AUGUST 2025

Monthly Economic and Market Overview

MENTENOVA

GLOBAL

BRICS nations were served with an additional 10% tariff

LOCAL

SA Core Inflation uptick to 3.5% from 3.0%, in line with expectations.

3.53%
FTSE/JSE ALL Share Index

2.51%
MSCI ACWI Index

0.75%
FTSE/JSE All Bond Index

1.36%
WGBI

2.80%
FTSE/JSE SAPY

$68.12
Brent Crude Oil Price/Barrel

R17.66
USDZAR

As at close 29 August 2025

MACRO LANDSCAPE

As the Southern Hemisphere thaws, moving into spring, the economic data is heating up, though not always for the right reasons. Adding a spicy twist to the SARB's policy dilemma, South Africa’s July core inflation print jumped higher from 3.0% to 3.5%. While the percentage point move was significant, it was in line with market consensus. The increase was driven by food and non-alcoholic beverages, which saw a sharp rise in meat prices as a result of the ongoing foot and mouth disease.

The manufacturing sector caught a chill in August, with the Absa PMI slipping back into contraction at 49.5. The downturn was driven by an 8.5 point decline to 47.4 in new sales orders, reflecting persistent pressure from sluggish domestic demand. Business activity remained depressed amid intense competition from cheaper imports. Despite the gloomy activity, a slightly stronger rand provided some input cost relief.

The local labour market saw the Q2 unemployment rate edge higher to 33.2%, not solely due to job losses, but because a wave of discouraged workers fell, and a higher number of active job seekers added to the unemployment rate. In brighter news, vehicle sales motored ahead with a 15.6% YoY increase in July, with the improvement supported by subdued inflation (from June’s print) and a cumulative 125 bps SARB interest rate cut. August’s print also improved, up 18.7%. Export units also revved up, growing 5.3% YoY, though this engine remains squarely in the crosshairs of potential US tariff impacts. Adding to this, US President Donald Trump’s announcement of a further 10% levy on BRICS nations brings South Africa's total exposure to a notable 40%.

Globally, all eyes were on the Jackson Hole annual economic policy symposium in Wyoming, where Federal Reserve Chair Jerome Powell struck a dovish stance and strongly hinted at a September rate cut, much to the market's delight. The Fed's narrative appears to be pivoting, with members now more concerned about tariffs fuelling inflation than slowing growth.

Macro data painted a curiously conflicted picture, with consumer confidence wilting, as the University of Michigan Consumer Confidence Index fell to 58.2 from July’s 61.7 print; inflation expectations edged up higher, and the labour market is showing cracks, all while July’s ISM Manufacturing PMI data saw declines to 48.

EQUITIES

Over the month, most global equities experienced positive performance, with developed markets outperforming emerging markets as the MSCI World index rose by 2.6%, while the MSCI EM index lagged at 1.5%. With trade partners cementing deals with the US ahead of the August deadline, as well as a strong earnings season, the country’s dynamics may be under pressure, yet the US still maintains a competitive advantage, offering more opportunities. The S&P 500 climbed 2.0%, driven by strong performance in the software industry, with earnings momentum continuing as 82% of S&P 500 companies beat market expectations, leading to significant profit growth. Additionally, Federal Reserve officials reinforced a dovish stance, which could potentially lead to an interest rate cut at the September meeting.

In Europe, the STOXX 600 gained a mere 0.9% for the month, though gains were limited by French political uncertainty, as the Prime Minister's vote of confidence linked to fiscal cuts could trigger an unplanned election if he fails to secure support. Corporate earnings remained resilient, with most firms exceeding estimates; luxury and personal goods stocks led gains, while banks underperformed.

In Asian markets, the KOSPI index was disappointing, declining by 1.7%, as central banks kept interest rates steady at 2.5% amid concerns about property and household debt, despite modest growth and revised inflation expectations of 2% for 2025. Japan's Nikkei 225 rose by 4.1% during the month, benefiting from US trade deals; however, underlying economic data was mixed as the unemployment rate fell to 2.3% in July, which was below market expectations, while industrial production declined by 1.7% in July, compared to a previous increase of 2.1%. China's CSI 300 Index increased by an impressive 10.5%, with a notably stronger rally towards the month's end, driven more by domestic liquidity rather than economic strength, as higher cash-holding households seek higher returns in a low-interest-rate environment. Additionally, borrowing to invest in the stock market rose, reflecting increased retailers' interest in equities. China's equity market also benefited from strong earnings in the tech sector amid industry weaknesses.

