MY TIME
TO INVEST

MARKET OVERVIEW APRIL 2025

ECONOMIC AND MARKET OVERVIEW

The International Monetary Fund (IMF) revised its global growth forecast downward to 2.8% for 2025, citing escalating trade tensions and policy uncertainty. The downgrade reflects the impact of new tariffs and financial market volatility.

Early in April, the Trump administration announced sweeping reciprocal tariffs, triggering sharp corrections in equity markets. China retaliated with 34% tariffs on imports from the United States, further contributing to heightened volatility in financial markets. The uncertainty surrounding these measures has disrupted global supply chains.

While global headline inflation is expected to decline, the pace is slower than previously anticipated. In the United States, household inflation expectations reached their highest level in over 30 years, while the Eurozone saw a more controlled inflation trajectory.

A surge in Treasury yields in the United States raised concerns about waning foreign appetite for U.S. government debt. Again, investors reacted to tariff uncertainty, leading to increased volatility in bond markets.

Growth projections for China fell below 4%, largely due to worsening trade relations with the United States. The IMF warned that escalating tariffs could significantly slow China’s economy, despite government efforts to stabilise growth.

Western Europe continued to struggle with near-stagnation, though fiscal policy adjustments may support growth from 2026 onwards. The IMF emphasised the need for structural reforms to counter rising public debt burdens and policy uncertainty.

In South Africa, headline consumer inflation eased to 2.7%, marking the first decline in five months. Lower fuel prices and softer tuition inflation were key contributors to this downward trend.

The government unexpectedly reversed a proposed 0.5% VAT increase, signalling concerns over the financial burden on consumers. This was also after other parties in the GNU publicly condemned the proposal.
This decision highlighted the administration’s sensitivity to economic pressures and public sentiment.

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2.7%

marking the first decline in five months.

South Africa’s national debt reached $300.2 billion, sending the debt-to-GDP ratio over 75%. Projections indicate further increases, raising concerns about fiscal sustainability and the growing burden of debt servicing.

MARKET PERFORMANCE

April was one of the most volatile months in five years, with the S&P 500 briefly dropping 14% before recovering towards the end of May. Only five of eleven S&P 500 sectors finished higher for the month. Technology (+1.6%) and Consumer Staples (+1.1%) outperformed, while Energy (-13.7%) sank due to oil price declines. The sharp sell-off in markets followed U.S. President Trump's announcement of sweeping tariffs on the 2nd of April, well-known as Liberation Day. However, markets rebounded after a 90-day tariff pause was announced on April 9.

U.S. Treasury yields spiked from 4% to 4.6% in a week, driven by concerns over foreign debt sell-offs. Later in the month they recovered somewhat, but not quite to the levels seen earlier this year. Investors speculated that the Federal Reserve might cut rates to counter tariff-induced economic slowdown, although inflation concerns kept policymakers cautious.

South African nominal bond yields continued to rise, reflecting investor concerns over fiscal sustainability and global trade tensions. Inflation-linked bonds, however, saw slight declines in yields. Despite political uncertainty, foreign ownership of local currency bonds increased to 25%, the highest level since October last year. South Africa attracted $2.8 billion in fixed-income inflows between December and March.

The JSE All Share Index rose 4.3%, driven by strong gains in industrials (+5.0%), financials (+4.6%), and resources (+2.1%). South African property rebounded sharply, gaining 10.3%, while the S&P SA REIT Index rose 8.0%. During April, South African equities outperformed both developed and emerging market composites, benefiting from lower inflation expectations and potential monetary easing.

The price of crude oil fell to four-year lows, dragging down energy stocks. The gold prices surged 19%, benefiting from risk aversion and inflation hedging.

The JSE All Share Index rose

4.3%

MARKET INDICES[1]	30 APRIL 2025		
(All returns in Rand except where otherwise indicated)	3 months	12 months	5 years[2]
SA equities (JSE All Share Index)	8.0%	24.6%	17.0%
SA property (S&P SA REIT Index)	7.8%	36.2%	18.1%
SA bonds (SA All Bond Index)	1.0%	19.4%	11.0%
SA cash (STeFI)	1.8%	8.3%	6.2%
Global developed equities (MSCI World Index)	-4.5%	11.3%	14.8%
Emerging market equities (MSCI Emerging Markets Index)	2.2%	8.3%	7.1%
Global bonds (Bloomberg Barclays Global Aggregate)	4.7%	7.5%	-0.9%
Rand/dollar[3]	-0.3%	-1.2%	0.3%
Rand/sterling	7.1%	5.4%	1.4%
Rand/euro	9.0%	5.0%	1.0%
Gold Price (USD)	17.5%	44.2%	14.4%
Oil Price (Brent Crude, USD)	-17.8%	-28.2%	20.1%

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.

