



Market review and macro-outlook summary: October 2025

Key economic outlook takeaways

- The global economy looks set to avoid recession, but growth remains lacklustre by historical standards, with trade tensions, weak investment and structural frailties weighing on activity. Protectionism is expected to push United States (US) inflation up as national imperatives eclipse multilateralism, while disinflation continues elsewhere. South Africa's (SA) economy is forecast to expand by a modest 1% in 2025 and 1.4% in 2026, buoyed by consumption but hampered by weak investment, fiscal strain and political fragility in the Government of National Unity (GNU). Softer inflation, however, should give the South African Reserve Bank (SARB) scope to cut interest rates further in 2026. For a detailed economic outlook by our chief economist, Sanisha Packirisamy, please click [here](#).

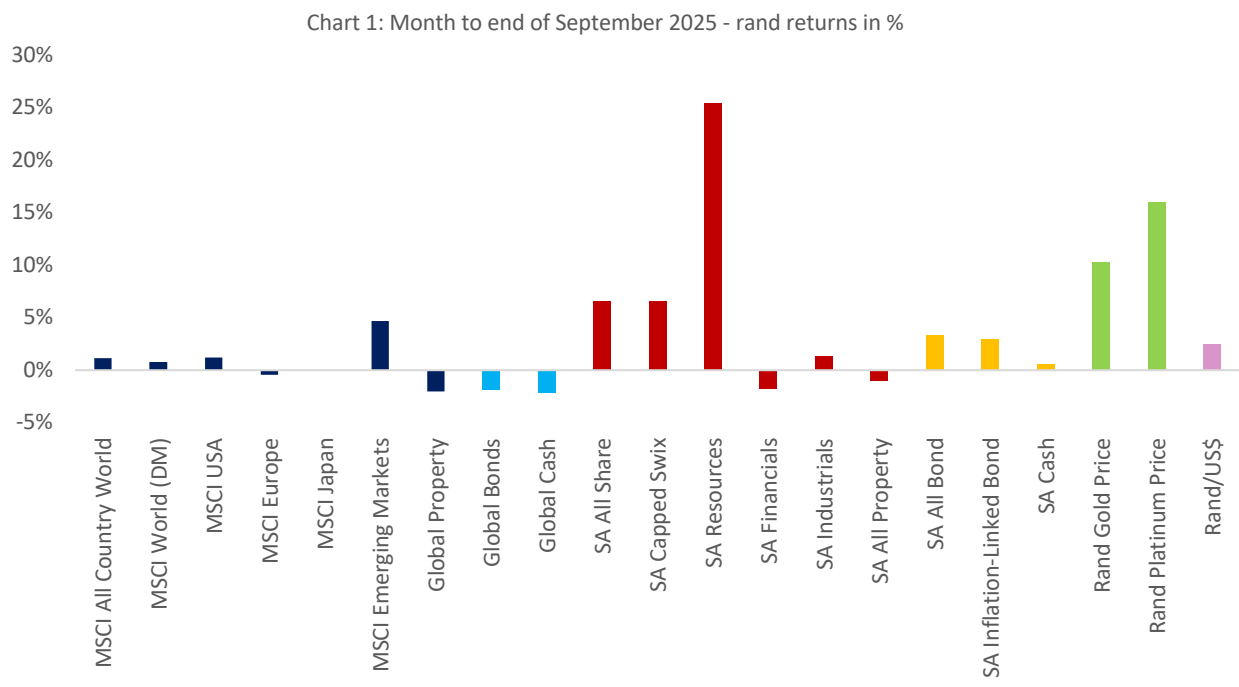
Key market review takeaways for the third quarter of 2025

- Strong gold and platinum prices underpinned a buoyant performance from the Resources sector of the SA equity market. As a result, the overall SA equity market provided the strongest returns of all main local asset classes in the third quarter of 2025. With strong commodity prices driving a stronger rand in the quarter, this also contributed to global asset classes underperforming local assets.
- SA nominal bonds rallied further in the third quarter as the SARB confirmed that the 3% bottom end of the official inflation target range was now their preferred goal. SA inflation-linked bonds (ILBs) benefited as local inflation embarked on a cyclical uptrend. SA listed property gained from falling local bond yields and positive earnings guidance from company managements. SA cash was the clear underperforming local asset class in the third quarter as the SARB continued to cut policy rates.
- Within the global asset space, global fixed income returns clearly lagged global equities in the third quarter. Fiscal concerns around the world and worries about Federal Reserve (Fed) independence undermined global bond returns. In contrast, US equity returns were supported by resilient economic growth and more aggressive Fed rate cut expectations. Moreover, as more tariff settlements with some major economies were forthcoming in the quarter, some uncertainty was removed from equity markets. A general risk-on environment caused emerging equity markets (EM) to outperform developed markets (DM).

