



FG ASSET MANAGEMENT

# ECONOMIC EXPRESS

OCTOBER 2025

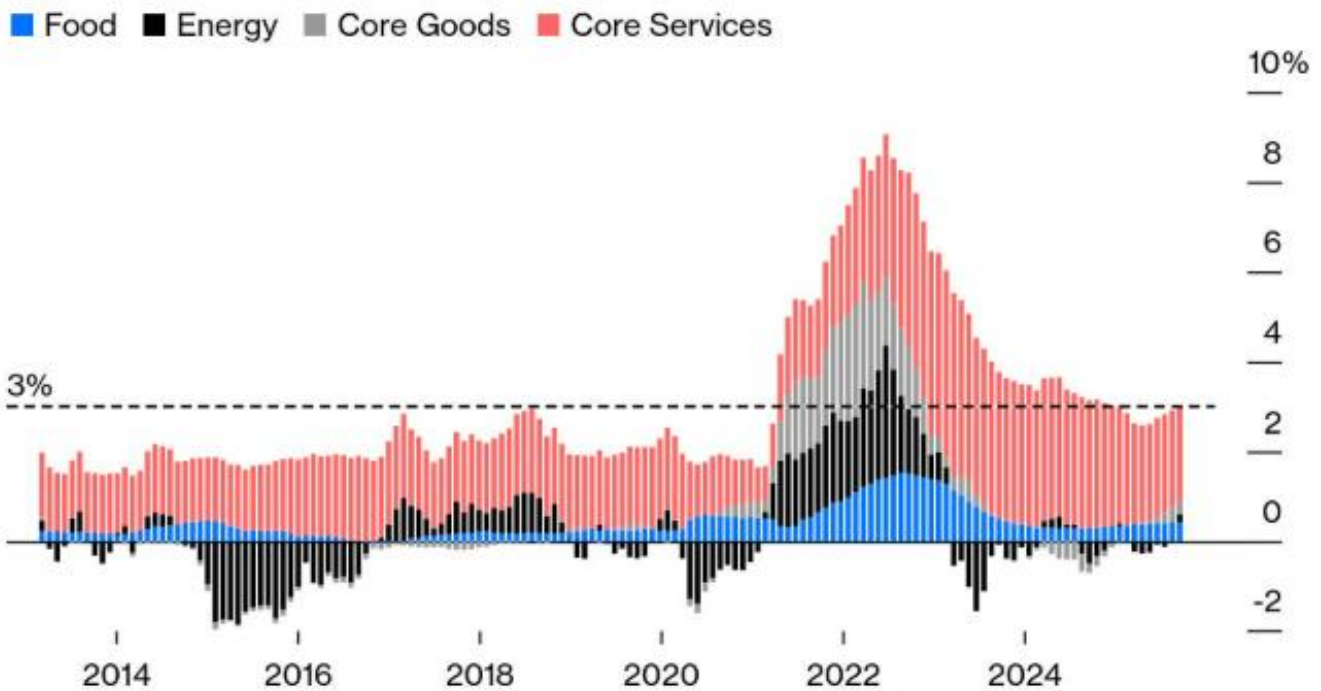
Financial markets delivered another month of positive performance in October, despite some weakness stemming from heightened trade tensions between China and the US. Markets were supported by strong third quarter corporate earnings and expectations of multiple interest rate cuts from the Fed (Federal Reserve). Locally, the resources sector—which has driven much of the year-to-date gains—declined, while financials recovered and helped lift overall market performance for the month.

A U.S. government shutdown began on the 1<sup>st</sup> of October after Republicans and Democrats failed to reach an agreement on a spending plan to fund government operations, following the expiration of the previous federal budget at the end of September. As a result, several non-essential services were suspended, including the release of key economic data. The absence of labour market data for September created uncertainty among investors as it is a key gauge used by the US Fed, given their dual mandate. Inflation data, however, was released with a 10-day delay, which provided the U.S. Fed with enough information to proceed with its policy decision.

The US inflation rate rose to 3% in September. Despite the uptick, inflation remains contained for now, and broader economic concerns prompted the Fed to lower interest rates at its recent meeting. A closer look at the underlying components reveals that goods inflation continues to climb, driven by the delayed impact of tariffs reaching end consumers. While the contribution of goods inflation remains modest for now, past experiences in 2021 and 2022 show how quickly this can escalate.



