

Discovery Market Review

31 December 2025

Market background

Risk assets capped a strong year with gains in Q4. Equities rose, while credit and emerging markets fixed income also delivered healthy returns. Oil lagged, but other commodities finished on a high, with precious metals extending their advance. The US Federal Reserve cut interest rates twice during the quarter, but officials made it clear that the bar for further easing is rising.

United States

US equities posted modest gains over Q4, completing another double-digit advance for 2025 as a whole, but the tone was more cautious than earlier in the year. Markets spent much of the period weighing the benefits of easier monetary policy against growing sensitivity to valuations and the risk that much of the good news was already priced in.

Fed policy was the main anchor. Rate cuts in October and December reinforced the easing cycle, but officials were clear that the bar for further cuts is rising. Softer inflation and labour data provided support, yet repeated pushback against expectations for aggressive easing in 2026 kept risk appetite in check. The result was a steadier, more selective market rather than a broad-based rally.

Large-cap technology continued to shape index performance, though leadership was less assured. Parts of the AI complex came under pressure as investors reassessed valuations and competitive dynamics, leading the Magnificent 7 to lag the broader market at times during the quarter, though they still delivered a 25% return for the year.

Away from technology, corporate earnings were generally resilient, and attention increasingly turned to 2026 outlooks as investors looked for clues on where the next phase of leadership might emerge.

South Africa

South African markets closed out 2025 on a strong note, with the JSE All Share Index climbing 8.1% in Q4 to deliver an annual return of 42.4%. The market advanced steadily over the quarter, supported by robust performance in resource-linked sectors, particularly gold and platinum miners, as prices for precious metals rose.

The rand finished the year at R16.56/USD, one of the strongest performances among emerging market currencies in 2025, bolstered by higher precious metals prices and improved external balances. This represented an appreciation of more than 13% against the US dollar over the year.

South African local currency bonds also had a strong quarter and year overall. The 10-year government bond yield ended 2025 at 8.2%, having started at 10.3%. More broadly, yields declined against a backdrop of benign inflation dynamics, strong demand for South African bonds (from both domestic and foreign investors) and a rating upgrade: Standard & Poor's raised South Africa's sovereign credit rating from 'BB-' to 'BB', with a positive outlook. However, Moody's maintained its rating.

Over Q4, inflation data remained encouraging. Data towards the end of the year showed headline CPI at around 3.5% in November. Against this backdrop, the SARB cut rates by 25 basis points (bps), reinforcing its cautious stance aimed at balancing inflation with support for the economy. South African bonds also benefitted from the positive market



response to the Medium-Term Budget Policy Statement, in which the government revised its revenue upward, reduced its debt issuance forecast, and officially adopted a new inflation target of 3%, replacing the previous 3-6% band.

On the growth front, GDP data released in December showed that the South African economy expanded by 2.1% year-on-year, beating expectations of 1.8%. Growth was supported by household consumption and export activity.

Europe and the United Kingdom

European shares ended the quarter near record highs after posting their strongest yearly performance since 2021, supported by easing interest rates, Germany's fiscal boost and investors seeking alternatives to expensive US tech names. The European Central Bank (ECB) kept rates on hold in December and through Q4, with the bank suggesting they may remain unchanged for some time, as inflation is expected to stay subdued and the economy resilient. Spanish equities were the standout performers over the quarter and year, posting their best return since 1993, driven by relatively little exposure to US tariffs, an overweight position in banking stocks and strong economic data. France's CAC 40 was a notable laggard due to domestic political and fiscal challenges as Prime Minister Lecornu sought support for the state budget amid farmer protests, proposed pension reforms and calls for early elections.

UK equities had another strong quarter, with the FTSE 100 Index closing out its best year since 2009, hitting an all-time high 41 times in the process and finishing close to the symbolic 10,000 mark. The much-anticipated budget in November was received positively from a market perspective, both in terms of gilts and equities, with more fiscal headroom and less sweeping tax rises than expected, ensuring it did not turn into the more negative risk event that some had feared. On the monetary front, the Bank of England cut rates to 3.75% in December, driven by falling inflation, with the committee signalling a gradual downward path for borrowing costs. It was not all positive, however. The FTSE 250 Index – a more apt barometer for the UK economy – lagged its more global sibling, while the Confederation of British Industry (CBI) said in December that private-sector output was on track to fall in Q4, with activity declining across all sectors of the economy amid budget uncertainty.

China

Chinese equities were volatile in Q4, driven by shifting geopolitical dynamics, mixed economic data and policy support. Markets began the quarter under pressure amid escalating trade tensions and concerns over slowing growth, before sentiment stabilised somewhat towards year-end as geopolitical risks eased and signs of activity improvement emerged.

October was volatile following China's announcement of rare-earth export controls and a subsequent escalation in trade tensions with the US. While industrial production and exports data for September exceeded expectations, GDP growth slowed to 4.8% year-on-year and domestic demand remained weak, with deflationary pressures and a deepening property downturn weighing on sentiment. Markets recovered later in the month after Washington and Beijing agreed on a one-year trade truce.

