Monthly market commentary | May 2025

Global markets expanded their recovery in May, building on the lows from April as trade tensions eased and consumer sentiment improved. Broad-based gains across risk assets were fuelled by the progress in United States (US) trade negotiations with the European Union (EU) and a temporary delay to planned tariff hikes for many countries. The NASDAQ Composite index led global equity markets for the month and delivered a consecutive positive return, up 9.6%[1] in US dollar (USD) terms. The S&P 500 followed suit, also delivering a solid return for the month, 6.3%[1] higher in US dollar (USD) terms. The trade talks between the US and the EU assisted in alleviating fears of a recession and boosted European equities, with the MSCI Europe (ex-UK) 4.6%[1] higher in USD terms. Local asset classes performed well during May, aided by signals of a potentially lower inflation target and the expectation of a further 0.25% interest rate cut towards the latter part of the month, which supported local bond performance.

Developed markets made gains following an agreement between China and the US to put reciprocal tariffs on hold for 90 days, as well as the US Supreme Court's ruling that Trump's 'Liberation Day' tariff proposals were illegal, citing that he did not have the authority to use the emergency economic powers legislation when imposing them. Developed market equities (MSCI World) outperformed emerging markets, ending May 5.9%[1] higher in USD terms. Emerging market equities (MSCI EM) were solid for the month, up 4.3%[1] in USD terms, primarily aided by a weaker US dollar. Chinese equities (MSCI China) delivered a return of 2.7%[1] for the month in USD terms, as trade tensions toned down and a degree of confidence was restored. Global property (FTSE EPRA Nareit) ended the month positively, up 2.4%[1] in USD terms.

Bond markets were volatile in May, caught in limbo between competing risks from inflation, reduced growth and rising fiscal concerns. Yields climbed higher mid-month after the downgrade of the US sovereign credit rating, which prompted a sell-off in longer-dated treasuries and raised questions about the long-term sustainability of government borrowing. Performance from global bonds (FTSE

WGBI) diverged in May, delivering a negative return of 0.7%[1] in USD terms. The rand strengthened by 3.6%[2] to end the month at R17.99 against the US dollar.

South African (SA) equities (FTSE/JSE Capped SWIX) had another strong run and ended the month 3%[1] higher. Listed property (ALPI) continued to drive local equity returns, delivering 3.1%[1] in May and 34%[1] over the last year. Financials rose 2.5%[1] higher, after a strong month in April, while Industrials and Resources also followed suit, ending the month 3.9%[1] and 2.6%[1] higher, respectively.

SA bonds (FTSE/JSE ALBI) ended the month in positive territory, 2.7%[1] higher. Shorter-dated instruments in the one to three-year and three to seven-year maturities ended the month 0.8%[1] and 1.7%[1] higher, respectively, while bonds in the seven to 12-year spectrum ended the month 3.6%[1] higher. Bonds at the long end of the curve, in the 12+ year spectrum, delivered a positive return after being under pressure for the past three consecutive months, up 3.6%[1]. Local cash (STeFI) continued to deliver inflation-beating returns, with a return of 0.6%[1] for the month and 8.1%[1] over the last year.

During periods of sharp market movement, caution and patience is essential. While May brought a more moderate stance on tariffs, markets remained unsettled, and volatility increased. In this environment, maintaining a diversified portfolio continues to be the most effective strategy for managing uncertainty.

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