MY TIME
TO INVEST

MARKET OVERVIEW FEBRUARY 2025

ECONOMIC AND MARKET OVERVIEW

The G20 foreign ministers' meeting, held on 20 and 21 February, focused on geopolitical conflicts such as Ukraine and Israel-Hamas. South Africa, as the host, aimed to negotiate a consensus despite heightened geopolitical tensions. South African President Cyril Ramaphosa emphasised to G20 foreign ministers that a commitment to multilateralism and international law is essential for resolving global crises. His comments follow growing concerns about the Trump administration's "America First" policy, with U.S. Secretary of State Marco Rubio boycotting the foreign ministers' meeting and Treasury Secretary Scott Bessent doing the same for the G20 finance ministers' meeting.

It was not only in its foreign relations with South Africa that the Trump administration ruffled feathers.

Shortly after the G20 foreign ministers' meeting, the U.S. foreign mission in South Africa confirmed the retirement of Dana Brown as U.S. Chargé d'Affaires. Brown had been the most senior official at the mission since the resignation of former U.S. Ambassador to South Africa, Ruben Brigety. Her retirement follows her attendance at the G20 foreign ministers' meeting, where she represented the U.S. government after Secretary of State Marco Rubio.

It was not only in its foreign relations with South Africa that the Trump administration ruffled feathers. During the month, President Trump reached out to President Vladimir Putin of Russia to discuss a possible peace deal with Ukraine but excluded Ukraine and the rest of Europe from these discussions. This followed U.S. Vice President JD Vance's extraordinary and forthright address at the 61st Munich Security Conference, where he launched a scathing attack on European democracies, saying the greatest threat facing the continent was not from Russia and China but "from within." It had been expected that Vance would use his speech at the Munich Security Conference to address possible talks to end the war in Ukraine. Instead, he spent the majority of his time accusing European governments—including the UK's — of retreating from their values and ignoring voter concerns on migration and free speech.

Later in the month, Volodymyr Zelensky had been hoping to leave the White House with the signing of a minerals deal, giving the U.S. a real stake in his country's future—if not an outright security guarantee. Instead, the Ukrainian president faced an extraordinary dressing-down in front of the world's media after President Trump and his Vice President, Vance, demanded that he show more gratitude for years of U.S. support. Zelensky pushed back against suggestions from his more powerful partners that he should work harder to agree on a ceasefire with Vladimir Putin. They responded that he was being "disrespectful." Zelensky was eventually told to leave the White House early, before he and Trump could even take the stage for a scheduled news conference.

While the world's political leaders were waging wars—both of words and bullets—there was no shortage of economic news. Inflation in the United States experienced some upward pressure as prices rose by 0.5% in January, up from a 0.4% increase in December. Markets had expected a decline to 0.3% instead. Correspondingly, the year-on-year rate strengthened from 2.9% to 3.0%. At first glance, this may not seem significant, but it supports the U.S. Federal Reserve's stance that there is no hurry to cut interest rates—a view that may trickle down to other central banks.

South Africa's inflation rose in line with consensus forecasts, reaching 3.2% year-on-year in January, and remains comfortably below the middle of the inflation target, keeping the door open for further rate cuts. However, monthly data releases suggest that economic growth may once again disappoint.

Lastly, the delay in South Africa's national budget speech has been a significant event. Initially scheduled for February 19, 2025, the speech was postponed to March 12, 2025, due to disagreements within the government of national unity (GNU). The primary point of contention was a proposed 2% increase in value-added tax (VAT), which some coalition members opposed. The delay has caused economic uncertainty, leading to a weakening of the South African rand and local bonds on the day of the announcement.

MARKET PERFORMANCE

The U.S. economic and foreign policy noise mentioned earlier, coupled with stretched valuations, negatively impacted the U.S. equity market. The S&P 500 (down 1.3%) and Nasdaq (down 3.9%) both underperformed broad developed market equities (MSCI World, -0.7%) and emerging market equities (MSCI EM, 0.5%) during the month.

The South African equity market ended the month roughly flat, lagging its emerging market peers. This was despite strong performances from AB InBev (+22.7%), Prosus (+12.8%), and Naspers (+13.6%). The local Resources sector lost 6.2% after recording a nearly 18% return in January.

Visio Capital reports that U.S. government bond yields recorded their biggest monthly decline (-0.33%) since July 2024. This suggests that investors are more concerned about the impact of U.S. economic and foreign policy on growth than on inflation and a deteriorating fiscal outlook. It also highlights that investors still consider Treasuries a good hedge against market dislocations.

South African bond yields rose for the third consecutive month in February in what was a “risk-off” month, emerging market bonds (0%) underperforming the developed market composite (1.1%). Furthermore, the delay in the publication of the budget reinforced concerns that South Africa’s fiscal challenges are unlikely to be resolved anytime soon, as slow economic reform stifles growth, inefficient expenditure persists, and the tax base remains stretched to its limit.

The gold price ended the month nearly 1% higher, while Bitcoin lost over 20% in what continues to be a volatile ride. Finally, the oil price fell by nearly 5% and is now 12.5% lower than in February 2024.

