

Market Perspective

Fourth Quarter 2025

Current Outlook – Low growth

Portfolio Position – Defensive

The International Monetary Fund expects moderate global economic growth in 2025 with some strength in US and emerging markets, while warning the outlook remains cautious amid persistent inflation and geopolitical risks. Higher borrowing costs are headwinds to short term growth, while the medium-term outlook remains very uncertain due to global trade tensions.

South Africa

South Africa's Gross Domestic Product is projected to grow at a modest 1.6%, indicating a slow yet positive recovery. This growth is dependent on the implementation of policies that drive economic expansion and enable job creation. Ongoing improvements in infrastructure, regulatory efficiencies and targeted sectoral interventions could accelerate growth. While government and business have thrown their combined weight behind a push to get the economy back above 3% annual growth, disagreements within the GNU and a deteriorating US relationship are not helpful.

The JSE Alsi index has rallied strongly from its low of 81 000 in April to an all-time high of 109,000 in early October.

SA is starting to benefit from soaring gold and platinum prices. The gold price is within sight of \$ 4000 an ounce and platinum is up more than 50% for the year.

In April 2025 the Rand traded as low as R 19.70 to the USD. It has since recovered to R 17.20, benefitting from Dollar weakness and more positive SA sentiment.

Developed Markets

President Trump launched a global trade war when he declared a US economic emergency and announced tariffs of at least 10% across all countries, with rates of over 60% for some countries which have a high trade deficit with the US.

Over recent weeks these tariffs have expanded from a focus purely on trade imbalances with the US, to include political aims too. India's relations with the US have entered a period of acute tension on both the trade and diplomatic fronts, and tariffs are at a staggering 50%. The US - Brazil relationship is similarly tense after Trump imposed a 50% tariff on US imports.

US equity markets have shrugged off global trade tensions and conflicts in Ukraine and the Middle East to reach all-time highs this quarter. The S&P500 is now at 6740 while the tech heavy Nasdaq is at 22,900.

Inflation in the US and the UK has remained stubbornly above target. While the US Fed and the Bank of England have started to cut interest rates to stimulate their weakening economies, they have little room to manoeuvre for fear of re-igniting much higher inflation.

The sweeping tariffs announced by the US have upended global trade. Countries around the world are rapidly coming to terms with this reality and forming new trade partnerships which exclude the USA. Equity markets are yet to price in the new realities.

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