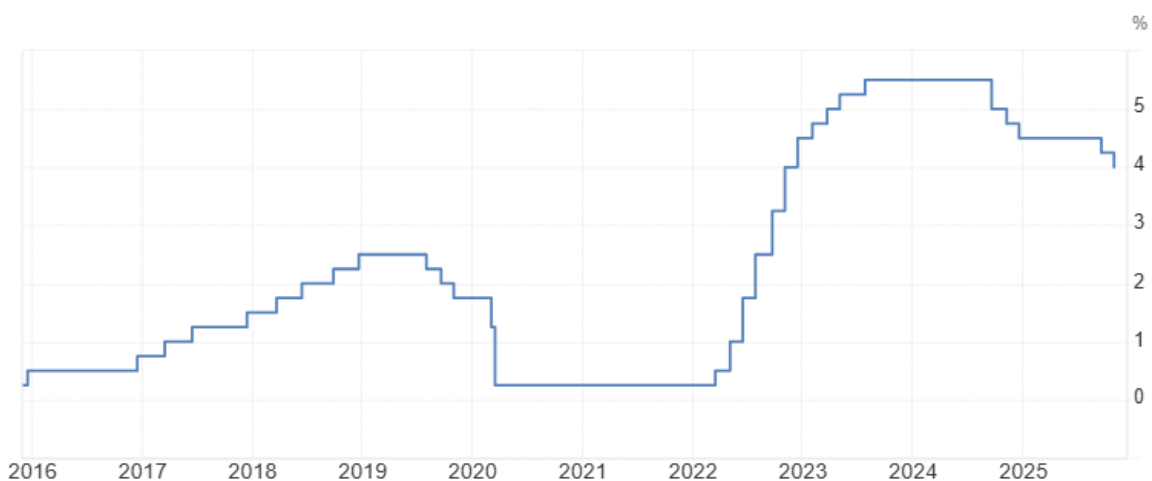
**Figure 1: US headline annual Inflation rate (%):**



Source Bloomberg Economic Analysis (2013 to 2025)

At its meeting later in the month, the Federal Reserve cut interest rates by 0.25%, bringing the target range down to 3.75%–4.00%, the lowest level since 2022. It was the fifth cut since the Fed started its cutting cycle in September 2024.

**Figure 2: US Fed Funds Interest Rate**



Source: US Federal Reserve (2015 to 2025)



The reduction in interest rates was in line with expectations; however, markets were taken aback by Chair Powell's hawkish remark that the outcome of the December meeting remains undecided and should not be viewed as a "foregone conclusion." Powell also noted that the ongoing government shutdown, which has limited the availability of key economic data, would likely make policymakers more cautious until the situation is resolved.

Global trade negotiations continued to generate uncertainty and volatility throughout the month; however, a key development toward the end of the period was the agreement between the U.S. and China on a one-year trade truce. Both countries made concessions to reduce tariffs and ease export controls, which helped lift investor sentiment.

Locally, a positive development was South Africa's removal from the Financial Action Task Force (FATF) grey list, following the successful resolution of all twenty-two urgent action items. The country was initially placed on the grey list in February 2023, which had resulted in heightened due diligence requirements from international investors and financial institutions. This removal is expected to strengthen investor confidence and lower compliance costs going forward.

South African inflation increased slightly to 3.4% from 3.3%, coming in below market expectations. There was no SARB (South African Reserve Bank) policy meeting held this month however next month's MTBPS (Medium Term Budget Policy Statement) will be closely followed to see if National Treasury confirms the SARB's new inflation target of 3%, making it official.

Index	Asset Class	OCTOBER 2025
STEFI Composite Index	Local Cash	0.59%
FTSE/JSE All Bond (Total Return)	Local Bonds	2.56%
FTSE/JSE SA Listed Property (Total Return)	Local Property	7.84%
FTSE/JSE Africa All Share (Total Return)	Local Equities	1.64%
Bloomberg Global Aggregate (USD)	Global Bonds	-0.25%
FTSE EPRA/NAREIT Global Index (USD)	Global Property	-1.30%
MSCI AC World (USD)	Global Equities	2.26%

Source: Morningstar