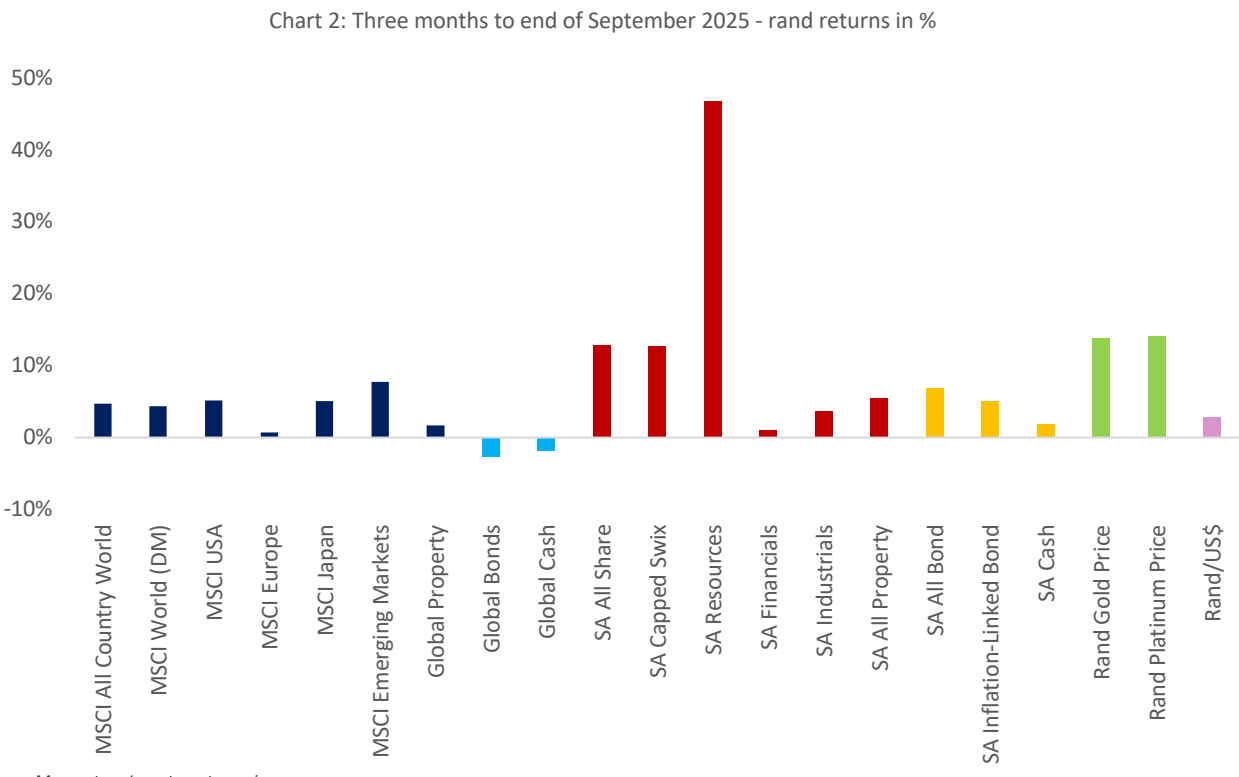
Key financial market outlook takeaways

- We still favour SA assets over global counterparts, supported by fundamentals and valuations. The combination of anticipated rising US inflation, fiscal stimulus and the potential for Fed meddling by the Trump administration to ensure lower policy rates, at the very least can be construed as less negative for the US equity market than the US bond market, if not outright positive for equities. A falling local interest rate cycle continues to provide a positive backdrop for attractively valued local equities and vanilla government bonds. The recent strong relative SA equity market performance could put the underowned market back onto the radar screens of foreign investors, as has often been the case in the past. Elevated geopolitical risk and concerns about the security of assets in the global financial system since the onset of the Russia–Ukraine war continue to buoy the gold price. For our detailed financial market outlook, please click [here](#).

