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Market Commentary September 2025

Executive Summary

September opened with fragile risk appetite and closed with a decisive swing toward risk on. Three ingredients did most of the work. First, earnings resilience remained the dominant theme in the United States, where guidance from bellwether companies broadly leaned stable to positive and margin compression fears failed to materialise. Second, the tone on trade softened at the margin as headline risks subsided and investors began to price a narrower tariff path than the worst case that had lurked through the northern summer. Third, the inflation pulse nudged lower across several regions, particularly in goods and tradables, which allowed policy makers to strike a patient but less hawkish note. Together these factors improved visibility on cash flows and discount rates, raising the willingness to pay for duration and growth.

Hard commodities told a more nuanced story. Iron ore and palladium firmed on supply and restocking dynamics, while copper slipped late in the month as the industrial cycle continued to heal only slowly. Global growth expectations were marked a touch higher in the latest multilateral updates and high frequency data in the United States suggested that activity was cooling from a strong base rather than rolling over. Locally, the South African Reserve Bank kept the repo rate steady at 7.00 percent but reiterated its preference to anchor inflation expectations closer to 3 percent. That message, combined with calmer politics and incrementally better logistics, underpinned a robust month for domestic assets led by resources.

Global ($)		Local	
MSCI SA	12.1%	Resources	28.1%
MSCI EM	7.2%	All Share	6.6%
Nasdaq	5.4%	Bonds	3.3%
MSCI ACWI	3.6%	Property	-1.0%
Bonds	0.6%	Financials	-1.6%

Best Shares		Worst Shares	
Valterra	52.9%	Sasol	-9.9%
Sibanye	47.8%	Discovery	-9.2%
Northam Platinum	43.4%	Bidvest	-8.7%
Implats	39.3%	BAT	-8.6%
Harmony Gold	33.9%	Sanlam	-8.3%

Worth Noting

- Central banks now own more gold than US treasuries for the first time in almost 30 years
- The price of platinum rises to its highest price in more than 12 years
- The UK is expected to see $92 billion outflows in wealth migration this year due to wealth tax revision

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South African Macroeconomic Update

The local macro picture improved at the margin through the quarter. Second quarter GDP rebounded to 0.8 percent quarter on quarter after a soft 0.1 percent in Q1. The improvement was broad enough to matter. Mining output stabilised as plant availability and rail throughput improved off depressed bases. Manufacturing benefited from fewer unplanned power disruptions, better parts availability and a modest pick up in domestic orders. Agriculture remained resilient after weather related volatility earlier in the year, and services activity was underpinned by steady household demand. Although growth remains below potential, the mix is more constructive than in 2024.

Inflation continued to edge in the right direction. Headline CPI tracked in the mid 3 percent range into the quarter as lower fuel costs filtered through and durable goods inflation cooled. Food inflation stabilised after earlier spikes in selected categories. Core measures remained contained and medium term surveys of inflation expectations showed further signs of drifting toward the upper end of the SARB's comfort zone. That combination allowed the Monetary Policy Committee to keep rates at 7.00 percent with a data dependent easing bias, while explicitly signalling a preference to anchor expectations nearer 3 percent over time.

Fiscal dynamics were comparatively quiet, which in South Africa is usually helpful for risk assets. Revenue performance stayed close to plan and expenditure discipline improved as the year progressed, even if execution risk remains. The passage of enabling legislation earlier in the year kept coalition tensions manageable and reduced headline risk. Importantly, the state owned logistics system showed incremental improvement. Port dwell times and wagon turnaround are not yet where they need to be, but the direction of travel is better, and private participation frameworks are moving from concept to implementation. These operational gains matter for export volumes, inventory normalisation and ultimately for growth volatility.

Global Macroeconomic Overview

Global conditions improved modestly but meaningfully in September. In the United States, activity cooled from a strong base. Household spending and services remained the main engines of growth, while hiring momentum eased and job openings continued to normalise. Importantly, inflation progress was most visible in goods and traded categories, with shelter disinflation proceeding only gradually. The Federal Reserve delivered one rate cut during the quarter and maintained a data dependent stance, emphasising that subsequent moves would be driven by incoming evidence on prices and labour.

