
**JULY 2025**

July was a strong month for financial markets, supported by improved investor sentiment following the finalisation of several trade deals with the US ahead of the August deadline. Nevertheless, uncertainty around tariffs continued to drive market volatility. While investors closely monitored economic data for signs of weakness related to trade policy uncertainty, releases showed no evidence of a significant slowdown in growth. In addition, upward revisions to consensus earnings estimates reinforced the improved growth outlook.

At the start of the month, the US Congress approved President Trump's *One Big Beautiful Bill Act*. The legislation introduces a package of tax and spending changes, with an estimated cost of $3.3 trillion over the next 10 years. While the measures are expected to be fiscally stimulative, they weighed on US bonds given the anticipated increase in the debt burden.

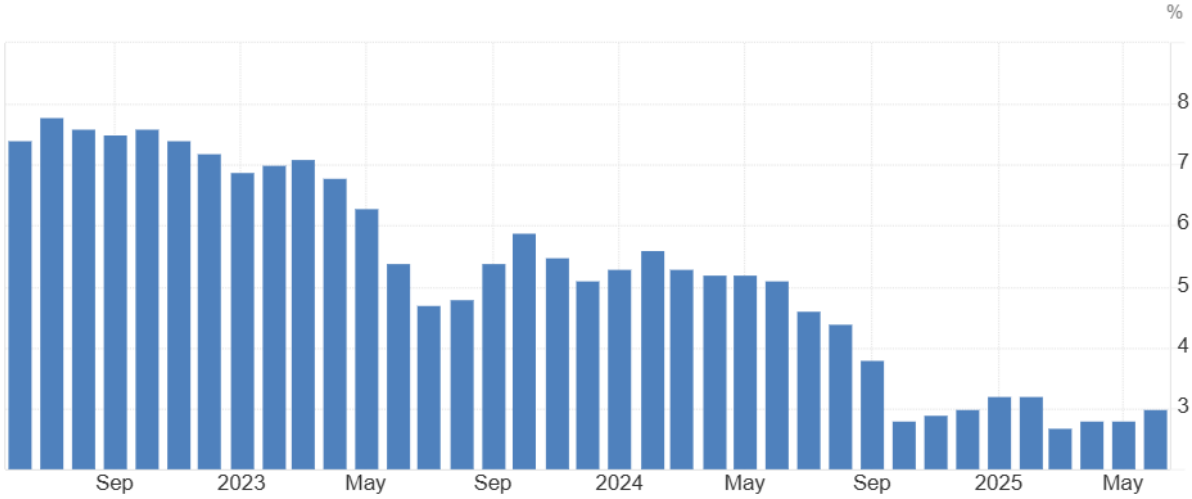
US GDP growth for the second quarter was 3%, above expectations of 2.4% following on from the -0.5% growth contraction of the first quarter. The expansion was mainly driven by the significant 30% decline in imports following the frontrunning in the first quarter ahead of the tariff announcements. Overall, to try and look through the noise if you consider the first half of the year as a whole, growth averaged at 1.25%, 1% lower than the first half of 2024. Consumer spending which makes up 70% of US GDP growth, was a key driver behind the weaker growth.

US inflation data was closely monitored to assess whether higher tariffs had begun feeding through to consumer prices. Headline inflation rose from 2.4% to 2.7% year-on-year in May, a larger-than-expected increase driven mainly by higher food and energy costs. However, significant tariff-related price increases did not materialise. Interestingly, consumer inflation expectations declined for both the short term (1 year) and the longer term.

At the end of the month the US Federal Reserve held their FOMC (Federal Open Market Committee) meeting where they made the decision to leave the Fed Funds rate unchanged at the 4.25% to 4.5% range for the fifth straight meeting. The surprise for the market was that the decision was not unanimous as two governors voted in favour for a 0.25% cut. Jerome Powell reiterated that the committee is still waiting for further clarity on the effect of the tariffs on the economic outlook. South Africa was notified that the US would impose a 30% reciprocal import tariff effective 1st of August. The tariff is expected to have the biggest impact on the automotive and agricultural sectors.

Local headline inflation registered at 3.0% year-on-year, remaining within a narrow low range of 2.7% to 3.2% since October last year. The moderation has been supported by lower fuel prices, subdued food inflation, and a stronger rand. This period of stable, low inflation increases the likelihood of an interest rate cut at the MPC meeting at the end of the month.

**Figure 1: South African Inflation Rate (%)**




Source: Statistics SA, www.tradingeconomics.com (2023 to 2025)

At the end of the month, the SARB (South African Reserve Bank) cut the repo rate by 0.25% to 7%, in line with market expectations. The MPC's decision was unanimous. What did surprise markets, however, was the SARB's shift to provide inflation projections only for a 3% target scenario, rather than for the mid-point of the official 3%–6% target range. While this adjustment has not yet been formally approved by National Treasury, the SARB has effectively signalled that it is now aiming towards the lower end of the target band.

| Index | Asset Class | JULY 2025 |
|---|---|---|
| **STEFI Composite Index** | Local Cash | 0.62% |
| **FTSE/JSE All Bond (Total Return)** | Local Bonds | 2.73% |
| **FTSE/JSE SA Listed Property (Total Return)** | Local Property | 4.75% |
| **FTSE/JSE Africa All Share (Total Return)** | Local Equities | 2.27% |
| **Bloomberg Global Aggregate (USD)** | Global Bonds | -1.49% |
| **FTSE EPRA/NAREIT Global Index (USD)** | Global Property | -0.70% |
| **MSCI AC World (USD)** | Global Equities | 1.38% |

Source: Morningstar

**www.fgam.co.za** **E: direct@fgam.co.za** **T: +27 12 460 5007**