Asset class returns

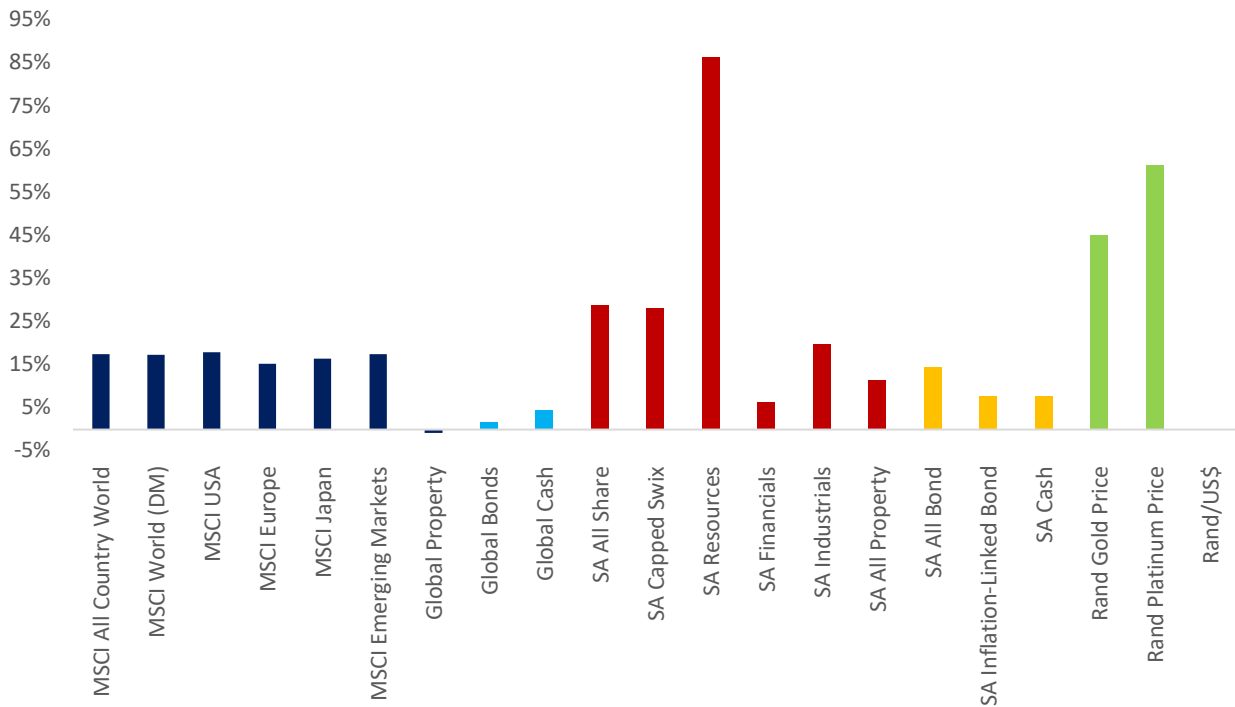


Source: Momentum Investments, various sources



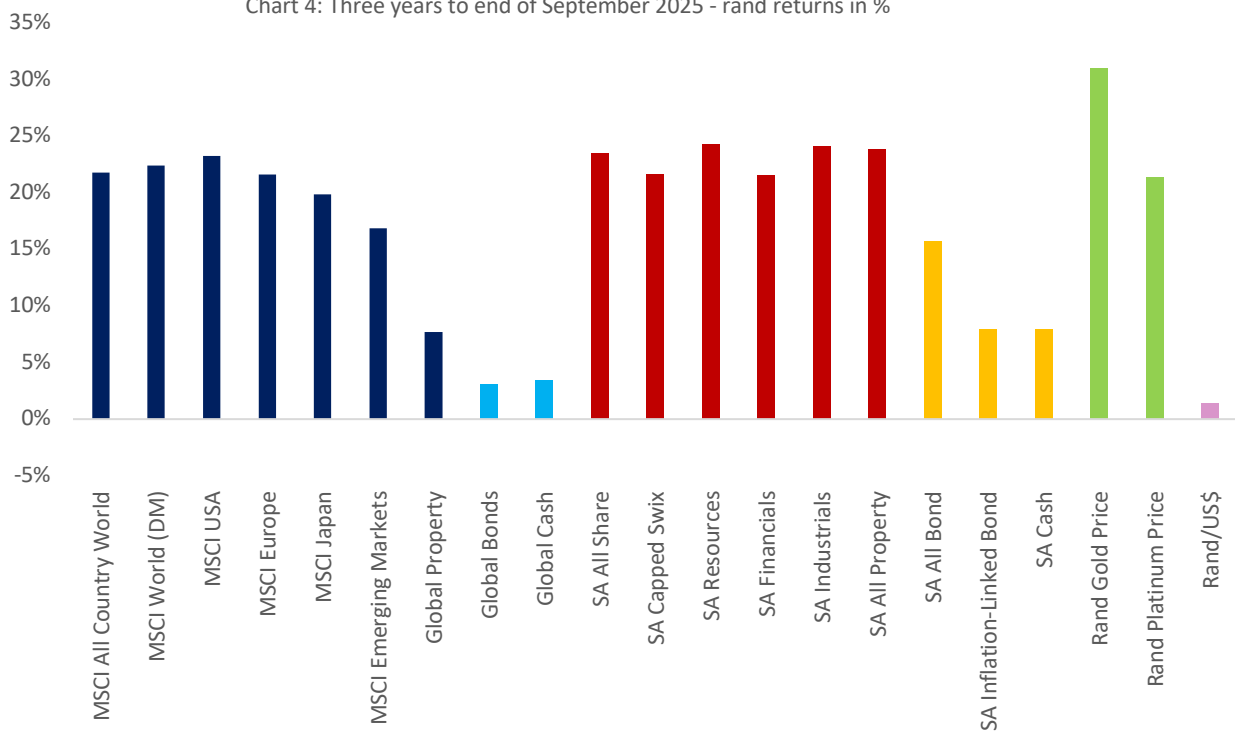
Source: Momentum Investments, various sources

Chart 3: Year to end of September 2025 - rand returns in %



Source: Momentum Investments, various sources

Chart 4: Three years to end of September 2025 - rand returns in %



Source: Momentum Investments, various sources

Strong gold and platinum prices the standout feature of asset class returns in third quarter of 2025

The standout feature of market returns for SA investors in the third quarter of 2025 was the strong showing by gold and platinum prices.

Continued geopolitical uncertainty, rising expectations for Fed rate cuts on the back of soft labour market data and worries about the future independence of the Fed caused a further increase in gold prices. Platinum prices received ongoing support from a shift in future global vehicle demand expectations away from electric vehicles to hybrid and combustion engines and substitution demand for platinum jewellery.

Strong gold and platinum prices underpinned a buoyant performance from the Resources sector of the SA equity market. As a result, the overall SA equity market provided the strongest returns of all main local asset classes in the third quarter of 2025, despite lacklustre performances by the Financial and Industrial sectors. With strong commodity prices driving a stronger rand in the quarter, this also contributed to global asset classes underperforming local assets.

