



South African Market

South African equities extended their winning streak in December, notching a tenth consecutive monthly advance. The FTSE/JSE All Share Index rose 4.57% for the month and closed the year up 42.40%, its strongest annual performance since 2005. Overall, the ALSI was the top performer among major global equity markets in 2025; in USD terms, its 62.17% return was surpassed by only one other major bourse. The primary area of returns was the mining sector, the Resources Index more than doubled, returning 144.17% for the year, powered by record-high gold prices and surging platinum-group metals. Market breadth also improved late in the year, with Financials and select SA-Inc. cyclicals participating alongside the resource leaders, as dividend visibility and balance-sheet strength drew incremental flows. Near-term performance remains sensitive to commodity-price momentum and policy execution, with valuations in several miners now back toward long-run averages.

Headline consumer inflation eased to 3.5% y/y in December from 3.6% the previous month. The largest downward pull came from transport, where softer fuel costs, down 2.5%, helped offset a pickup in food inflation. Housing and utilities remained the biggest contributor, adding 1.1 percentage points to the headline rate. Core inflation, excluding volatile items like food and energy, inched up from 3.1% to 3.2%. Despite the upward drift, underlying pressures remained well contained, hovering slightly above the SARB's 3% target.

Asset Class Performance (ZAR):

As of 31 st December 2025	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	(2.21)	7.71	7.71	19.42	13.93	12.72
Global Property	(4.51)	(4.63)	(4.63)	6.33	6.08	4.84
Global Bond	(3.03)	(6.05)	(6.05)	1.74	(0.90)	1.32
Global Cash	(2.94)	(8.33)	(8.33)	4.07	5.83	2.93
SA Equity	4.57	42.40	42.40	20.85	18.76	12.39
SA Property	0.09	30.56	30.56	22.86	20.61	5.10
SA Bond	2.70	24.24	24.24	16.89	12.54	11.48
SA Cash	0.56	7.26	7.26	7.74	6.32	6.30
ZAR/USD (negative = Rand strength)	(3.28)	(12.33)	(12.33)	(0.89)	2.48	0.65
Gold	(1.30)	36.87	36.87	25.07	16.10	12.27
Brent Crude Oil	(6.85)	(27.64)	(27.64)	(11.64)	5.79	5.73

*Returns more than 1 year are annualized.



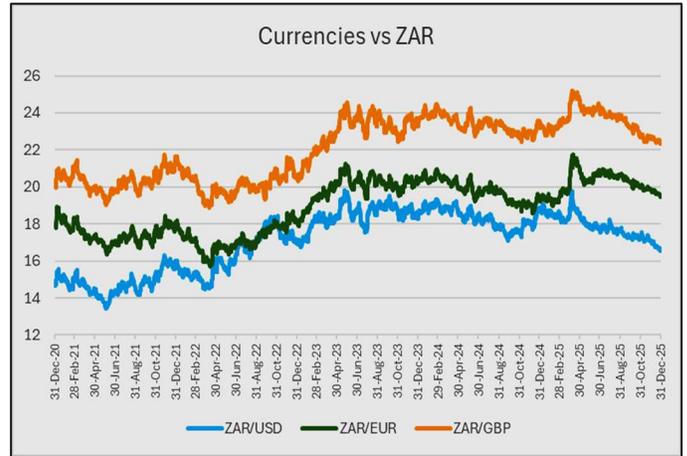
Source: Morningstar (Returns more than 1 year are annualized)

With inflation tracking closer to the new 3% anchor, monetary policy is expected to ease further in 2026. The **South African Reserve Bank's Monetary Policy Committee** remains in an active cutting phase, with economists anticipating another 50 bp of reductions in 2026 and one additional cut in 2027. Since the cycle began, the Committee has delivered a cumulative 150 bp worth of cuts, lowering the repo from 8.25% to 6.75%. The SARB's forward projection model implies room to reduce rates this year, with the policy rate declining toward 6% by 2027. The path remains data-dependent, with further easing contingent on inflation holding near the 3% anchor, credible fiscal consolidation, and a stable global backdrop. Lower funding costs should also gradually filter through to households and corporates, which would ease debt service burdens and support credit growth.



