NEWS LETTER

SPEKTRA FINANCIAL SERVICES

CUTTING RATES, BREAKING RECORDS, AND STRIKING GOLD

OCTOBER 2025

September, historically the weakest month for equity markets, defied expectations this year as local and global indices surged higher. The MSCI World Index climbed 3.3% for the month in USD and is now up nearly 18% for 2025, buoyed by resilient economic data, optimism around artificial intelligence, and the US Federal Reserve's first rate cut since December. While political noise from President Donald Trump's renewed tariff announcements to a US government shutdown dominated headlines, investors largely looked through the uncertainty.

UNITED STATES – POLICY SHIFT AND RESILIENT GROWTH

Returns from the US equity market remained resilient, with all major indices posting solid gains. The S&P 500 advanced 3.5% in September to close near record highs, while the Dow Jones and Nasdaq rose 1.9% and 5.6%, respectively. The Nasdaq has now delivered six consecutive months of gains, driven by renewed enthusiasm for large-cap technology companies and the "Magnificent Seven." Tesla surged nearly 50% in the third quarter as demand spiked ahead of changes to the EV tax credit, while Apple, Nvidia, and Alphabet also logged strong performances.

The broader US economy showed surprising strength. Second-quarter GDP was revised higher to 3.8% annualised growth, its fastest pace since 2023, supported by firm consumer spending.

Despite headline CPI accelerating to 2.9% yoy in August, the Fed cut interest rates by 25 basis points, lowering the target range to 4.00–4.25%, the lowest since late 2022. Chair Jerome Powell noted that job gains had slowed and "downside risks to unemployment have risen," but cautioned that inflation pressures remain. Market participants interpreted the move as the start of a gradual easing cycle, which, coupled with softer inflation expectations, helped push Treasury yields and the US dollar lower.

The positive momentum came despite renewed political turbulence. The failure of Congress to pass a temporary spending bill triggered a partial government shutdown at the start of October. While these shutdowns have become a recurring feature of US politics (the last one in 2018 lasted 35 days) their economic impact tends to be fairly benign. Nevertheless, they can inject short-term volatility into markets after extended periods of gains.

HIGHLIGHTS

Markets Defy September Slump

- Global equities rose sharply – MSCI World +3.3%, S&P 500 +3.5%.
- Supported by AI optimism and a Fed rate cut.

Fed Cuts Rates as Inflation Eases

- Fed lowered its target rate to 4.00–4.25%.
- US GDP was revised up to 3.8%, and inflation moderated.

Gold & Platinum Rally

- Gold surged 11%, platinum 16% in September, as investors turned to safe-haven assets.

JSE Sees Strongest Quarter in 5 Years

- The JSE rose 6.6% in September, taking YTD gains to 32%.
- Led by resource and tech shares.

SA Economy Gains Ground

- SA GDP grew 0.8% QoQ.
- Inflation slowed to 3.3%,
- SARB held rates at 7%,
- The rand strengthened 2.2%.

COMMODITIES CONTINUE TO SHINE

Commodity markets were dominated by the spectacular performance of precious metals. Gold soared almost 11% in September and is now up 46% for the year in USD, reaching new all-time highs. Central bank buying, a softer dollar, and investor demand for safe havens amid global uncertainty have propelled the yellow metal to its best year since 1979. Platinum prices surged 16% in September, up an astonishing 77% year-to-date, while palladium and rhodium also advanced.

Oil prices, on the other hand, eased toward month-end after briefly topping US$70 per barrel, as reports surfaced that OPEC+ might approve another production increase.

SOUTH AFRICA – PRECIOUS METALS POWER THE JSE

Back home, South African equities delivered their strongest month, and quarter, in over five years, with the FTSE/JSE All Share Index up 6.6% for the month, and 32% ytd. The gains were driven almost entirely by the precious metals sector, with gold and platinum miners soaring on the back of record commodity prices.

Outside of resources, Naspers and Prosus continued to provide strong support to the market, benefiting from robust gains in Chinese tech giant Tencent, which rose 11% in September. Domestically oriented SA Inc sectors, such as financials and property, lagged as local economic growth remained subdued.

SOUTH AFRICAN ECONOMY – STEADY PROGRESS, SOFTER INFLATION

South Africa's economic data painted a cautiously optimistic picture. Second-quarter GDP grew by 0.8% quarter-on-quarter, exceeding expectations and marking the strongest growth in two years. Inflation eased to 3.3% in August, helped by lower food and fuel costs, while core inflation edged up slightly to 3.1%.

Against this backdrop, the South African Reserve Bank (SARB) opted to keep the repo rate unchanged at 7% at its September meeting, following a 25 basis point cut earlier in the year. Two of the six MPC members voted for another cut, while the majority preferred to hold steady as the SARB prepares to shift toward a tighter 3% inflation target. Policymakers expect inflation to average around 3.4% in 2025 before gradually moderating to 3% by 2027.

The rand strengthened 2.2% in September to around R17.20 against the US dollar, supported by rising commodity prices and broad dollar weakness. Domestic bonds also gained, with the 10-year government yield falling to 9.2%, its lowest level in more than four years and the narrowest premium over US Treasuries since 2013.

On the trade front, ongoing discussions with the US over tariff extensions and potential amendments to the African Growth and Opportunity Act (AGOA) provided some relief for local exporters, even as global trade tensions remain elevated.

LOOKING AHEAD

Global markets enter the final quarter of 2025 with renewed optimism but no shortage of risks. Investors are balancing the benefits of easier monetary policy and robust growth against the backdrop of political uncertainty, trade negotiations, and high asset valuations.

For South Africa, the environment remains supportive. Softer inflation, resilient commodity prices, and the prospect of lower global interest rates all point to continued support for local assets. However, the heavy concentration of returns in a handful of commodity and tech-linked shares underscores the importance of diversification as global markets navigate the next phase of the cycle.