

## CONFIDENCE RESTORED AS SOUTH AFRICA EXITS THE GREYLIST

October proved to be another resilient month for markets as both local and global indices ended in the green. Our local FTSE/JSE All Share Index returned 1.6% for the month, and is up a whopping 33.9% year-to-date. These returns have largely been led by the significant run in resource stocks, which make up roughly a quarter of the local equity market. While the resources sector was down -4.8% in October, the sector has returned a very impressive 95.1% YTD. Global Developed Markets, as measured by the MSCI World Index, were also positive for the month and returned 2.0% in USD, and are up 20.2% YTD.

### SOUTH AFRICA'S GREYLISTING EXIT: A CONFIDENCE BOOST

South Africa received welcome news in the last week of October, as the Financial Action Task Force (FATF) announced the country's long-awaited removal from its "grey list" after 33 months under increased monitoring. The decision represents a significant step forward for South Africa's financial system and global standing, restoring confidence in its ability to combat money laundering and terrorist financing effectively.

Greylisting by the FATF has material economic implications. According to a study by the International Monetary Fund (IMF), such listings typically reduce capital inflows by an estimated 7.6% of GDP, driven by declines of around 3% in foreign direct investment, 2.9% in portfolio inflows, and 3.6% in other forms of investment, effectively constraining growth and liquidity by discouraging foreign investment and cross-border funding.

South Africa's removal from the list was therefore met with widespread approval. Financial markets reacted positively on day, with the rand strengthening and local bond yields declining as investors welcomed the development.

### BACKGROUND AND REFORM EFFORTS

South Africa was first placed on the grey list in February 2023, following identified deficiencies in its anti-money laundering (AML) and counter-financing of terrorism (CFT) framework. These included weaknesses in the enforcement of laws and the coordination of financial intelligence. The deficiencies reflected a period of institutional erosion during the previous decade, when governance failures had undermined the effectiveness of law enforcement and regulatory bodies.

In response, the government, under President Cyril Ramaphosa, implemented a coordinated national effort to address these shortcomings. This included strengthening financial oversight, enhancing inter-agency collaboration, and accelerating the prosecution of financial crimes. By June 2025, the FATF confirmed that South Africa had "substantially completed" all 22 action items in its remedial plan, paving the way for delisting in November.

While some areas, such as the prosecution of complex money-laundering and terror-financing cases, continue to require improvement, the FATF deemed South Africa's reforms sufficient to warrant removal from the list.

NOVEMBER 2025

## HIGHLIGHTS

### South Africa Exits Greylist

- The FATF has removed South Africa from its greylist after 33 months, following successful reforms to combat money laundering and terrorist financing.
- Markets reacted positively, with a stronger rand and lower bond yields.

### Economic Confidence Rebounds

- The exit boosts South Africa's global reputation and investment appeal—particularly important as the country prepares for the G20 presidency in 2025.

### Global Markets Steady

- Global equity indices remained resilient in October.
- The MSCI World Index rose 2.0% in USD.
- The JSE All Share gained 1.6%, up 33.9% YTD.

### US-China Trade Truce

- A one-year agreement between the US and China delays tariffs and supports market stability.
- Key concessions were made on fentanyl, rare earths, and agricultural goods.

### US Government Shutdown Prolonged

- The second-longest US shutdown in history continues, disrupting data releases and placing pressure on economic growth and policymaking.





## ECONOMIC AND MARKET IMPLICATIONS

Greylisting imposed tangible costs on South Africa's economy. International transactions faced higher compliance scrutiny, raising the cost and complexity of doing business across borders. These frictions deterred investment and weakened overall confidence in the domestic financial environment.

The removal of this constraint represents an important milestone in restoring South Africa's reputation as a credible and trusted financial jurisdiction. It is particularly timely as the country prepares to assume the G20 presidency in 2025. Improved investor sentiment, both domestic and international, should support capital inflows, credit conditions, and broader economic growth in the year ahead.

## GLOBAL DEVELOPMENTS: A US–CHINA TRADE TRUCE

Global markets also found some relief from geopolitical tensions following a meeting between US President Donald Trump and Chinese President Xi Jinping in South Korea. The two leaders agreed to a one-year trade truce, postponing the re-imposition of tariffs and export controls that had threatened to escalate into a renewed trade war.

Under the agreement, the United States will halve its tariff on Chinese goods related to fentanyl from 20% to 10%, reducing overall average tariffs on Chinese imports to roughly 47% from 57%. China, in turn, agreed to suspend recently announced export restrictions on rare earth materials, critical inputs for global manufacturing, and to resume purchases of US agricultural commodities.

Although the concessions were modest, they mark a meaningful step toward stabilising trade relations between the world's two largest economies. The agreement also includes commitments to further discussions on semiconductors, shipping-related tariffs, and cooperation on fentanyl control. Both sides plan reciprocal visits in 2026, providing an opportunity to build on the framework established in South Korea.

Analysts view the truce as a tactical, rather than strategic, de-escalation. It delivers short-term relief to global markets but leaves many of the deeper structural issues unresolved. Nevertheless, by averting a new round of tariffs that could have exceeded 100%, the agreement provides a temporary boost to global trade sentiment and supply-chain stability.

## PROLONGED US GOVERNMENT SHUTDOWN

In contrast to the positive developments in South Africa and Asia, political gridlock in the United States continues to weigh on economic sentiment. The US government shutdown, in place since 1 October, has now become the second-longest in history. Despite 13 Senate votes to end the filibuster and approve funding, no proposal has yet achieved the 60-vote threshold required to pass.

The shutdown's economic impact is becoming increasingly pronounced. At least 29 major data releases have been delayed, hindering policymakers' ability to assess economic conditions. Approximately 670 000 federal employees have been furloughed, while a further 730 000 deemed essential, such as air-traffic controllers, security personnel, and healthcare workers, are working without pay. These numbers exclude military and law-enforcement personnel, who are also affected.

With household income and consumption under strain, and financial-market uncertainty elevated, pressure is mounting on lawmakers to reach a resolution. The longer the impasse persists, the greater the potential drag on short-term US growth.

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