The Rand was a standout performer in December, gaining 3.3% against a weaker US Dollar and breaking through R17/US\$ to end the year at R16.55, making it the best-performing major currency for the month and reflecting renewed optimism about South Africa’s medium-term outlook. For 2025, the Rand finished 12.33% stronger versus the Dollar, its first annual gain since 2019 and the largest since 2009, supported by improved fiscal performance, contained inflation, and a surge in precious-metal prices. The Rand has demonstrated some stability, albeit accompanied by nuanced shifts against other major currencies, year-to-date the Rand slipped (1.74%) against the Euro and edged down (0.62%) versus the Pound. Across EM FX, commodity-linked peers also firmed in December, but the Rand’s high real yields and favourable terms-of-trade backdrop helped it stand out within this cohort.

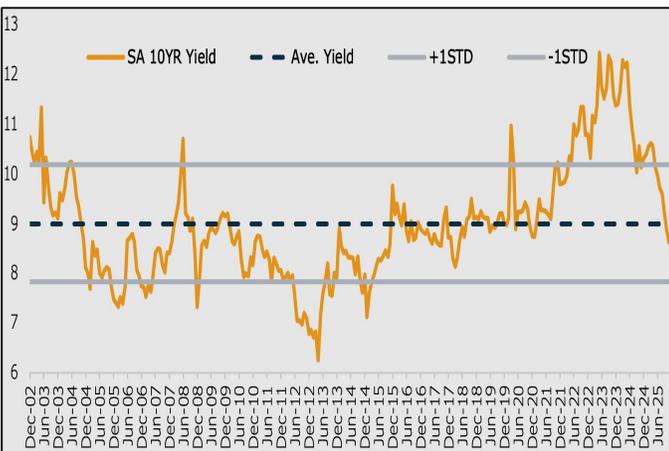
South African bonds extended their run in December, marking a twelfth straight positive month. The FTSE/JSE All Bond Index returned 2.70% for the month, lifting year-to-date gains to 24.24%, its best year on record. The government’s 10-year yield fell a further 46 bp in December to 8.20% p.a., the lowest since 2017, and is down more than 200 bp over the course of 2025. The rally was accompanied by a jump in turnover and robust foreign demand, non-residents were net buyers of R71.8bn in Q3, the largest quarterly inflow on record, bringing cumulative 2025 net purchases of local-currency bonds to R72.4bn, a sharp improvement on 2024’s R15.6bn. Across EM local debt, South Africa ranked among the top performers as high real yields, a firmer fiscal narrative, and moderating inflation kept duration in favour.



Source: Investing.com

The bond rally has helped lower the state’s borrowing costs. After years of rising debt, officials posted a primary budget surplus, meaning revenue exceeded non-interest spending, and now expect debt to stabilise at about 77.9% of GDP by the end of the 2025/26 fiscal year. While that level remains high, the trend is moving in the right direction.

Manufacturing, however, remains under pressure. The **seasonally adjusted Absa PMI** fell a further 1.5 points to 40.5 in December, its lowest since April 2020, pulled down by sharp declines in inventories and employment, and keeping the sector in contraction. The BER’s headline gauge signals that conditions are still difficult even if underlying activity may have firmed at the margin. Despite the weak near-term backdrop, forward indicators point to a firmer 2026. The South African Reserve Bank (SARB) expects growth to reach 1.4%, an improvement from the estimated 1.2% in 2025. Interest rate cuts of 50 basis points are widely expected throughout the year, bringing the repo rate to 6.25% and lowering borrowing costs. Sustained progress on power reliability and logistics reform will also be a key to unlocking a broader manufacturing rebound and translating monetary easing into stronger, more durable growth.



Source: Bloomberg



Global Markets

Global equities advanced in December, with participation broadening beyond US mega-caps and firmer gains across developed Europe and Asia Pacific. The MSCI ACWI returned 1.08% for the month and finished 2025 up 22.66%, with global markets overall outpacing the US on a broad-based regional advance. Leadership remained concentrated in technology and other growth-oriented sectors through most of the year, but late-year price action hinted at a wider footing, particularly in value-tilted and international markets where cheaper valuations and improving fundamentals drew incremental flows. Style performance reflected this split: growth led in the US, while value outperformed in most other developed markets, leaving full-year global returns for growth and value broadly similar at 22.67% and 22.84%, respectively. Emerging markets also outperformed their DM peers in December, leaving them 13% ahead of their DM peers for 2025, both returning 34.36% and 21.57% respectively in Dollar terms.

