

Market Commentary

December 2025

GLOBAL MARKET THEMES

- Global equities advanced in December, with the MSCI World Index rising 0.8% (in USD) and the MSCI Emerging Markets Index gaining 3.0% (in USD) as Europe and Emerging markets outperformed.
- US equities were mixed, with the S&P 500 edging up 0.1% (in USD), while the Nasdaq Composite declined 0.5% and the Russell 2000 fell 0.6%.
- European markets posted strong gains, with the STOXX All Europe Index up 2.8% (in EUR) and the FTSE 100 rising 2.3% (in GBP), supported by stable ECB policy and improved investor sentiment.
- Japanese equities recorded modest gains, with the Nikkei 225 up 0.3% (in JPY), as the Bank of Japan raised rates by 25 bps to 0.75%, its highest level in 30 years.
- Emerging markets outperformed in December, delivering their best annual performance since 2017, supported by strong AI-related tech demand and commodity-linked economies.
- Chinese equities were mixed, with the CSI 300 rising 2.5% (in CNY) while the MSCI China Index declined 1.2% (in USD), reflecting investor caution amid uneven economic data and stimulus expectations.
- Commodity markets were mixed: Brent crude fell 2.5% to US\$60.85/bbl, while precious metals strengthened with gold up 1.9% to US\$4,319.37/oz and platinum surging 23.3% to US\$2,060.51/oz; silver gained 26.8% and copper rose 10.9%, reflecting strong industrial demand.
- The US dollar weakened over the month, with the Dollar Index down 1.1% month-on-month, while the rand appreciated 3.3% against the dollar to R16.57/USD.

SOUTH AFRICAN MARKET THEMES

- The FTSE/JSE All Share Index rose 4.6% in December and 42.4% year-to-date, while the Capped SWIX gained 4.6% for the month and 42.6% for the year.
- Resources advanced 5.7% in December and 126.0% year-to-date, supported by elevated commodity prices, whilst Financials rose 7.7% for the month and Industrials added 1.9%.
- Top performers included Tharisa and Aspen Pharmacare (both +24.7%), Impala Platinum (+22.2%), while Mr Price (-16.7%) underperformed amid acquisition-related concerns.
- The All Bond Index (ALBI) gained 2.8% in December and 24.2% year-to-date; while listed property (ALPI) edged up 0.1% for the month and 30.6% for the year.
- The rand strengthened 3.3% against the US dollar in December to R16.57/USD, and appreciated 13.8% over 2025.
- Headline CPI eased to 3.5% year-on-year in November from 3.6% in October, while core CPI edged up to 3.2%. Producer inflation remained steady at 2.9% year-on-year.
- The Absa PMI remained in contraction at 40.5 in December, though an improvement in the business activity sub-index to 46.1 pointed to tentative recovery in production activity.

Global market themes

Global equities ended 2025 on a positive note, with the MSCI World Index gaining 0.8% in December (in USD), bringing its full-year return to 21.1%. Emerging markets outperformed developed peers, as the MSCI Emerging Markets Index rose 3.0% for the month and 33.6% for the year (in USD), marking its strongest annual performance since 2017.

In the United States, equity performance was muted in December. The S&P 500 edged up 0.1% (in USD), while the Nasdaq Composite fell 0.5% and the Russell 2000 declined 0.6%. as sector rotation favoured financials (+3.1%) over defensives such as utilities (-5.1%) and real estate (-2.1%). Macroeconomic data showed Q3 2025 GDP expanding by 4.3%, while inflation moderated, with headline CPI at 2.7% year-on-year and core CPI at 2.6%, reinforcing expectations of a soft landing. Labour market indicators softened, with non-farm payrolls increasing by 64,000 and the unemployment rate rising to 4.6%, signalling gradual normalisation. The Federal Reserve implemented its third rate cut of 2025, lowering the target range by 25 basis points to 3.50%-3.75%, citing easing inflationary pressures and slowing job growth, while maintaining a data-dependent stance heading into 2026.

European equities outperformed in December, with the STOXX All Europe Index up 2.8% (in EUR), Germany's DAX gaining 3.1% (in EUR), and France's CAC 40 rising 2.9% (in EUR). The UK's FTSE 100 rose 2.3% (in GBP), supported by a Bank of England rate cut to 3.75% as inflation eased to 3.2% year-on-year in November, down from 3.6% in October. Eurozone PMI moderated to 51.9 from 52.8, while the ECB held rates steady at 2.0%, maintaining a cautious stance amid upgraded growth and inflation forecasts for 2026.