ALL THE ACRONYMS

"A rose by any other name would smell as sweet."
Romeo, from Romeo and Juliet by William Shakespeare

It's often proposed that each profession creates TLAs (three letter abbreviations) to protect their profession from outsiders You need to speak the "lingo" to be understood, and you need to know it to understand. Such a sceptical view is perhaps not fully warranted, but terms in any profession can be confusing if you're not an expert.[1]

In the investment world it's CFDs, ETFs, PSPs, NAV, IPO, AUM and IRR to name a few. With the fairly recent advent of AMETFs we thought it would be useful to explain the differences and similarities between these instruments, ETFs and mutual funds (or more specifically portfolios of Collective Investment Schemes).

South Africa's investment landscape has evolved significantly over the last few decades, with ETFs (exchange traded funds) and AMETFs (actively managed exchange traded funds) gaining traction alongside traditional mutual funds. The latter is colloquially known as unit trusts, or more officially CIS (collective investment scheme) portfolios. Each vehicle offers distinct advantages and trade-offs in terms of cost, liquidity, management style, and accessibility.

Exchange Traded Funds (ETFs) are passively managed funds that track an index, commodity, or sector. They are listed on the Johannesburg Stock Exchange (JSE) and trade like stocks.

Their key features include:

- **Passive management:** ETFs replicate the performance of an index (e.g., JSE Top 40).
- **Lower fees:** Management costs are typically lower than actively managed funds.
- **Liquidity:** Investors can buy/sell ETFs throughout the trading day at market prices.
- **Transparency:** Holdings are disclosed regularly, allowing investors to see the underlying assets.

On the upside they typically are more cost-effective due to lower management fees. They are also easily accessible through brokerage accounts and are particularly suitable for long-term passive investing.

However, there are also some drawbacks. They have a limited ability to outperform the market since they track an index. Sometimes the market price may deviate from the Net Asset Value (NAV). When an investor is on the wrong side of this phenomenon it means they can pay a little more for an ETF (than what it's worth) or sell it at a price less than its NAV.

Actively Managed ETFs (AMETFs) are a newer investment vehicle in South Africa, introduced after regulatory changes in 2023. Unlike traditional ETFs, AMETFs allow fund managers to actively adjust holdings.

Their key features include:

- **Active management:** Investment professionals make strategic decisions to optimise returns.
- **Listed on the JSE:** Like ETFs, AMETFs trade throughout the day.
- **Typically, higher fees:** Costs are generally lower than mutual funds but higher than passive ETFs.
- **Transparency:** Investors can see real-time holdings, unlike most mutual funds.

Terms in any profession can be confusing if you're not an *expert*[1]

One of the advantages of AMETFs over other investments is that they have the potential for higher returns compared to passive ETFs. In addition, they have liquidity similar to ETFs, and for the majority of them they have lower fees than traditional mutual funds.

Investors, however, need to take cognisance of disadvantages of AMETFs. They typically have higher costs than passive ETFs, and their performance depends on both market movements and fund manager skill.

[1]An expert is someone that knows more and more about less and less, until, eventually, they know everything about nothing.

DID YOU KNOW?

continued

Mutual Funds / Collective Investment Schemes (CIS) are actively managed pooled investments governed by the Collective Investment Schemes Control Act (CISCA). They are not traded on the JSE but bought/sold through fund managers. They are colloquially referred to as unit trusts.

Their key features are:

- **Active Management:** Fund managers perform asset allocation and share selection that is different to the broader market, in order to maximise returns.
- **Investors buy/sell exactly at NAV,** determined at the end of each trading day.
- **Typically, somewhat higher fees:** Costs may include management fees, performance fees, and administrative expenses. These have, however, reduced over time.
- **Regulated by CISCA (Collective Investment Schemes Control Act):** Provides investor protection and oversight.

Features that play in the favour of investors is that their money is managed by professional money managers that use security selection, geographical location and asset allocation in order to deliver on investment expectations. These investment vehicles are suitable for long-term investors seeking diversification and can be accessed without a brokerage account.

On the downside, they can have higher fees than ETFs and AMETFs, although this is not always the case. They do have somewhat less liquidity (investors buy and sell once a day, at the end of the day) but this comes with more certainty in terms of the NAV at which they trade the fund.

It's interesting to note that ETFs and AMETFs are regulated by the JSE, while CIS portfolios are regulated by the Collective Investment Schemes Control Act (CISCA).

Each investor's requirements will determine which of these instruments are appropriate for them. In this instance it may be a good idea to get a professional adviser to help navigate the myriad of options available. At least you would then have someone to ask WTF[2] if things don't go according to plan...

[2]WTF – Why the frown?

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