0.8%	-0.4%	-1.0%	-5.6%	1.7%
Dollar Index Spot	3.19%	0.5%	-7.9%	-4.0%	-1.9%	1.4%	0.3%

Source: Bloomberg

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