Europe stayed export sensitive and uneven. Germany's manufacturing surveys hinted at stabilisation but remained at subdued levels, and the broader euro area continued to wrestle with weak external demand. The European Central Bank opted to keep rates on hold, balancing sticky services inflation with a softer goods cycle and downgrades to growth. In the United Kingdom, inflation progress allowed a more neutral tone from the Bank of England, although housing related pass through still warrants caution. Across Japan, the debate remained centred on the durability of wage gains and the pace of any further policy normalisation.

In emerging markets, the picture was mixed but slightly firmer. North Asia benefited from persistent semiconductor demand and a tentative improvement in smartphone and AI related supply chains. China's targeted policy support steadied investor sentiment even as the property sector kept overall momentum muted. Latin America maintained a constructive carry backdrop and policy makers used currency flexibility to absorb external shocks. Globally, developed market yields drifted lower into month end, credit spreads tightened modestly and currencies were largely range bound. That combination gave investors more confidence to add risk selectively without abandoning caution on cyclical exposures.

Market Performance Summary

Local Equities and Bonds

Market leadership was narrow and resource led. The FTSE/JSE All Share Index rose 6.6 percent for the month as a powerful rally in platinum group metals and gold drove Resources 28.1 percent higher. Financials declined 1.6 percent as investors marked down the probability of near term rate cuts and de-rated interest rate sensitive counters. Property fell 1.0 percent as funding cost sensitivity and idiosyncratic stock moves weighed on the sector. Local bonds participated in the risk rally, with the ALBI gaining 3.3 percent as real yields remained attractive and buyers stepped in across the belly of the curve.

The distribution of single stock outcomes underscores the character of the move. Among the best performers were Valterra up 52.9 percent, Sibanye up 47.8 percent, Northam Platinum up 43.4 percent, Implats up 39.3 percent and Harmony Gold up 33.9 percent. On the weaker side, Sasol fell 9.9 percent on stock specific catalysts, Discovery declined 9.2 percent, Bidvest dropped 8.7 percent, BAT eased 8.6 percent and Sanlam slipped 8.3 percent. The breadth within resources contrasted with a cautious tone in SA Inc and defensives, reflecting both the commodity impulse and an element of profit taking in prior winners.

Key Surprises - Local

Two features stood out. First, the scale of the resources outperformance was unusually large for a single month and arrived despite only mixed signals from global industrial commodities. That points to a combination of supply side dynamics in PGM markets, positioning, and renewed investor interest after a long period of underperformance. Second, bonds delivered a strong positive month alongside equities. The co-move highlights that South Africa's real yield remains a potent attractor of capital when macro volatility is contained and policy credibility is intact.

Global Markets

Performance was constructive but uneven. The MSCI South Africa Index in US dollars advanced 12.1 percent, reflecting the local resource impulse. The broader MSCI Emerging Markets Index gained 7.2 percent as semiconductor linked markets outperformed and commodity exporters benefited from better terms of trade. The Nasdaq added 5.4 percent with mega cap technology again doing much of the lifting, while the MSCI ACWI rose 3.6 percent. Global bonds returned 0.6 percent as yields edged lower into month end.

Key Surprises – Global

Leadership remained narrow, but participation widened relative to mid-year. The improvement was most visible in parts of emerging markets where carry remained attractive and earnings revisions turned positive. Europe lagged the United States as export heavy sectors contended with soft external demand and tariff noise. Duration posted a small gain despite only incremental disinflation, helping diversified portfolios. Copper's late month weakness served as a reminder that the industrial cycle is still healing rather than expanding briskly, which argues for patience when adding cyclical beta.

Return Expectations Outlook: 12-Month Scenario-Based Forecast

Below is our updated return outlook across key regions and asset classes. These figures represent probable 12-month ranges under three scenarios: Best Case, Base Case, and Worst Case. They incorporate macroeconomic forecasts, current valuations, yield trends, and global capital flow assumptions.