SA nominal bonds rallied further in the third quarter as the SARB confirmed that the 3% bottom end of the official inflation target range was now their preferred goal, rather than the previous 4.5% mid point of the range. Strong foreign demand was also evident for local bonds in the quarter. SA ILBs benefited as local inflation embarked on an uptrend from the 2.7% March 2025 low, with further inflation rises being discounted for the remainder of 2025. SA listed property gained from falling local bond yields and positive earnings guidance from company managements. SA cash was the clear underperforming local asset class in the third quarter as the SARB continued to cut policy rates.

Within the global asset space, global fixed income returns clearly lagged global equities in the third quarter. Fiscal concerns around the world and worries about Fed independence undermined global bond returns. Meanwhile, global cash returns were eroded by actual and expected Fed rate cuts. Global bonds and cash were the only main asset classes to provide negative rand returns in the third quarter.

In contrast, US equity returns were supported by resilient economic growth and more aggressive Fed rate cut expectations against the backdrop of a weak labour market and potential political meddling with the Fed. Moreover, as more tariff settlements with some major economies were forthcoming in the quarter, some uncertainty was removed from equity markets.

Among DM equities, Europe lagged in the quarter, in line with weaker earnings revisions relative to those in the US and Japan.

A general risk-on environment caused EM equity markets to outperform DM during the quarter, with heavily-weighted market constituents such as China, Taiwan and Korea major contributors to EM returns.

