



SELECT MANAGER

Newsletter

July 2025

MARKETS AND ECONOMICS

Despite significant noise from trade negotiations, United States (US) debt concerns following the passing of the One Big Beautiful Bill Act, and monetary policy uncertainty, markets provided a strong start to the second half of 2025.

Equities were supported by strong corporate earnings and improved risk sentiment, on the back of easing tariff concerns, pushing various indices to record-high levels during the month. Shares related to tech and artificial intelligence (AI) posted impressive returns, driven by positive earnings surprises and forecasts of accelerated capital expenditure, as well as an announcement by President Donald Trump stating that he would lift the ban on supplying AI chips to China.

Emerging markets outperformed their developed market peers for the second consecutive month, with China and Korea performing especially well. Chinese markets were supported by signs of economic resilience, stimulus efforts by authorities, and the general easing in US/China trade tensions. South Africa also posted strong returns, with the FTSE JSE All Share Index (ALSI) crossing the 100 000 mark for the first time, supported by strong returns from the resources sector as the rally in precious metal miners continues.

Within fixed income, bond yields moved broadly higher, as a more growth-positive sentiment was present. Fiscal stimulus plans and the potential impact on debt levels, along with sticky inflation data and interest rates being left unchanged, also put upward pressure on bond yields from major developed economies. South African bonds were the exception, as a unanimous decision to lower interest rates by 25 basis points, as well as indications that future policy decisions will be focussed on inflation figures at the bottom end of the 3% to 6% range, helped local bonds post an impressive return for the month.

In terms of tariff agreements, the US secured reciprocal tariff agreements with key partners, including the European Union, Japan, Indonesia, and the Philippines, mitigating some near-term trade risks. It is important to note that the agreed tariff rates are still significantly higher than the average rate of 2.4% before Trump's presidency but at least not as harsh as originally threatened. It will likely take some time for the impact of tariffs to filter down to prices and consumers.

Other highlights for the month included:

- + **The Chinese economy grew 5.2% in Quarter 2:** Chinese gross domestic product posted slightly better-than-expected growth for the second quarter of 2025, primarily owing to a decline in imports and fixed-asset investments into manufacturing and infrastructure.
- + **80% of S&P 500 companies so far reported earnings above consensus:** The market has, however, been punishing negative earnings surprises more than on average. The current blended earnings growth rate for the second quarter is 10.3%.
- + **US interest rates remain unchanged, despite harsh criticism:** The US Federal Reserve left interest rates unchanged at their July meeting, despite pressure to cut interest rates. Minutes from the meeting, however, supported expectations for a rate cut in September, on the back of moderating inflation and slowing economic momentum.

JSE All Share 2,27% 98 519,51	MSCI World (USD) 1,29% 4 076,04	MSCI EM (USD) 1,95% 1 243,23
SA Bonds 2,73% 1 207,69	SA Property 4,75% 423,65	CPI (y/y) 3,00% 102,40
Gold 0,33% 3 304,80	Platinum - 3,80% 1 313,64	Oil 7,43% 71,70
\$/R 2,91% 18,22	€/R - 0,32% 20,80	£/R - 1,07% 24,06