APRIL 2025

April was a memorable month for financial markets given the extreme market moves in response to the announcement of significant import tariff increases from the US on its trading partners. In addition, the fragility of the South African coalition government further dampened risk appetite locally.

Since late January, when the new US administration came into office, new tariffs have been announced against specific trading partners and industries. At the start of April however, the announcement of specific reciprocal import tariffs on all the US' trading partners took financial markets by surprise and triggered significant declines in asset prices. The substantial size of the tariffs and number of countries affected were far greater than anticipated. The financial market turmoil that followed was widespread with even US government bonds yields climbing (falling in value). This asset class usually acts as a safe haven and appreciates in uncertain times. Feeling pressure from the US bond market as US Treasury yields climbed higher, the US walked back the tariff plans a mere seven days after they were announced. President Trump announced a 90-day pause on all the reciprocal tariffs, lowering the tariff rate to 10% for all nations except for China. China, one of the US' largest trading partners, retaliated with their own set of tariffs on US imports. As a result, a trade war ensued and ended with both countries further hiking their respective tariffs against each other, such that by month end China had a 125% tariff on US imports and the US had a 145% tariff on Chinese imports. Needless to say, the whole tariff exercise created a significant amount of uncertainty, and we saw material downgrades to global growth expectations and increases to inflation expectations.

Given all the tariff noise in the market, macro-economic data releases took a back seat for the duration of the month. US backward looking data continued to be resilient and did little to calm fears. The US unemployment rate remained stable at 4.2% and inflation eased to 2.4%, the lowest level since early 2021. Forward looking leading indicators, such as consumer confidence and inflation expectations, deteriorated further alongside the larger than expected tariffs.

Figure 1: US Consumer Sentiment

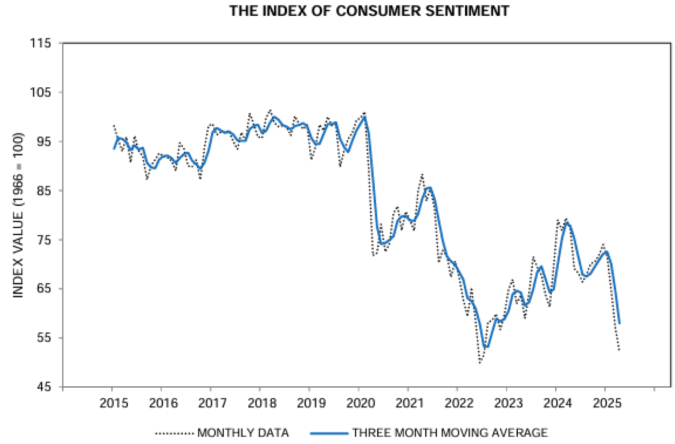

Figure 2: US household inflation expectations in 1 year

Source: University of Michigan (2014 to 2025)

The US Federal Reserve held no monetary policy meetings over them month, however the central bank still contributed to material market moves as President Trump commented that he is looking into if it is possible to dismiss Chairman Jermone Powell. President Trump has been very critical of the current Chairman, demanding that he lowers interest rates. This caused markets to decline materially as the central bank independence came into question, only for the President to walk back his comments again a few days later.

Locally, South African asset prices were further weighed down by the uncertainty around the stability of the GNU (Government of National Unity). The unresolved differences with regard to February's budget continued into April as coalition partners couldn't come to an agreement around the proposed VAT increases. The National Assembly voted and passed the fiscal framework in parliament without the support of the DA, the second largest party in the GNU. This increased concerns that the DA would exit the coalition and brought the future of the GNU into question. Risk sentiment remained weak throughout the month as the market tried to determine likely outcomes. In a surprise move, days before the VAT increase was due to be enforced on the 1st of May, the Minister of Finance announced the suspension of the VAT increase. This means that a third revised budget is expected to be announced in May, where the shortfall in proposed VAT revenue would need to be offset by expenditure adjustments. This seemed to help stabilise the market, as it reduced fears of a DA exit of the GNU.

Local inflation came in below the lower end of the target 3% to 6% target range. It fell sharply from 3.2% to 2.7%. This is the lowest it has been since June 2020 with lower fuel prices being a key factor. Core inflation, which excludes fuel and food, also declined more than expected to 3.1%. Overall, this increased expectations for interest rate cuts from the SARB (South African Reserve Bank), specifically at their next meeting in May.

Index	Asset Class	APRIL 2025
STEFI Composite Index	Local Cash	0.61%
FTSE/JSE All Bond (Total Return)	Local Bonds	0.76%
FTSE/JSE SA Listed Property (Total Return)	Local Property	7.58%
FTSE/JSE Africa All Share (Total Return)	Local Equities	4.34%
Bloomberg Global Aggregate (USD)	Global Bonds	2.94%
FTSE EPRA/NAREIT Global Index (USD)	Global Property	-0.13%
MSCI AC World (USD)	Global Equities	0.98%

Source: Morningstar

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