Locally, the FTSE/JSE All Share Index continued its impressive run, adding 3.5% for the month, pushing YTD performance to 23.6%. The engine room was squarely in resources, up 12.0%, while the industrials and financials sectors lagged 1.1% and 0.8% respectively, and played a supporting role. A style rotation was presented this month as the MSCI Value index outperformed the MSCI Growth index, up 3.6% and 1.7% respectively.

FIXED INCOME

The fixed income market saw the World Government Bond Index rise by 1.5%. Further to this, the US and Europe saw tighter investment-grade spreads, which pushed the Bloomberg Global Aggregate Corporate Index up by 1.2%, resulting from a Q2 earnings season that beat market expectations. The US 10-year Treasury yield barely budged, ending the month at 4.23% after intra-month fluctuations driven by parsing every syllable from Jackson Hole.

At home, the FTSE/JSE All Bond Index posted a modest 0.75% gain. The SA 10-year nominal yield mirrored its US peer's stability, closing steady at 9.61%, as a dovish SARB inflation outlook and whispers of a lower inflation target provided support. Inflation-linked bond yields dipped by 13bps from the previous month, resulting in a 1.5% return in August.

PROPERTY

The property sector found firmer footing in August. The global scene saw the FTSE EPRA Nareit Global REITs Index up 4.2%, buoyed by a strong US showing with the MSCI US REITs up 4.4%. Locally, the FTSE/JSE SAPY Index delivered a solid 2.8%, as a lowering interest rate environment is welcomed by all (SARB's cumulative cuts sit at 125bps so far). Europe, however, remained the outlier, with its real estate index at -1.2%.

COMMODITIES

The Bloomberg Commodity Index rose by 1.9%, with underlying minerals and resources showing conflicting movements. Platinum continued to lead the way, climbing 6.1% for August and pushing the year-to-date increase to 51.1%. Following this was gold, which ended the month at $3 447.95 per ounce, up 4.8% from the previous month, extending its gains supported by sticky US inflation and anticipated rate cuts that reduce borrowing costs. Brent Crude Oil declined by 6.1% from the previous month, closing at $68.12 per barrel, as an unexpected buildup of 7.7 million barrels in US crude inventories offset support from tighter gasoline stockpiles and continued geopolitical tensions, including US tariff threats targeting Russian oil buyers. Palladium retracted from the previous month's gains, declining by 7.9% for the month, and remains up a healthy 21% year-to-date.

CURRENCY

Although it began the month on a more positive note, with a flurry of trade deals ahead of the deadline and news of the Fed maintaining policy rates unchanged, the US dollar struggled to maintain its initial strength. The dollar spot index declined by 2.2% in August. Thus, the rand also came under pressure at the start of the month after US President Donald Trump announced a further 10% import tariff on BRICS countries, bringing South Africa's total tariffs to 40%, which pushed the rand past the R18/$ level before it retreated towards the month-end. The rand appreciated against major currencies in August, by 3.1% against the US dollar, 0.87% against the British Pound, 0.77% against the Euro, and 0.66% against the Japanese Yen.

