

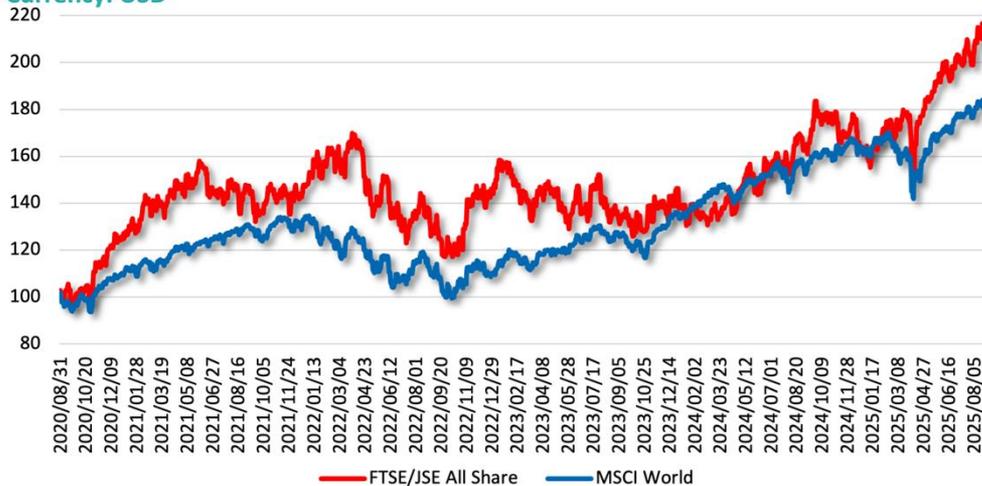
RAND RALLIES, JSE ROARS, AND THE FED WAVERS

Local markets delivered strong returns in August, with the JSE All Share Index rising 3.5% for the month and an impressive 23.6% year-to-date. The rand also extended its appreciation trend, strengthening 2.1% against the US dollar in August and 6.2% year-to-date. These gains significantly outpaced global developed markets, with the MSCI World Index returning just 0.3% in August and 7.5% year-to-date in rand terms.

The strong performance of local equities, combined with the rand's recent appreciation, has lifted the ALSI ahead of global equities on a five-year basis when measured in US dollars (see chart below). This is a notable turnaround, given that South African equities have lagged global peers for much of the past decade.

For investors, this reinforces the importance of maintaining a well-diversified portfolio. A balanced allocation to both local and global asset classes helps ensure that portfolios participate in cycles of outperformance wherever they occur, while also managing the risks inherent in being concentrated in a single market or currency.

Figure 1. 5-Year Cumulative Return: FTSE/JSE ALSI vs. MSCI World
Currency: USD



SEPTEMBER 2025

HIGHLIGHTS

Rand & JSE Rally

- The JSE All Share gained 3.5% in August, and is up 23.6% YTD.
- The rand strengthened 2.1% in August and 6.2% YTD—outpacing global markets.

Fed Faces Policy Crossroads

- At Jackson Hole, Fed Chair Powell warned of rising inflation risks but weakening job data.
- A September rate cut is likely, with more expected later this year.

SA Rail Reform Gains Momentum

- Government opens Transnet's rail network to private operators.
- 11 companies shortlisted to run freight routes.
- Plans to boost rail volumes by 90M tonnes by 2029.





JACKSON HOLE – US FED STUCK BETWEEN A ROCK AND A HARD PLACE

The US Federal Reserve held its annual three-day Jackson Hole Economic Symposium during 21-23 August in Jackson Hole, Wyoming. Traditionally, the conference is used as a forum to discuss long-term economic and monetary policy issues, and is attended by central bank leaders, academics, government officials and financial industry leaders.

Key to this year's symposium was the address by US Fed Chairperson Jerome Powell, and the projected path of interest rates given the ongoing inflationary pressures caused by Trump's tariff policy.

Broadly speaking, the US Federal Reserve carries a dual mandate in relation to its monetary policy agenda; that of price stability (through maintaining stable inflation anchored around their 2.0% target), and maximum employment.

Balancing these two objectives can prove difficult, as they have the ability to move the economy in opposite directions. Very low unemployment is generally indicative of a healthy, growing economy. Under this scenario workers have more bargaining power, wages tend to rise, and consumer spending increases; all of which can push prices higher and increase inflation. Consequently, if inflation begins to accelerate due to strong demand and rising wages, the Fed may need to tighten monetary policy (raise interest rates). But tighter policy cools economic growth, which can slow hiring and raise unemployment.

In his Jackson Hole speech, Powell underscored the tension between these two components, stating that the combination of upside risk to inflation and downside risk to employment posed a policy challenge for the FOMC (Federal Open Market Committee) in the pursuit of its dual mandate, stating "In the near term, risks to inflation are tilted to the upside, and risks to employment to the downside—a challenging situation. When our goals are in tension like this, our framework calls for us to balance both sides of our dual mandate".

While inflationary pressures are still very much imbedded in the US, Powell stated that "downside risks to employment are rising" and that "the shifting balance of risks may warrant adjusting our policy stance".

Following the address, US market expectations for a September 2025 interest rate cut have risen, with two potential additional rates cuts priced in October and December, barring an increase in inflation.

TRANSNET SEES PRIVATISATION OPPORTUNITIES

South Africa is moving ahead with long-awaited reforms to its freight rail sector by opening the network to private operators in a bid to tackle chronic inefficiencies. Transport Minister Barbara Creecy confirmed that private firms will now be able to run trains on Transnet's rail corridors under a concession-based model that preserves state ownership of the network. Out of 25 applicants, 11 train operating companies, including Grindrod and Menar, have advanced to negotiations to operate across 41 key routes, transporting critical bulk commodities such as coal, iron ore, chrome, sugar, fuel, and manganese. These operators are expected to add around 20 million tonnes of annual freight capacity from 2026/27, supplementing Transnet's projected 160 million tonnes and supporting the government's goal of moving 250 million tonnes by rail each year by 2029.

To back these reforms, Transnet has applied for R35 billion in infrastructure funding from the National Treasury, split between a R16.4 billion request submitted in July and an additional R18.6 billion to follow in October. This funding, combined with internal budgets and customer partnerships, will be directed toward urgent maintenance and long-term modernization. The reforms mark a significant shift in strategy, with the government leveraging private capital and expertise while retaining control of national rail assets. If executed effectively, the initiative could ease long-standing logistics bottlenecks, boost exports, create jobs, and restore competitiveness to South Africa's critical freight corridors.

Source: FOMC Minutes, Reuters, Morningstar, FactSet

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