BRENTHURST
THE HOME OF WEALTH

LOCAL MARKETS
- JSE BOUNCES BACK

After three consecutive months of declines, the JSE bounced back, starting 2025 on a positive note, with the FTSE JSE All Share Index ending January 2.2% higher. Precious metals miners were the outperformers by far, doing most of the heavy lifting for the local bourse. In contrast to December, commodity prices, especially gold and palladium, soared in January, pushing the Resi-10 18% higher MoM. Industrials, as measured by the Indi-25, gained 0.9% MoM, despite JSE heavyweights Naspers and Prosus (down 5.4% and 4.1% MoM, respectively) being caught in the crosshairs of geopolitics as the US added their largest underlying investment, Chinese tech conglomerate Tencent (-5% MoM in rand) to its blacklist of Chinese firms. Financials and property shares were amongst the biggest losers, as the Fini-15 and the SA Listed Property Index declined by 2.7% and 2.3% MoM, respectively. The rand strengthened by 1.0% against the US dollar.

Gold's performance, in turn, boosted local mining sector stocks, especially the gold miners, which accounted for the top three best-performing shares in January. Harmony Gold was January's top performer, with an impressive 42.3% MoM gain, as record bullion prices buoyed the gold mining companies. AngloGold Ashanti was in second place with a MoM gain of 34.3%, followed by Gold Fields in third spot with a share price gain of 30.8%.

Truworths International was January's worst-performing share, with a MoM decline of 17.2%. In a disappointing business update and voluntary trading statement for the 26 weeks ended 29 December 2024, Truworths said that Group retail sales advanced by just 2.4% to R12.5bn, while online sales continued to show good growth, increasing 38% and contributing 5.8% to Truworths Africa's retail sales. Mining and metals Group, Tharisa Plc was in second place (-16.2% MoM), followed by PPC (-15.5% MoM).

INTEREST RATE LOWER

SA December headline inflation rose slightly to 3.0% vs 2.9% in November, while core inflation declined for the third consecutive month, easing to 3.6% YoY from 3.7% in November. The decline in inflation was broad-based, with most subcategories continuing to show downward pressure. The latest inflation data, now settled at the lower end of the SA Reserve Bank's (SARB) target range and well below the SARB Monetary Policy Committee's (MPC) preferred target of 4.5%, saw the MPC cut the repo rate by 25 bps at its meeting on 30 January).

SA's manufacturing sector began 2025 on a weak footing with the Absa Purchasing Managers' Index (PMI) falling by 0.9 points to 45.3 in January, the Bureau for Economic Research (BER) reported on Monday.

This marks the third consecutive month of contraction and the lowest level since August 2024 reinforcing concerns over the sector's sluggish recovery. The loss of momentum observed at the end of 2024 has persisted into the new year and while there were some encouraging signs of improvement in activity and demand, they remain within contractionary territory, suggesting that meaningful recovery remains elusive.

The business activity index edged up to 43.5 from 40.3 in December, indicating a slower pace of contraction. However, the sector remains far from expansion.

GREAT START FOR VEHICLE SALES

New-vehicle sales in 2025 got off to a flying start in January. Figures published at the end of January showed that 46,398 new cars and commercial vehicles were sold to South African customers. That was 4,375 — or 10.4% — more than the 42,023 of January 2023. The numbers were a continuation of a strong sales rebound in the fourth quarter of 2025.

Business Day reported that Brandon Cohen, chair of the National Automobile Dealers' Association (Naamsa), called the January result "a most welcome surprise".

Mikel Mabasa, CEO of vehicle manufacturers and importers association Naamsa, said: "Early indicators suggest a potential turning-point for the new-vehicle market in 2025, driven by stronger economic prospects, growing consumer and business confidence and improving new-vehicle sales data."

There was good news, too, for vehicle exports. January's total of 25,348 was 29.7% better than the 19,545 of a year earlier.

INTERNATIONAL MARKETS

- US MARKETS HIGHER AFTER A VOLATILE MONTH

The January Barometer Stock Market Effect is a market strategy that examines the performance of the S&P 500 during the first month of the year. It suggests that the index's performance in January sets the tone for the rest of the year, often summarized as "so goes January, goes the year." While the S&P 500 rose in January, typically a positive indicator for the year ahead, the month was marked by significant volatility, particularly in its final days.