MARKET INDICES[1]	28 FEBRUARY 2025		
(All returns in Rand except where otherwise indicated)	3 months	12 months	5 years[2]
SA equities (JSE All Share Index)	20%	22.6%	15.2%
SA property (S&P SA Reit Index)	-2.2%	26.9%	7.2%
SA bonds (SA All Bond Index)	0.2%	17.6%	9.4%
SA cash (STeFI)	0.2%	17.6%	9.4%
Global developed equities MSCI World Index)	2.0%	8.4%	6.2%
Emerging market equities (MSCI Emerging Markets Index)	3.0%	12.4%	18.3%
Global bonds (Bloomberg Barclays Global Aggregate)	5.1%	7.1%	8.2%
Rand/dollar[3]	2.6%	-0.3%	1.4%
Rand/sterling	2.8%	-3.2%	3.4%
Rand/euro	1.9%	-3.6%	3.1%
Gold Price (USD)	6.8%	-38.7%	12.6%
Oil Price (Brent Crude, USD)	0.3%	-12.5%	7.7%

1. Source: Factset
2. All performance numbers in excess of 12 months are annualized
3. A negative number means fewer rands are being paid per US dollar, so it implies a strengthening of the rand.

The gold price ended nearly *1% higher*

DID YOU KNOW?

GOING FOR GOLD
(a case study in the power of economics)

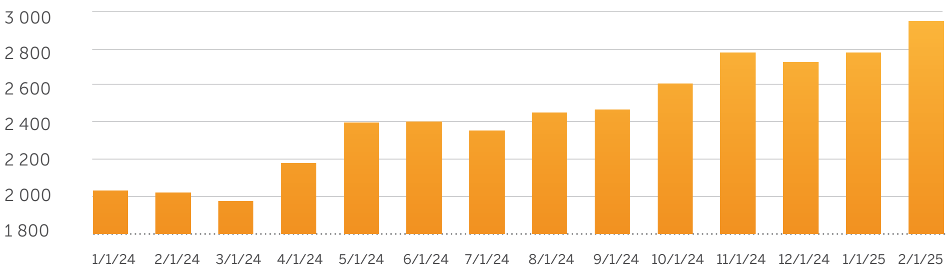
> "If more of us valued food and cheer and song above hoarded gold, it would be a merrier world."
> *Thorin Oakenshield, The Hobbit (J.R.R. Tolkien)*

> "Truth, like gold, is to be obtained not by its growth, but by washing away from it all that is not gold."
> *Leo Tolstoy*

Gold has once again stepped into the spotlight amid global uncertainty, market concentration, and diverging views on cryptocurrencies. Over the past year, its price has surged over 45%, reaching nearly $2,940.

Gold's long-term return lags behind *equities*

Gold price ($/oz)



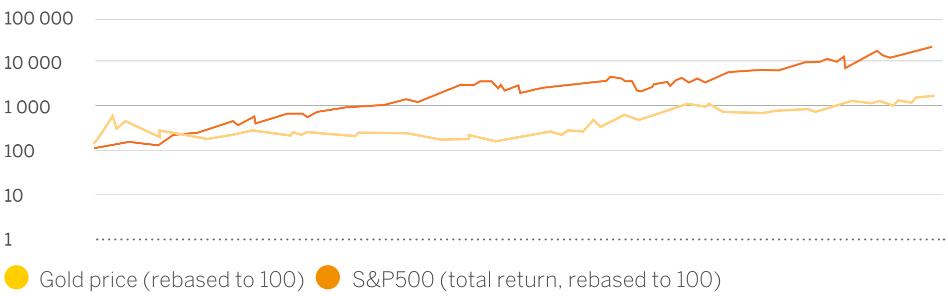
Why Investors Consider Gold [1]

- **Safe-Haven Asset:** Holds value during economic instability.
- **Inflation Hedge:** Preserves purchasing power over time.
- **Portfolio Diversification:** Moves independently of stocks and bonds.
- **Tangible & Liquid:** A physical, universally tradable asset.
- **Wealth Preservation & Capital Growth:** Used for generational wealth transfer.

Performance Perspective

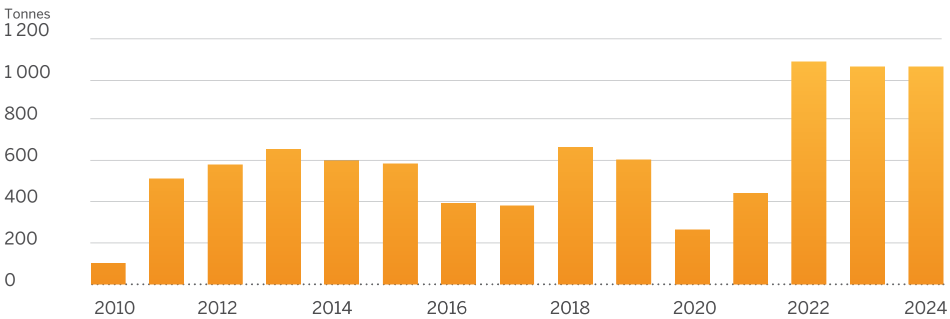
Despite its recent rally, gold's long-term return (5.6% annually since 1979) lags behind equities (12% for the S&P 500). While central banks have increased gold purchases, the overall supply suggests price movements stem from multiple factors.

