

MARKETS SHINE AS 2025 DELIVERS STRONG RETURNS TO INVESTORS

South African equities delivered another strong month in November, with the JSE ranking among the best-performing global markets. The FTSE/JSE Capped SWIX Index rose 2.3% month-on-month, extending its impressive rally for 2025, up 51% in US dollars year-to-date.

Precious-metal miners once again powered the JSE higher. Gold and platinum counters gained 13% in aggregate during November, supported by a renewed surge in underlying metal prices. Gold and platinum prices climbed roughly 6% over the month and now stand 62% and 84% higher year-to-date, respectively. This renewed momentum reflects both ongoing geopolitical tensions and heightened global demand for safe-haven assets.

On the policy front, the Medium-Term Budget Policy Statement (MTBPS) delivered on expectations for fiscal prudence. Finance Minister Enoch Godongwana reaffirmed government's commitment to disciplined spending and borrowing, now formally anchored to South Africa's newly adopted 3% inflation target. Investors responded positively to the budget's tone and credibility. Days later, the South African Reserve Bank (SARB), cut the repo rate by 25 basis points in a unanimous decision on the back of cooling inflation data. This marks the sixth rate cut since September 2024, bringing the prime lending rate to 10.25%.

Bond markets have reflected the improving macro narrative. The government's 10-year borrowing yield continued to decline, ending November at 8.5% per annum, its lowest level in almost five years. The rand also firmed, strengthening 1.3% against a softer US dollar during the month and leaving the currency 10% stronger year-to-date.

CREDIT RATING UPGRADE: A TURNING POINT

In a notable vote of confidence, Standard & Poor's (S&P) upgraded South Africa's sovereign credit rating from BB- to BB, while maintaining a positive outlook. This is an especially meaningful development, as a positive outlook signals a realistic chance of another upgrade within the next 12–18 months.

S&P's more upbeat assessment was predicated on four key pillars:

1. Stronger-than-expected tax revenue

South Africa is on track for a revenue overrun of roughly R19.7 billion, driven mainly by robust VAT and corporate tax collections. S&P expects further improvement by the February national budget, showcasing the resilience of the revenue base.

2. Sustained primary budget surpluses

Treasury is set to deliver a third consecutive primary surplus, meaning revenue will exceed non-interest expenditure. Maintaining and expanding this surplus is central to stabilising the debt trajectory and is a metric rating agencies view as core to fiscal credibility.

DECEMBER 2025

HIGHLIGHTS

Local Markets Stay Strong

- JSE delivers another positive month
- Precious-metal miners lead gains
- Rand and bonds supported by better sentiment
- Gold and platinum up strongly again
- Safe-haven demand boosts prices

Fiscal & Monetary Support

- MTBPS reinforces spending discipline
- SARB cuts rates; prime now 10.25%

Credit Rating Upgrade

- S&P lifts SA to BB with positive outlook
- Improved revenue and SOE risk profile

Global Outlook Improves

- MSCI World modestly higher
- US households get tax rebates in 2026
- Fed expected to move rates toward neutral



CREDIT RATING UPGRADE: A TURNING POINT - *continued*

3. Expenditure control despite social pressures

Government spending remains on track relative to budget, even with competing social priorities. Treasury’s ability to contain expenditure growth supports long-term fiscal sustainability and signals an improving governance framework.

4. Lower risk from contingent liabilities

S&P believes risks stemming from state-owned enterprises (SOEs) may have peaked. Eskom’s return to profitability, ongoing debt restructuring, and government’s adoption of a “tough-love” approach toward SOEs suggest future bailout requirements could ease.

The upgrade is an encouraging indication that South Africa’s fiscal consolidation efforts, institutional resilience, and reform momentum are being recognised internationally. However, S&P has flagged that the durability of the improvement will depend heavily on accelerating economic growth. Structural reforms in energy, rail, and ports will need to translate into real economic gains if South Africa hopes to move closer to investment-grade status.

GLOBAL MARKET UPDATE

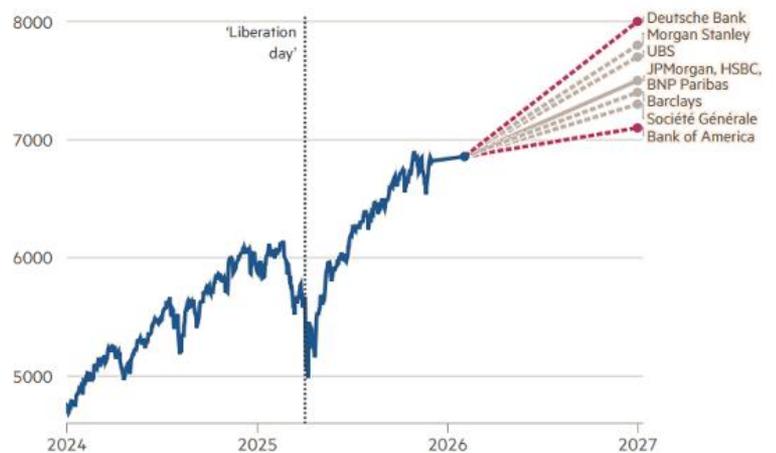
Global equity markets delivered a mixed performance in November, with the MSCI World Index rising just 0.3% month-on-month, though still up a strong 20.6% for the year. Market volatility increased as concerns about stretched valuations, particularly in the artificial intelligence (AI) sector, rattled investor confidence. US markets were especially turbulent but staged a sharp rebound in the final week of the month as expectations firmed that the Federal Reserve would deliver another 25-basis-point rate cut at its December meeting.

Looking forward into 2026, Wall Street’s major banks are forecasting another year of strong performance for US equities, with expectations of double-digit gains despite recent concerns about elevated valuations in the technology sector. Analysts believe resilient earnings, improving economic conditions, and ongoing investment in productivity-enhancing technologies should continue to underpin equity performance.

American households are also expected to receive a meaningful boost early next year as the government’s sweeping fiscal package, the so-called “One Big Beautiful Bill”, delivers substantial tax rebates. Although the One Big Beautiful Bill has raised concerns earlier this year about higher long-term debt and inflation, the immediate effect in 2026 is a substantial temporary boost to household income. These payments, combined with the wealth effects generated by rising equity and property prices, are set to support consumer confidence and spending through 2026.

Wall Street expects US stocks to continue rallying in 2026

S&P 500, dashed lines indicate forecasts



Source: FactSet, Deutsche Bank, BNP Paribas, Morgan Stanley, UBS, JPMorgan, Barclays, Société Générale, HSBC, Bank of America

FINANCIAL

At the same time, the Federal Reserve is under mounting political pressure to ease financial conditions more aggressively. The central bank now appears increasingly likely to guide interest rates back toward what it views as the “neutral” level of around 3% after several years of tighter monetary policy. A shift back to neutral rates would lower borrowing costs for households and businesses, providing an additional tailwind for economic activity and risk assets in the year ahead.

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