US headline inflation rose less than expected in December, up 2.7% y/y, the lowest since July and below the 3.1% consensus, after October's 3.0% print. The release was the first comprehensive read in nearly two months, with the prior 43-day government shutdown having impaired data collection. Shelter costs, which account for roughly a third of the basket, advanced 3.0%. Core CPI registered 2.6%, the lowest since 2021, reinforcing the view that underlying price pressures continue to moderate.

Asset Class Performance (USD):

As of 31 st December 2025	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	1.08	22.66	22.66	20.48	11.21	11.97
Global Property	(1.30)	8.61	8.61	7.27	3.56	4.14
Global Bond	0.23	6.99	6.99	2.64	(3.26)	0.64
Global Cash	0.33	4.40	4.40	4.99	3.31	2.24
SA Equity	8.09	62.17	62.17	21.92	15.93	11.64
SA Property	3.46	48.69	48.69	23.95	17.74	4.40
SA Bond	6.16	41.48	41.48	17.93	9.86	10.74
SA Cash	3.94	22.15	22.15	8.70	3.79	5.59

ZAR/USD (negative = Dollar strength)	3.39	14.07	14.07	0.90	(2.42)	(0.65)
Gold	2.03	55.87	55.87	26.18	13.33	11.52
Brent Crude Oil	(3.72)	(17.59)	(17.59)	(10.86)	3.27	5.02

*Returns more than 1 year are annualized.



Source: Morningstar (Returns more than 1 year are annualized)

The Federal Reserve ended the year with a widely expected 25 bp cut, lowering the federal funds target range to 3.50%-3.75%, its third consecutive reduction and the lowest level since November 2022. The decision was accompanied by a more cautious tone on the policy outlook and drew three dissenting votes, underscoring internal debate over the pace of easing. According to the minutes, most FOMC members judged that additional cuts could be appropriate in the year ahead if inflation continues to moderate, signaling a measured, data-dependent approach aimed at supporting growth while keeping price pressures in check. Markets now look for a gradual easing path in 2026, but officials stressed that the timing and magnitude of any further moves will hinge on the trajectory of inflation and the labour market.



European equity markets ended December mixed but capped their strongest year since 2021, with the EURO STOXX 50 up 18.29% YTD, supported by inflation hovering near the ECB’s 2% target and a steady labour backdrop. The ECB kept rates on hold at its December meeting, reinforcing a wait-and-see stance as disinflation progresses. Across Asian markets outside of China, AI enthusiasm spilled over into supply-chain beneficiaries, lifting hardware, semis, and component makers as investors leaned into the region’s pivotal role in the tech ecosystem. China’s equity markets remained under pressure, ending December down (1.24%) as weak domestic demand and economic fundamentals continued to be a drag on its economy.

The US Dollar softened further in December, slipping (1.14%) against most major peers. For the year, the greenback logged its worst annual decline since 2017, falling (9.37%) as the Fed’s policy shift and narrowing rate differentials weighed on the currency. Dollar weakness was compounded by robust capital flows into non-US assets and a global search for yield amid divergent policy paths across major economies.

Commodities saw pronounced dispersion, with crude oil prices declining (17.59%) YTD to near five-year lows, reflecting ample global supply, rising output from both OPEC and non-OPEC producers, and softer demand growth as momentum cooled. In sharp contrast, precious metals delivered their strongest annual performance since 1979, gold surged 55.87% and silver jumped 139%, supported by persistent geopolitical uncertainty, investor demand for inflation hedges, and the appeal of hard assets in a weaker-dollar environment.



Source: JP Morgan: Guide to the markets

Global government bonds advanced 0.23% in December, capping a 6.99% full-year gain, the strongest since 2020. A more accommodative Fed stance, coupled with elevated starting yields, created a favorable backdrop for fixed income, with higher coupons helping to cushion volatility even during intermittent rate back-ups. US Treasuries led the pack, with the 10-year yield falling 40 bp to 4.17% and the 2-year dropping 77 bp to 3.47%. The feared tariff-driven inflation spike failed to materialise and growing nervousness about the labour market meant that the Federal Reserve lowered interest rates by 75 basis points in the second half of the year, supporting bond returns.