Gold vs US equities since 1979 (log scale) [2]



Gold has outperformed equities at times, but as a long-term investment, it has not matched the success of a diversified equity portfolio. While gold's limited supply suggests rising demand should drive prices higher, its recent gains may also be influenced by central banks, which have been net buyers for 15 years. However, gold prices are shaped by many factors, as every trade requires both a willing buyer and seller.

Central banks have been net buyers for 15 consecutive years

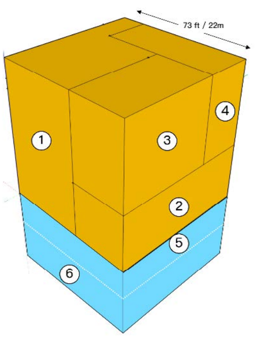


Net purchases 2010 - 2021 average
* Data to 31 December 20254. Source: Metals Focus, Refinitiv GFNS, World Gold Council

[1] Sources:Forbes.com, Investopeadia.com
[2] Sources:World Gold Council, Morningstar Direct

GOING FOR GOLD
continued

(a case study in the power of economics)



Total above-ground stock (end 2024): 216,265 tonnes

Since 2022, central banks have purchased over 1,000 tonnes of gold annually—more than double the average of the previous 12 years. However, in context, the total gold ever mined reached approximately 216,000 tonnes by the end of 2024, which would form a 22-meter cube[3]. Given gold's indestructibility, all of it still exists in some form.

1. **Jewellery** - 97, 149t, 45%
2. **Bars and coins** (including gold backed ETFs) - 48, 634t, 22%
3. **Central banks** - 37,755t, 17%
4. **Other** - 32, 727t, 15%
5. **Reserves** - 54m770t*
6. **Resources** - 132,110t*

Annual gold production in 2022 and 2023 was around 3,600 tonnes—2,600 tonnes more than central bank purchases—adding just 1.7% to total supply. The gold price surge remains uncertain, with multiple plausible factors. While a collapse is unlikely, it would be more a consequence of a broader crisis than a driver of market movements

There are countless conspiracy theories about gold. Some of the most popular include:[4,5,6]

1. **Fort Knox Gold** – Claims the U.S. reserves were secretly removed or replaced with fakes.
2. **Price Manipulation** – Belief that banks and governments suppress gold prices.
3. **Nazi Alchemy** – WWII rumours of Nazi scientists turning sand into gold.
4. **1930s Confiscation** – Allegations that the U.S. government raided safe-deposit boxes for gold.

Recent months have seen a surge in gold shipments to the U.S., driven by tariff concerns and economic uncertainty. Rising demand has boosted COMEX inventories by nearly 300 and 500 tons, respectively, pulling bullion from other countries and disrupting supply chains — a trend continuing into 2025 as investors seek safety.

Gold-related conspiracy theories stem from historical events, financial mistrust, and gold's mystique.

The U.S. Treasury, not the Federal Reserve, owns the nation's gold, following the Gold Reserve Act of 1934. In exchange, the Fed received gold certificates, which are denominated in U.S. dollars but not redeemable for gold.
The statutory price of gold has remained fixed at $42.22 per troy ounce since 1973, determining its book value.

The Federal Reserve Bank of New York safeguards gold for governments and institutions but does not own any itself.[7,8] Of the U.S. Treasury's gold, 95% ($10.4 billion in book value) is held by the U.S. Mint.

If the U.S. Treasury's gold was valued at market price instead of the statutory price, the book value would rise significantly, enhancing financial statements and potentially improving the government's perceived fiscal health. This could affect borrowing capacity, national debt management, and market perceptions of the U.S. economy and dollar.

Using the market price would increase the reported value of U.S. gold reserves, with various financial and policy impacts. Gold remains a key long-term investment, rewarding its holders for now.

If we can just find the food and cheer that Tolkien reminds us of above, the world would be a merry place.

[3] World Gold Council, https://www.gold.org/goldhub/data/how-much-gold
[4] https://globalbullionsuppliers.com/blogs/blog/top-gold-conspiracy-theories
[5] https://www.forbes.com/sites/greatspeculations/2019/05/20/yes-gold-is-being-manipulated-but-to-what-extent/
[6] https://www.litefinance.org/blog/analysts-opinions/gold-price-prediction-forecast/conspiracy-theorists-push-gold-quotes-higher-forecast-as-of-25022025/
[7] https://www.gold.org/goldhub/gold-focus/2025/02/you-asked-we-answered-threat-us-tariffs-moving-gold-market
[8] https://www.federalreserve.gov/faqs/does-the-federal-reserve-own-or-hold-gold.htm