Houseview summary (Our view for the year ahead)



Sanisha Packirisamy
Chief Economist

Growth	Inflation
Elevated protectionist barriers are hindering export-driven local growth this year, while renewed political uncertainty has led to disappointing growth in private sector fixed investment. A stronger contribution from fixed investment is anticipated from late 2026 as logistics spending increases on the back of increased private sector participation. Despite subdued credit growth and sluggish job creation, real wage gains are, nevertheless, expected to bolster household spending, and overall economic activity, in the near term.	Ample domestic grain and food harvests are likely to overshadow the inflationary impact from restricted poultry imports and red meat supplies, the latter affected by foot-and-mouth disease. Despite geopolitical tensions, a global oil supply glut is keeping prices in check. Moreover, rental inflation, a major driver of services inflation, is expected to remain modest in light of pedestrian growth. While inflation is projected to stay below the midpoint of the 3% to 6% inflation target range, higher electricity prices and medical aid inflation pose key upside threats.
Currency	Interest rates
The rand has remained resilient despite domestic political and fiscal risks, as well as global trade and geopolitical uncertainties. Concerns over US fiscal health, fears of compromised Federal Reserve independence, and doubts about data quality (following the recent dismissal of a US statistics agency head) have weakened confidence in the US dollar, bolstering emerging market assets, including the rand. Favourable commodity price movements have improved South Africa’s terms of trade; however, logistics inefficiencies and the declining contribution of mining to gross domestic product have tempered the positive impact on the rand.	Inflation is likely to head higher in the second half of 2025, introducing a shorter-term challenge for the SA Reserve Bank (SARB) to bed down inflation expectations closer to the bottom end of the 3% to 6% inflation target. While a lower inflation target has not yet been formally adopted by the Finance Minister, the SARB is guiding inflation expectations lower through open mouth operations. Should inflation expectations react positively and fiscal authorities adhere to fiscally prudent policies, there remains a possibility of additional modest monetary policy easing late in 2026.



Herman van Papendorp

Head of Asset Allocation

SA cash <p>SA cash continues to offer investors an above-average prospective real yield, underpinned by our expectation that inflation will average around 4% over the coming year. However, as the SARB's rate-cutting cycle since September 2024 and rising inflation have reduced real cash yields from prior peaks, future returns from cash now appear less compelling relative to opportunities in other asset classes, particularly SA equities and nominal bonds.</p>	SA nominal government bonds <p>SA vanilla government bonds continue to offer among the highest real yields globally, surpassed consistently only by Brazil within the EM universe. On a forward-looking basis, the current SA real bond yield of more than 5% is around 0.7 standard deviations above its historical average since the adoption of inflation targeting. While SA remains in a falling local interest rate cycle, this continues to provide a positive backdrop for both local equities and vanilla government bonds going forward.</p>
SA inflation-linked bonds (ILBs) <p>Market expectations that SA's inflation target will be lowered, supported a strong rally by SA nominal bonds during May-July 2025, but undermined the performance of ILBs. However, since then, ILBs have recovered on the realisation that there is likely to be a cyclical rise in local inflation in the remainder of 2025 which should lead to widening breakevens in the coming months.</p>	SA listed property <p>There has been a positive recent trend in earnings guidance by SA listed property companies. This builds on the improvement in the operating and financial metrics that have been visible in the sector for some time. Not only are operating costs coming down due to solar investments but the cost of debt is also falling as property companies start to see the benefits of interest rate cuts. As a result, interest cover ratios have improved from historical lows.</p>
SA equities <p>SA listed companies have negligible revenue exposure to the US and should thus not experience a notable direct negative impact from the announced 30% tariff increase on SA imports by the US. The cheaply-valued SA equity market remains under-owned within Global Emerging Market (GEM) funds – with the SA equity market one of the strongest global equity performers so far in 2025, this could put the overlooked market back onto the radar screens of foreign investors, as has often been the case in the past.</p>	Global equities <p>The aggregate US equity market has been vibrant this year. Whereas the growth-negative elements of the Trump policy package (higher tariffs and immigration clampdown) are mainly headwinds for the smaller market capitalisation sectors such as consumer discretionary, retail and health care, the positive elements (lower taxes and deregulation) are mainly tailwinds for the higher market capitalisation sectors, like technology and financials.</p>
Global bonds <p>US bonds screen as attractively valued relative to US equities on a historical basis. However, this relative attractiveness could persist if inflationary outcomes or fiscal deterioration were to exceed current market expectations, or if Fed independence is deemed to be at risk.</p>	Global cash <p>We see global cash as a preferred global fixed-income asset class with similar expected returns to global bonds at lower risk and volatility, particularly with the general global trend of fiscal deterioration negatively impacting the longer ends of global yield curves.</p>

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