

MONTHLY market overview

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IN REVIEW

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ECONOMIC AND MARKET OVERVIEW

Geopolitical tensions peaked as Israel launched strikes on Iranian nuclear and military sites, prompting swift retaliation. The US intervened with targeted assaults on Iran's facilities in "Operation Midnight Hammer." Iran countered by targeting US bases in Qatar. A US-brokered ceasefire on June 24 ended the 12-day conflict. While Iran's nuclear program suffered significant setbacks, it suspended cooperation with the IAEA and vowed to continue enrichment. Global leaders urged diplomacy as geopolitical risks intensified. This episode underscored deepening rifts, with shifting power dynamics in the Middle East and broader implications for energy markets and global security.

The World Bank expects the global economy to produce its weakest run in 17 years, outside of recessions. The main detractors from growth are heightened trade tensions and policy uncertainty, according to the World Bank's latest Global Economic Prospects report. The turmoil has resulted in growth forecasts being cut in nearly 70% of all economies - across all regions and income groups.

The World Bank projects global economic growth to slow to 2.3% in 2025, nearly half a percentage point lower than the rate expected at the start of the year. A global recession is, however, not expected. Nevertheless, if forecasts for the next two years materialise, average global growth in the first seven years of the 2020s will be the slowest of any decade since the 1960s. Tariff increases, and tight labour markets are also exerting upward pressure on global inflation. At a projected average of 2.9% in 2025, inflation remains above pre-pandemic levels.

South Africa must accelerate structural reforms to offset global challenges that include US President Donald Trump's trade war. The African Development Bank said as it cut the nation's economic forecast. It lowered its forecast for Africa's most-industrialised economy to a meagre 0.8% this year from a previous estimate of 1.6%, the Abidjan-based lender said in an

update to its Country Focus Report for South Africa.

Local mining minister Gwede Mantashe has backtracked on empowerment requirements on prospecting rights. This follows pushback from the industry and experts that this would hurt investment. Mantashe published the draft Mineral Resources Development Bill in May for public comment. It proposes a number of amendments to the Mineral & Petroleum Resources Development Act 28 of 2002.

In South Africa, Starlink's expansion has hit regulatory snags. Elon Musk rejected ICASA's (Independent Communications Authority of South Africa) 30% local ownership requirement for telecom licensing, branding it "racist," and instead proposed an Equity Equivalent Investment Programme (EEIP) to comply with transformation laws. Communications Minister Solly Malatsi responded by gazetting a draft policy in May 2025 to accommodate EEIPs, potentially paving the way for Starlink's entry. However, ICASA maintains that Starlink's previous operations were unauthorized and continues its investigation. A formal regulatory framework is expected to take 18–24 months, leaving Starlink's legal availability in South Africa unresolved but inching forward.

MARKET PERFORMANCE

Global equity markets advanced strongly in June 2025, buoyed by AI momentum, easing inflation, and geopolitical relief following the Iran-Israel ceasefire. The S&P 500 surged 5.1% and the Nasdaq 100 led gains as it added 6.3%. The latter was fuelled by stellar tech earnings and robust US jobs data. Japan's Nikkei 225 rose 6.8% on yen depreciation and corporate buybacks, while the Eurostoxx 50 gave up 1.1%. The FTSE 100 remained flat, and emerging markets rose 6.1% amid dovish central banks and strong domestic demand. Currency trends (a weakening US Dollar) and monetary policy pivoted favourably for risk assets.

South African financial markets posted modest gains, with the FTSE/JSE All Share Index rising 2.4%, led by strong performances in telecoms (+8.5%) and technology (+4.7%). Mining stocks rebounded on firmer commodity prices, while basic materials lagged. Government bonds remained stable, with benchmark 10-year and 20-year yields at 10.09% and 11.27% respectively, offering attractive real returns amid subdued inflation. The rand traded flat, ending the month around R17.75/USD, supported by investor optimism and SARB's dovish stance.

Gold spiked to USD 3 451/oz in June 2025 amid Iran-Israel-US conflict, then retreated to USD 3 295/oz after a ceasefire, remaining up 25% year-to-date. Oil markets saw similar volatility: Brent surged past USD 81 per barrel on fears of disruption in the Strait of Hormuz but fell sharply to around USD 68 after hostilities eased. Investor sentiment stabilised post-ceasefire, though risks persist. Both assets reflect heightened geopolitical sensitivity and uncertainty, with analysts projecting elevated prices into 2026 due to fiscal and strategic tensions.