South Africa

Asset Class	Best Case	Base Case	Worst Case
Bonds (ALBI)	11-13%	8-10%	4-6%
Equities (ALSI)	12-15%	8-10%	2-4%
Cash (STeFI)	7.0-7.5%	6.5-7.0%	6.0-6.5%

United States

Asset Class	Best Case	Base Case	Worst Case
Equities (S&P 500)	10-12%	5-7%	-5 to 0%
Bonds (UST 10yr)	4-5%	2-3%	-2 to 0%
Cash (3M T-bill)	4.75-5.0%	4.5-4.75%	4.0-4.5%

Europe (incl. UK)

Asset Class	Best Case	Base Case	Worst Case
Equities (EuroStoxx 600)	8-10%	4-6%	-3 to 1%
Bonds (Bunds/Gilts)	3-4%	1-2%	-1 to 0%
Cash (EUR/GBP MMkt)	3.0-3.5%	2.5-3.0%	2.0-2.5%

China

Asset Class	Best Case	Base Case	Worst Case
Equities (MSCI China)	12-14%	6-8%	-5 to 0%
Bonds (Gov + IG)	4-5%	3-4%	2-3%
Cash (CNY MMkt)	2.5-3.0%	2.0-2.5%	1.5-2.0%

Emerging Markets (Aggregate)

Asset Class	Best Case	Base Case	Worst Case
Equities (MSCI EM)	12-15%	7-9%	-3 to 2%
Bonds (Blend)	8-10%	5-6%	2-3%
Cash (EM MMkt Avg)	4.5-5.5%	4.0-4.5%	3.5-4.0%

Note: *These are estimates only and are based on current valuations, macro trends, monetary policy guidance, capital flow models, and volatility-adjusted return simulations. They are subject to change as economic data and global conditions evolve.*

Final Thoughts

We approach portfolio construction through the lens of a multi-manager. That means our primary tools are selection, sizing and sequencing of underlying managers rather than top-down market timing. September reinforced the value of that approach. The month rewarded exposure to resource beta and cash generative technology, but penalised parts of financials and property. The dispersion between winners and laggards remained high, which is precisely the environment in which thoughtfully combined active processes can add value.

Locally we continue to pair equity managers with a quality and cash flow bias alongside valuation aware specialists who lean into cyclicals when risk premia compensate adequately. The aim is to participate in upswings like September's without overpaying for momentum or crowding into the same factors. In fixed income we stay overweight nominal bonds through specialist mandates that harvest term and credit carry with disciplined risk budgets, and we keep duration mostly in the intermediate area where the asymmetry around inflation shocks is more manageable. Listed property exposure is focused on balance sheet strength and cash flow visibility while funding costs normalise only gradually.

Globally our core satellite structure remains intact. Core allocations to high conviction quality growth managers are balanced by value and dividend disciplines to diversify factor exposures, and by targeted regional specialists in North Asia and Europe to capture idiosyncratic opportunities where policy support and earnings revisions are improving. We retain allocations to absolute return and real asset managers to provide diversification, income and convexity when equity beta is less well rewarded and when policy or inflation surprises emerge.

Implementation discipline is central. We rebalance toward policy weights when drift exceeds bands, recycle gains from crowded winners into under represented managers with dry powder, and maintain a measured liquidity buffer to fund opportunities without forced selling. Fee budgets are monitored so that every active rand we pay is tied to identifiable sources of alpha or risk control, and operational due diligence continues across all mandates to ensure that processes remain repeatable and capacity is not stretched.

Looking to the final quarter of 2025, three variables will shape the opportunity set. The first is the trajectory of disinflation in services, which will determine how quickly policy makers can move from restrictive to neutral settings. The second is tariff implementation and any offsets from bilateral arrangements, which will matter for export sensitive regions and for global supply chains. The third is the pace of improvement in the industrial cycle. Our base case envisages slower but positive global growth, patience from central banks, and a gradual normalisation in logistics and inventories. In that context we will continue to favour balance sheet strength and cash flow visibility, keep cyclical risk additions patient, and remain ready to add selectively to quality credit and real assets as valuation gaps open. The objective is unchanged: to deliver consistent, risk adjusted returns through a diversified blend of underlying managers whose philosophies rhyme, but not too much.