

Newsletter

MARKETS AND ECONOMICS

Global financial markets grappled with mounting uncertainty during March, driven by weakening economic data and escalating global trade tensions. President Donald Trump further strained United States (US) trade relations by announcing new tariffs on goods like steel and aluminium, along with a 25% tariff on foreign-made vehicles and automotive parts. The latter was set to be implemented from 2 April. This announcement rattled global markets, sending the shares of major automotive companies (like Toyota, Subaru, and General Motors) tumbling. The announcement also increased fears of stagflation, with Federal Reserve Chair Jerome Powell warning that Trump's policies could drive inflation higher while slowing economic growth. As a result, developed markets saw their steepest sell-offs of the year, with the MSCI World Index decreasing by 4.5%, and the tech-heavy Nasdaq plunging by 8%. European equities also faced headwinds, despite outperforming their US peers, decreasing by 3.8% and marking their first monthly decline of 2025, as concerns over impending US tariffs grew.

In contrast, South African equities posted their most significant monthly gains for 2025, with the JSE All Share Index surging 3.6%. The rally, however, failed to spill over into listed property and local bonds. Finance Minister Enoch Godongwana finally delivered his 2025 Budget Speech, which saw the controversial value-added tax (VAT) hike being capped at two staggered increases of 0.5% in 2025/2026 and another 0.5% in 2026/2027. Despite the decrease in the VAT hike, Treasury's decision to forgo inflation adjustments to the income tax brackets will deepen bracket creep, placing

additional strain on middle-class taxpayers. The South African Reserve Bank's Monetary Policy Committee kept the repurchase rate steady at 7.5% at its March meeting, against a backdrop of growing global economic instability and local fiscal weaknesses.

Other highlights during the month included:

- + **China increased its global artificial intelligence (AI) presence:** In a notable development, Alibaba introduced its own AI model, positioning itself as a competitor to its domestic rival, DeepSeek. This may signal China's increasing competition with the US in the global AI landscape.
- + **Inflation cooled more than expected in February:** The most recent US Consumer Price Index reading registered at 2.8%, a decrease from 3% in January and below the anticipated 2.9%. Similarly, local inflation figures came in lower than forecast, at 3.2% compared with the expected 3.3%.
- + **Earnings performed well but are increasingly at risk:** Companies performed well in their Quarter 4 and full-year 2024 earnings reports, reducing the need to rely on rising valuations for equity returns. Regional earnings growth is now more balanced, with lagging regions starting to catch up. Global trade and forward earnings are, however, highly correlated, increasing the risk of global trade wars.

JSE All Share 3,55% 88 637,45	MSCI World (USD) -4,45% 3 628,64	MSCI EM (USD) 0,63% 1 101,40
SA Bonds 0,19% 1 110,32	SA Property -0,90% 380,66	CPI (y/y) 3,20% 101,20
Gold 9,34% 3 123,80	Platinum 6,50% 1 002,15	Oil 2,69% 74,77
\$/R -1,98% 18,32	€/R 2,17% 19,82	£/R 0,63% 23,66