Momentum softened again in November as manufacturing and services activity remained weak, retail sales growth slowed, and global risk appetite was pressured by a technology sell-off. Property-sector concerns resurfaced, although foreign investors continued to rebuild exposure to Chinese equities, suggesting a more constructive medium-term view.

Conditions stabilised in December, with the manufacturing purchasing managers index (PMI) returning to expansion for the first time in eight months. However, the recovery remained fragile, as housing activity and consumer demand continued to disappoint. Policy easing remained incremental, focused on liquidity support and local government financing, reinforcing expectations that more meaningful stimulus may be required in 2026. The MSCI China All Shares Index fell 4% in US dollars over the quarter.



Global equities

Global equities maintained their positive momentum as 2025 drew to a close, with the MSCI All Country World Index rising about 3% over Q4 (in USD). The benchmark finished the year 22% higher than at the start of January. Stock markets shrugged off a wobble in November on AI-bubble fears and sticky inflation data, continuing their ascent in December as the US Federal Reserve (Fed) delivered another cut in policy rates and Chair Jerome Powell struck a more dovish tone. Solid earnings, a revival of the AI trade and some positive economic updates, including official data that showed the US economy grew significantly faster than expected in Q3, also supported equities in the last three months of 2025.

By region, emerging markets led advanced-economy equity benchmarks for the year, with a c.5% rise over Q4 helping the MSCI EM Index to a c.34% annual gain. Though US stocks modestly trailed the global index in the final quarter of 2025, over the full year they lagged by the largest margin since the Global Financial Crisis. Nevertheless, while US trade policy and concern about the high valuations of technology stocks hindered US equities in relative terms – as did China’s AI breakthroughs, which lifted Asian stocks – the S&P 500 Index still ended the year close to its all-time highs. Other developed market equity benchmarks also finished 2025 positively, including the UK’s FTSE All-Share Index, Germany’s Dax and Japan’s Topix, the latter reaching its highest ever year-end level on AI expectations and a better-than-feared outcome to trade negotiations with the US.

Indices	Q4 2025 net return (USD)
S&P 500	2.6%
Nasdaq Composite	2.7%
MSCI ACWI	3.3%
Nikkei 225	12.2%
Eurostoxx 600	6.1%
FTSE 100	6.9%
Hang Seng Index	-4.1%
SSE Composite	2.2%

Indices	Q4 2025 net return (ZAR)
FTSE JSE All Share Index	8.1%
FTSE/JSE Financials Index	17.5%
FTSE/JSE Industrials Index	6.3%
FTSE/JSE Resources Index	9.9%
FTSE/JSE ALBI	9.0%
STEFI	1.8%

Source: Bloomberg, as at 31 December 2025.



Global fixed income

US

In a continuation of the Q3 trend, shorter-dated US Treasuries outperformed in the final months of 2025 as expectations of interest-rate cuts caused yields in this part of the market to decline more than those in the long end (i.e., the US Treasury yield curve bull-steepened).

Mixed signals on the health of the US economy and associated volatility of interest-rate expectations also continued into Q4. Delays to economic data releases due to the prolonged government shutdown, which ended in November, along with speculation about the next Fed chair, added to the uncertainty. Ultimately, market pricing at year-end suggested that two further rate cuts are expected by the end of 2026, but debate was evident among the rate-setters. Following a rate cut in October, the Fed delivered its third and final 25bp cut of the year in December. The vote on this was split, with three members dissenting, which market participants viewed as a hawkish signal. However, Chair Powell struck a dovish tone, commenting that concerns about a weaker labour market outweighed risks to inflation. On the data front, despite a robust Q3 GDP print, other economic data releases reinforced rate-cutting expectations: delayed data showed unemployment rose by more than expected in November, while inflation fell unexpectedly.

UK

In the UK, Q4 was characterised by a steady easing of inflationary pressures, a noisy but ultimately well-received budget, and growing consensus that monetary policy would be eased. Inflation was consistently lower than expected throughout the quarter; headline CPI eased from 3.8% in September to 3.2% in November, while wage growth lost momentum and the unemployment rate rose to 5.1%. Falling inflation and a weaker labour market strengthened expectations that the Bank of England (BoE) would resume monetary policy easing, which ultimately occurred in December in the form of a 25bps rate cut, driving a notable rally across the interest-rate curve. The government's late-November budget continued to cause volatility in bond yields but ultimately was taken positively by investors, supported by the Debt Management Office's plan to scale back long-dated bond issuance. However, some concerns lingered about the delayed implementation of measures aimed at improving the UK's fiscal balance and hawkish guidance from the BoE on the future path of policy, resulting in bond yields remaining broadly unchanged in the final month of the quarter. Despite this, yields ended the quarter lower, contributing to the bull steepening of the curve over 2025.

Europe

Inflation across the euro area remained close to the European Central Bank's (ECB's) 2% target in Q4, easing slightly to around 2.1%. Against this backdrop, the ECB held its deposit rate at 2%. At year-end, both the ECB's meeting minutes and market pricing indicated the end of the rate-cutting cycle, with no further moves expected through 2026.