MAJOR ASSET CLASS PERFORMANCE

31 August 2025 (Local Currency)	1M	3M	YTD	1 Year	3 Year (annualised)	5 Year (annualised)	10 Year (annualised)
FTSE/JSE ALSI Total Return	3.53%	8.4%	23.6%	25.8%	19.1%	17.2%	11.1%
S&P 500 Total Return	2.03%	9.6%	10.8%	15.9%	19.5%	14.7%	14.6%
STOXX 600 Total Return	0.94%	0.7%	10.9%	7.6%	12.8%	11.2%	7.0%
Nikkei 225 Total Return	4.07%	12.8%	8.3%	12.7%	17.3%	15.2%	10.6%
MSCI World Total Return	2.64%	8.5%	14.1%	16.2%	19.1%	13.4%	12.2%
MSCI ACWI Total Return	2.51%	8.6%	14.7%	16.3%	18.2%	12.5%	11.7%
MSCI EM Total Return	1.47%	9.9%	19.6%	17.7%	11.4%	5.7%	7.4%
MSCI World Value Index	3.63%	8.0%	15.5%	12.8%	15.4%	13.6%	9.6%
MSCI World Growth Index	1.74%	9.0%	12.9%	19.5%	22.6%	12.8%	14.5%
MSCI World Small Cap Index	4.96%	11.3%	14.4%	13.7%	12.9%	10.7%	9.3%
Shanghai Shenzhen CSI 300 Index	10.51%	19.1%	16.8%	39.0%	6.1%	1.0%	5.3%
Korea Stock Exchange KOSPI Index	-1.71%	18.4%	35.0%	21.8%	11.2%	8.8%	7.3%
Taiwan Stock Exchange Weighted Index	3.18%	16.0%	7.9%	12.0%	20.6%	17.7%	15.5%
NSE Nifty 50 Index	-1.21%	-0.7%	4.5%	-1.9%	12.8%	18.1%	13.4%
Ibovespa Brasil Sao Paulo Stock Exchange Index	6.28%	3.2%	17.6%	4.0%	8.9%	7.3%	11.7%
Bloomberg Magnificent 7 Total Return Index	1.98%	14.5%	9.7%	35.3%	43.1%	26.9%	38.5%
STEFI	0.57%	1.8%	5.0%	7.9%	7.9%	6.4%	6.8%
ALBI	0.75%	5.9%	10.4%	15.1%	13.6%	11.3%	9.4%
IGOV	1.52%	2.7%	3.6%	5.2%	6.0%	8.4%	5.3%
WGBI	1.36%	1.4%	6.8%	2.6%	2.4%	-3.2%	0.4%
Bloomberg US Agg Total Return	1.20%	2.5%	5.0%	3.1%	3.0%	-0.7%	1.8%
Bloomberg US Corporate High Yield TR Index	1.25%	3.6%	6.4%	8.3%	9.3%	5.2%	5.8%
SAPY Total Return	2.80%	6.7%	13.4%	18.1%	21.7%	21.3%	3.2%
MSCI US REIT Total Return	4.43%	3.0%	3.5%	-0.2%	5.8%	8.3%	6.8%
STOXX 600 Real Estate Total Return	-1.22%	-5.1%	3.5%	-4.0%	1.1%	-1.2%	-0.7%
FTSE EPRA Nareit Global REITs TR Index	4.15%	3.9%	8.3%	1.9%	5.0%	6.6%	5.0%
Crude Oil	-6.08%	6.6%	-8.7%	-13.6%	-11.0%	8.5%	2.3%
Aluminium	1.97%	7.0%	2.5%	6.9%	3.5%	7.8%	5.0%
Copper	3.03%	4.3%	12.9%	7.2%	8.3%	8.2%	6.8%
Gold	4.80%	4.8%	31.4%	37.7%	26.3%	11.9%	11.8%
Platinum	6.10%	29.6%	51.1%	47.4%	17.3%	8.0%	3.1%
Nickel	3.48%	1.4%	1.0%	-7.9%	-10.5%	-0.1%	4.3%
Palladium	-7.93%	13.3%	21.0%	13.8%	-19.1%	-13.2%	6.3%
Iron Ore	2.52%	6.8%	2.9%	3.4%	1.0%	-4.9%	5.7%
Bloomberg Commodity Index Total Return	1.93%	3.9%	7.1%	11.8%	-0.8%	10.3%	3.4%
USDZAR	-3.08%	-1.9%	-6.3%	-0.9%	1.0%	0.8%	2.9%
GBPZAR	-0.87%	-1.5%	1.2%	1.9%	6.2%	1.0%	1.6%
EURZAR	-0.77%	1.1%	5.8%	4.6%	6.2%	0.4%	3.3%
JPYZAR	-0.66%	-4.0%	0.1%	-1.6%	-0.9%	-5.6%	0.9%
Dollar Index Spot	-2.20%	-1.6%	-9.9%	-3.9%	-3.5%	1.2%	0.2%

Source: Bloomberg

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