Japanese equities recorded modest gains, with the Nikkei 225 rising 0.3% (in JPY). The Bank of Japan raised its policy rate by 25 basis points to 0.75%, the highest level in three decades, signalling continued policy normalisation. The 10-year Japanese government bond yield rose above 2.0%, reflecting tighter monetary conditions.

Emerging markets outperformed developed peers in December, with the MSCI Emerging Markets Index gaining 3.0% (in USD) for the month, delivering its best annual result since 2017. Performance was broad-based, supported by strong technology demand and commodity-linked economies. Chinese equities were mixed: the CSI 300 rose 2.5% (in CNY), but the MSCI China Index declined 1.2% (in USD) as investors weighed stimulus prospects against uneven economic data.

Commodity markets were mixed during the month. Brent crude oil fell 2.5% to US\$60.85/bbl, extending its year-to-date decline to 18.5% amid ample supply conditions. In contrast, precious metals rallied sharply, with gold rising 1.9% to US\$4,319.37/oz and platinum surging 23.3% to US\$2,060.51/oz. Silver gained 26.8% to US\$71.66/oz, while palladium rose 11.4% to US\$1,620/oz. Industrial metals also strengthened, with copper advancing 10.9% to US\$12,453.39/ton, reflecting robust consumption trends.

Currency markets reflected broad US dollar weakness. The US Dollar Index fell 1.1% month-on-month, bringing its annual decline to 9.4%. The rand appreciated 3.3% against the US dollar in December, ending the year at R16.57/USD, its strongest level since 2022.

South African market themes

South African equities ended 2025 on a strong note, extending gains in December. The FTSE/JSE All Share Index rose 4.6% for the month and 42.4% year-to-date, while the Capped SWIX Index advanced 4.6% in December and 42.6% for the year, positioning South Africa among the best-performing global equity markets in 2025. Performance was driven primarily by resource stocks, which surged 5.7% in December and 126.0% year-to-date, supported by elevated commodity prices. Financials also delivered robust returns, rising 7.7% for the month and 27.1% year-to-date, while Industrials recorded a more modest gain of 1.9% in December and 18.1% over the year.

Market capitalisation trends reflected broad participation. Large-cap stocks, as measured by the All Share 40 Index, advanced 4.7% in December, while mid-cap shares rose 4.5%, and small caps gained 2.4%. This breadth of performance reflected strong investor appetite across the market segments, underpinned by favourable commodity dynamics and improving sentiment toward domestic assets.

December's JSE leaders included Tharisa Plc (+24.7%) and Aspen Pharmacare (+24.7%), boosted by strong results and corporate actions, while Impala Platinum (+22.2%) gained on higher platinum prices. Other notable risers were Thungela Resources (+18.3%), Nutun (+18.0%), and Telkom (+17.6%). On the downside, Mr Price (-16.7%) declined amid acquisition concerns, with Alexander Forbes (-8.7%), Spar (-8.2%), and property counters like Fortress (-7.2%) also underperformed.

Fixed income markets delivered positive returns during the month. The All Bond Index (ALBI) gained 2.8% for the month and 24.2% year-to-date, while inflation-linked bonds (CILI) rose 2.8% in December and 15.4% for the year, reflecting stable inflation expectations and supportive fiscal signals. Cash instruments, as measured by the SteFI Composite Index, returned 0.6% for December. Listed property edged higher, with the All Property Index (ALPI) up 0.1% for the month and 30.6% for the year, supported by lower interest rate expectations and improved sentiment toward income-generating assets.

The rand strengthened notably in December, appreciating 3.3% against the US dollar to close at R16.57/USD, and gained 13.8% over 2025. Currency strength was supported by robust commodity

performance and favourable domestic developments, reinforcing investor confidence in South African assets.

Inflation data showed headline consumer inflation easing to 3.5% year-on-year in November from 3.6% in October, while core inflation edged up to 3.2% year-on-year, remaining close to the South African Reserve Bank's 3% target. Food inflation accelerated to 4.4%, driven by meat prices rising to 12.2% year-on-year, while transport inflation moderated to 0.7% on lower fuel costs. Producer inflation remained steady at 2.9% year-on-year, with meat prices continuing to exert upward pressure.

The Absa Purchasing Managers' Index (PMI) declined further to 40.5 points in December, signalling ongoing contraction in the manufacturing sector. This weaker headline reading was largely driven by sharp declines in inventories (36.1) and employment (39.9). However, the business activity sub-index improved notably, rising by 9.4 points to 46.1, indicating a pickup in production momentum despite overall conditions remaining below the neutral 50-point level.