In its December meeting, the central bank upgraded its medium-term growth forecasts. This, combined with hawkish comments from key ECB members, led to a rise in yields. In addition, renewed attention on Germany's fiscal spending plans pushed bund yields higher, while in France political uncertainty briefly weighed on government bond prices before easing as the administration survived no-confidence votes.

Japan

Japan's bond market came under pressure in Q4. Inflation remained persistently above the Bank of Japan's 2% target, while wage data pointed to sustained domestic price pressures, reinforcing expectations of further policy tightening. The Bank of Japan continued its shift away from ultra-accommodative policy, culminating in a December rate increase to 0.75%, the highest in decades, and a marked reduction in bond purchases that pushed yields higher across the curve. At the same time, political uncertainty intensified following the resignation of Prime Minister Shigeru Ishiba in September after a series of election setbacks, and the subsequent appointment of Sanae Takaichi as his successor in



October, moves that heightened concerns about the fiscal outlook. As a result, long-dated government bond yields climbed to multi-year highs, reflecting market expectations of continued monetary policy tightening and fiscal concerns.

Indices	Q4 2025 total return in local currency
The Bloomberg US Treasury Index	0.9%
Bloomberg Global-Aggregate Total Return	0.2%
The Bloomberg EuroAgg Index	0.2%

Source: Bloomberg, as at 31 December 2025.

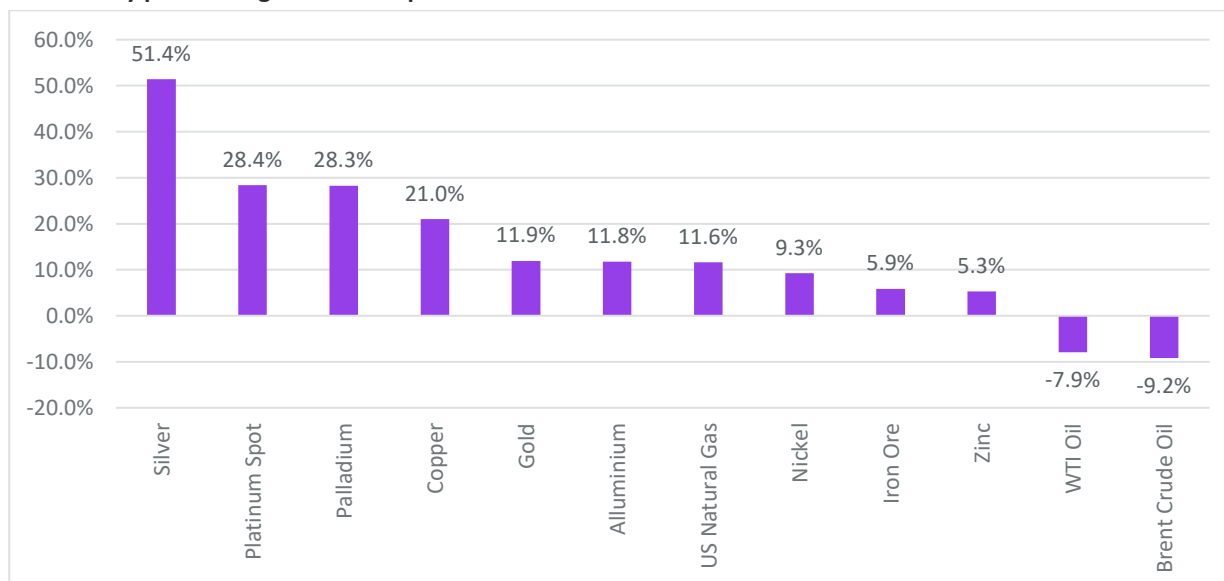
Commodity markets

Precious metals capped an exceptional year with further gains in Q4. Gold rose another 12% in Q4 to end 2025 at about US\$4,319 per troy ounce, taking its annual gain to almost 65%, the strongest performance since the 1970s. Demand from central banks and retail investors, amid macro uncertainty, lower interest rates and a weaker US dollar, drove prices to record highs. Gold equities outperformed the metal: the NYSE Arca Gold Miners Index rose by 15% in Q4 and by about 160% over the year. Silver outshone gold, surging 51% over the three months and by more than 140% in 2025, supported by tight supply, trade-policy concerns and rising industrial demand, particularly from producers of clean technologies. Platinum, a long-depressed market but now deeply undersupplied, rose by almost 130% over the year.

Copper also had a standout year, hitting a record above US\$12,000 per tonne in December and finishing 2025 over 40% higher than at the start of the year, driven by supply disruptions and strong demand, not least because of its widespread use in electrification and AI infrastructure. After further gains in Q4, iron ore posted a c.9% rise over the year. Aluminium and zinc also ended 2025 with positive quarterly returns, delivering 12-month rises of 17% and 5%, respectively.

Energy markets lagged. Brent crude ended the year at around US\$61 per barrel, down about 9% over Q4 and 18% year-on-year amid oversupply concerns. US natural gas prices rallied in the quarter due to a combination of colder weather forecasts, which increased expected heating demand, and record-high liquefied natural gas (LNG) exports, which tightened supply.

Commodity price changes over the quarter



Source: Bloomberg, as at 31 December 2025.