Economic growth in the US showed notable strength in the third quarter of 2025, with gross domestic product (GDP) expanding at an annualised rate of 4.3%. This was the fastest pace in two years and exceeded both the 3.8% recorded in the previous quarter and the forecast of 3.3%. The strong growth highlights the resilience of the US economy, with the growth primarily driven by robust consumer spending, a rise in exports, and increased government expenditure. These factors combined to bolster economic activity despite global uncertainties. Despite the positive economic indicators, the US labour market showed signs of softening, as the unemployment rate rose to 4.6%. The November figure represents the highest unemployment rate since September 2021, suggesting some cooling in the jobs market and highlighting ongoing challenges for American workers even as the broader economy continues to grow.



Source: Trading Economics



Historic Asset Class Performance Matrix

The performance matrix below shows returns (colour coded) for the 4 main indicative sources of return per asset class and separated for SA and Global. **All performance figures here shown in ZAR.** The performances show the one-year performance of each asset class up to the displayed date (X-axis) except for the column showing YTD returns up to 31st December 2025.

	YTD	12/2025	12/2024	12/2023	12/2022	12/2021	12/2020	12/2019	12/2018	12/2017	12/2016	12/2015	12/2014
Best	SA Equity 42.4	SA Equity 42.4	SA Prop-erty 29.0	Global Equity 31.2	Global Cash 8.4	Global Property 41.3	Global Equity 22.8	Global Equity 23.4	Global Cash 18.4	SA Equity 21.0	SA Fixed Income 15.4	Global Property 36.6	Global Property 34.5
	SA Prop-erty 30.6	SA Prop-erty 30.6	Global Equity 20.5	Global Property 19.3	SA Cash 4.9	SA Prop-erty 36.9	Global Fixed Income 15.2	Global Property 20.6	Global Fixed Income 15.4	SA Prop-erty 17.2	SA Prop-erty 10.2	Global Cash 34.1	SA Prop-erty 26.6
	SA Fixed Income 24.2	SA Fixed Income 24.2	SA Fixed Income 17.2	Global Cash 13.1	SA Fixed Income 4.3	SA Equity 29.2	SA Fixed Income 8.7	SA Equity 12.0	Global Property 10.7	Global Equity 12.8	SA Cash 6.8	Global Equity 31.7	Global Equity 15.2
	Global Equity 7.7	Global Equity 7.7	SA Equity 13.4	Global Fixed Income 12.2	SA Equity 3.6	Global Equity 29.0	SA Equity 7.0	SA Fixed Income 10.3	SA Fixed Income 7.7	SA Fixed Income 10.2	SA Equity 2.6	Global Fixed Income 29.0	SA Equity 10.9
	SA Cash 7.3	SA Cash 7.3	Global Cash 8.7	SA Prop-erty 10.1	SA Prop-erty 0.5	Global Cash 8.7	Global Cash 5.4	SA Cash 6.6	SA Cash 6.6	SA Cash 6.9	Global Equity -3.8	SA Prop-erty 8.0	Global Cash 10.6
	Global Property -4.6	Global Property -4.6	SA Cash 8.2	SA Fixed Income 9.7	Global Fixed Income -11.3	SA Fixed Income 8.4	SA Cash 4.5	Global Fixed Income 2.6	Global Equity 4.9	Global Property -1.0	Global Property -6.7	SA Cash 5.8	SA Fixed Income 10.1
	Global Fixed Income -6.1	Global Fixed Income -6.1	Global Property 5.7	SA Equity 9.3	Global Equity -12.6	SA Cash 3.5	Global Property -3.3	SA Prop-erty 1.9	SA Equity -8.5	Global Fixed Income -2.6	Global Fixed Income -10.3	SA Equity 5.1	Global Fixed Income 9.4
Worst	Global Cash -8.3	Global Cash -8.3	Global Fixed Income -0.1	SA Cash 7.8	Global Property -20.9	Global Fixed Income 2.3	SA Prop-erty -34.5	Global Cash -0.7	SA Prop-erty -25.3	Global Cash -8.5	Global Cash -11.4	SA Fixed Income -3.9	SA Cash 5.4

Source: Morningstar Direct