MARKET INDICES ¹	30 JUNE 2025		
	3 months	12 months	5 years ²
(All returns in Rand except where otherwise indicated)			
SA equities (JSE All Share Index)	10.2%	25.2%	16.4%
SA property (S&P SA REIT Index)	11.1%	29.5%	16.1%
SA bonds (SA All Bond Index)	5.9%	18.4%	10.9%
SA cash (STeFI)	1.9%	8.1%	6.3%
Global developed equities (MSCI World Index)	7.9%	13.6%	15.6%
Emerging market equities (MSCI Emerging Markets Index)	8.4%	12.9%	7.7%
Global bonds (Bloomberg Barclays Global Aggregate)	1.0%	6.0%	-0.7%
Rand/dollar ³	-3.4%	-2.7%	0.5%
Rand/sterling	2.6%	5.5%	2.6%
Rand/euro	5.0%	6.6%	1.3%
Gold Price (USD)	5.5%	41.5%	12.9%
Oil Price (Brent Crude, USD)	-9.5%	-21.8%	10.4%

1. Source: Factset

2. All performance numbers in excess of 12 months are annualised.

3. A negative number means fewer rands are being paid per US dollar, so it implies a strengthening of the rand.



WHO WORKS MOST?

“To be sure of hitting the target, shoot first and call whatever you hit, the target.”

– *Anonymous*

In June and early July 2025, South African Reserve Bank (SARB) Governor Lesetja Kganyago intensified his push to lower the country’s inflation target to 3%, arguing that the current midpoint of 4.5% is too high and undermines the rand’s value. He emphasised that even a 4.5% rate causes prices to double every 16 years, which he sees as inconsistent with the SARB’s constitutional duty to protect currency value. With inflation at 2.8% in May, Kganyago described the moment as an “amazing opportunity” to revise the framework, which hasn’t changed since 2000.

The SARB and National Treasury are nearly finished with technical work on the review, and recommendations are expected soon. Kganyago believes a 3% target would, anchor inflation expectations more effectively, lower borrowing costs over time and align South Africa with global best practices. He also noted that South Africa’s price level is nearly 20% higher than in 2021, despite stable inflation, reinforcing the need for reform.

If adopted, this shift could usher in a structurally lower interest rate environment. SARB models suggest the repo rate may gradually fall to 6% by 2026, pulling prime lending rates below 9.5%. Already, bond yields have responded positively—10-year yields dipped below 9.9%—and the rand firmed on renewed investor confidence. While risks remain, including political buy-in and wage restraint, the move signals a potential pivot toward low-inflation growth and improved monetary credibility.

The implication for investors is that returns on all assets may be lower in absolute terms. Lower inflation erodes less of an investor’s future wealth, so this should not be a surprise. There are more specific nuances though.

Equities often shine in this environment, especially growth-oriented sectors like technology and consumer discretionary. Lower interest rates reduce the discount applied to future earnings, boosting valuations. Dividend-paying stocks also gain appeal as reliable income generators when bond yields are subdued. Small-cap stocks may benefit from cheaper financing and greater sensitivity to domestic growth momentum.

Real estate assets—particularly REITs (Real Estate Investment Trusts)—tend to perform well when rates are low. Lower borrowing costs make property development and refinancing more attractive, while

rental yields remain relatively stable. Real estate demand often rises as consumers find mortgages more affordable, driving asset prices higher and improving investor returns.

Fixed Income markets experience a shift in favour of long-duration bonds, which gain in value as yields decline. Government and investment-grade corporate bonds are especially well-positioned, offering predictable income streams and benefiting from capital appreciation. Inflation-linked bonds may lag unless real yields remain compelling relative to expectations.

Commodities are generally less favoured in a low inflation regime, as their traditional role as an inflation hedge diminishes. However, industrial metals and select energy assets may still find support if the macro environment reflects stronger growth and infrastructure investment. Gold, meanwhile, may hold value during geopolitical uncertainty even amid subdued inflation.

Private equity & infrastructure investments often flourish due to their long-term cash flow profiles and dependence on stable financing conditions. Lower rates improve project feasibility, while inflation stability enhances predictability. These assets can offer attractive returns in low-rate settings, especially when focused on essential services like transport, energy, and digital infrastructure.

Structural monetary policy changes like these provides a great opportunity for investors to discuss their asset allocation with an advisor. Bank deposits are likely to deliver lower interest rates under a structurally lower inflation rate regime, and now may be the time to deploy some of those allocations to a still conservative but multi-asset strategy. With good advice, investors will sail through significant changes like these.

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