One major disruption came from Chinese artificial intelligence (AI) firm DeepSeek, which announced a low-cost, open-source large language model, challenging established US tech giants and prompting traders to sell off shares. Shortly after, markets were further unsettled by US President Donald Trump's unpredictable decision to impose sweeping tariffs on both allies and adversaries. Adding to the turbulence were mixed earnings reports, concerns over inflation, and anticipation of the US Federal Reserve's (Fed) upcoming rate decisions. Despite these challenges, global markets, as measured by the MSCI World Index, posted a strong start to 2025, rising 3.6% month-on-month (MoM), with most major markets beginning the year on a positive note. In the US, the three major stock indices all recorded monthly gains. The S&P 500 rose 2.7%, while the tech-heavy Nasdaq advanced 1.6%, despite pressure on mega-cap tech shares. The Dow Jones Industrial Average outperformed, surging 4.7% MoM.

On the economic data front, December's headline inflation, measured by the Consumer Price Index (CPI), increased 2.9% year-on-year (YoY), while core CPI, which excludes volatile food and energy prices, rose 3.2% YoY. Month-on-month, headline inflation climbed 0.4%, and core inflation edged up 0.2%. Meanwhile, the Fed's preferred inflation gauge, core personal consumption expenditure (PCE), excluding food and energy, met expectations at 2.8% YoY, unchanged from November. On a monthly basis, core PCE also rose by 0.2%, in line with forecasts. As anticipated, the Fed held interest rates steady on 29 January, with Chair Jerome Powell emphasizing that there would be no rush to cut rates in the near future. This cautious stance, combined with the mixed economic data, contributed to the month's overall volatility while still leaving markets in positive territory.

UK AND EUROPEAN MARKETS HIGHER

European equity markets outperformed their US counterparts in January, with Germany's DAX gaining an impressive 9.2%, while France's CAC closed 7.7% MoM higher despite Trump's tariff threats weighing on European markets. According to Bank of America, January recorded the most significant rotation from US stocks into eurozone equities in ten years, as investors piled into European defensive and growth stocks (including banks, pharmaceuticals, and luxury retailers). December eurozone headline inflation rose for a third straight month – 2.4% YoY vs 2.2% in November, while core inflation held at 2.7% for a fourth consecutive month. In January, the European Central Bank (ECB) cut rates for the fifth time since June 2024 (again by 25 bpts), taking its benchmark rate to 2.75%. The UK's FTSE 100 index closed at a record high on 31 January, taking its returns to 6.1% – its best monthly performance since November 2022. December UK inflation unexpectedly declined to 2.5% from 2.6% in November.

MIXED RESULTS IN ASIA

China's equity markets closed mixed in January, with Hong Kong's Hang Seng rising 0.8%, while the Shanghai Composite fell 3.0%. December inflation declined further to 0.1% YoY vs 0.2% in November, with core inflation nudging slightly higher to 0.4% (from November's 0.3% gain). Following three consecutive months above the 50-point mark (separating expansion from contraction), January's manufacturing PMI came in lower at 49.1 vs December's 50.1. The official non-manufacturing PMI, tracking business sentiment in services and construction, fell to 50.2 vs 52.2 in the prior month. We note, though, that January manufacturing PMI does tend to be softer as migrant workers return to their hometowns ahead of the Chinese New Year, which starts on 29 January.

Japan's benchmark Nikkei ended January 0.8% lower. At its January meeting, the Bank of Japan (BoJ) raised its key interest rate to c. 0.5% from 0.25%. The BoJ said inflation was holding at a "desirable target level" as recent data showed inflation hovering at about the central bank's 2% target level.

Sources: Anchor Capital; Business Day

BE SMART WITH TAX | TAX YEAR END 28 FEBRUARY 2025

Make the most of tax-efficient options. You can lower your tax liability if you make additional contributions to approved retirement or tax-free investments. The three best options at this time of the year are a retirement annuity (RA), a tax-free savings account, or a discretionary investment. Be sure to do the paperwork well before the deadline as monies have to be transferred and cleared well before the last day of the month.

CONTACT ANY OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS AT OUR NINE OFFICES COUNTRYWIDE TO DISCUSS YOUR INVESTMENT STRATEGY.

EMAIL US:
invest@brenthurstwealth.co.za