

ECONOMIC COMMENTARY - DR. FRANCOIS STOFBERG

Markets navigate war, tariffs, and currency crossroads

Markets have held steady despite a series of potentially destabilising global developments, from escalating conflict in the Middle East to renewed tariff shocks in the United States (US) and increasing currency pressures in China. The resilience is notable but it may also reflect a market still trying to interpret how short-term events will influence longer-term fundamentals.

The most pressing geopolitical development came as the US launched airstrikes on three nuclear sites in Iran, escalating tensions that had already been simmering. This led to immediate concerns over the potential closure of the Strait of Hormuz, a narrow but critical passage through which nearly 20% of the world's oil supply flows. Although Brent Crude rose modestly, the muted reaction suggests that markets are not yet pricing in sustained disruption. Still, this situation remains volatile. The potential for escalation remains high and, if realised, would almost certainly fuel inflation, disrupt global supply chains, and push central banks back into hawkish mode.

In parallel, the US-China economic front has grown increasingly tense. The Trump administration's decision to impose steep tariffs is part of a broader return to protectionism under the banner of reviving domestic manufacturing. The tariffs now apply to a wide range of goods, including fridges, ovens, and washing machines, with potential spillover effects on inflation. The fear is that the cumulative pressure of these tariffs will reverse some of the recent easing seen in US inflation data.

The Federal Reserve (Fed) seem to find itself in a bind. On the one hand, softer-than-expected inflation data for May suggests that price pressures may be easing. On the other hand, the inflationary effects of new tariffs (combined with the risk of geopolitical energy shocks) could delay or complicate the Fed's rate-cutting agenda. Internal divisions at the Fed have become more public, with some members advocating for immediate rate cuts while others urge continued caution. This division reflects broader market uncertainty, with futures markets pricing in two rate cuts later this year, possibly starting in October.

Meanwhile, China faces its own dilemma. Its currency, the renminbi, sits at the centre of a policy trilemma: Should it be allowed to strengthen, depreciate, or remain stable? Each option has its own risk: A stronger renminbi could hurt China's already weak domestic demand, while depreciation risks inflaming regional tensions and competitive devaluations. Currency stability is Beijing's current preference but it is increasingly hard to sustain, especially as the dollar weakens and interest rate differentials grow. For the renminbi to appreciate credibly, China would need to shift its domestic policy stance to support consumer spending, reduce savings, and rebalance its investment-heavy economy. This would align with Beijing's longer-term goals of increasing the international use of the renminbi and positioning it as a meaningful alternative in a multi-polar currency world. However, short-term domestic pressures continue to weigh heavily, and markets remain sceptical of any sudden shift.

Europe is also being drawn into this shifting global order but in a different way. Amid pressure from the US and rising economic nationalism, European Union leaders are pushing for deeper integration of the single market and financial infrastructure. Proposals for a savings and investment union (aimed at channelling European capital into European priorities) are gaining traction. At the same time, European policymakers are calling for the expansion of the euro's international role, with ambitions to create a deeper, more liquid Eurobond market that can rival the dominance of US Treasuries.

Taking all the above into account, these developments point to a world in transition. Markets may appear calm but the underlying dynamics suggest that we are approaching a turning point. Whether it is war in the Middle East, tariff walls in the US, or strategic financial shifts in Europe and China, the coming months will likely define the shape of global capital flows, interest rate paths, and inflation expectations. For investors, it is not just about reacting to headlines; it is about anticipating how today's uncertainty translates into tomorrow's risk and opportunity.

IN CLOSING

Attached, please find our latest update on global indices, currencies, and commodities, as provided by Efficient Private Clients.

Kind regards

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YOUR WEEKLY ECONOMIC UPDATE

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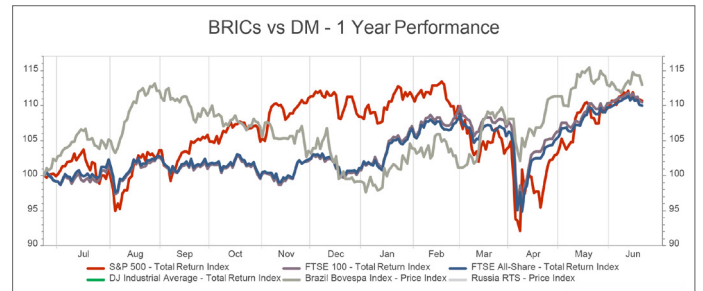
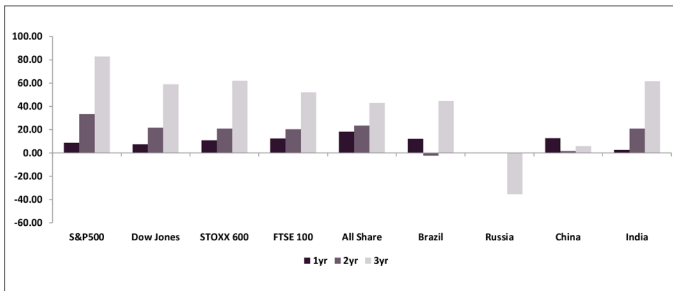
GLOBAL INDICES

South Africa	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
All Share	94710.48	2.1%	18%	11%	12%
Top 40	87134.08	2.2%	19%	11%	12%
Mid Cap	94635.39	2.6%	13%	11%	10%
Small Cap	91118.02	1.9%	16%	15%	20%
Resource 20	75938.81	8.4%	31%	8%	9%
Industrial 25	133182.89	0.2%	21%	13%	12%
Financial 15	20760.06	0.5%	10%	13%	14%

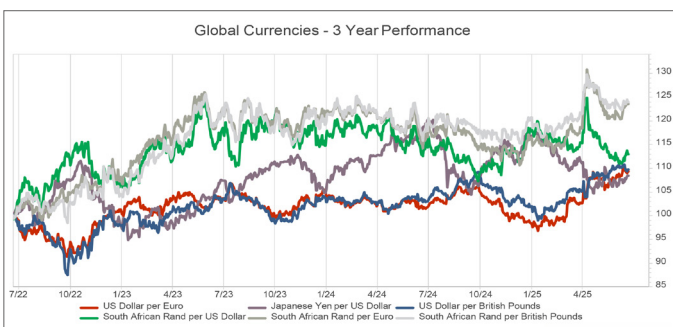
Europe	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
FTSE 100	8774.65	-0.1%	6%	8%	7%
DAX 30	23350.55	-2.9%	28%	20%	14%
CAC 40	7589.66	-4.4%	-1%	2%	9%
STOXX 600	536.53	-3.2%	3%	8%	8%
Russia RTS	955.46	0.0%	0%	0%	-5%

Asia	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Nikkei 225	38403.23	2.3%	-1%	7%	11%
Hang Seng	23530.48	-0.6%	28%	10%	-1%
Shanghai	3359.8955	-0.6%	12%	2%	3%
India SENSEX	82408.17	1.5%	6%	14%	19%

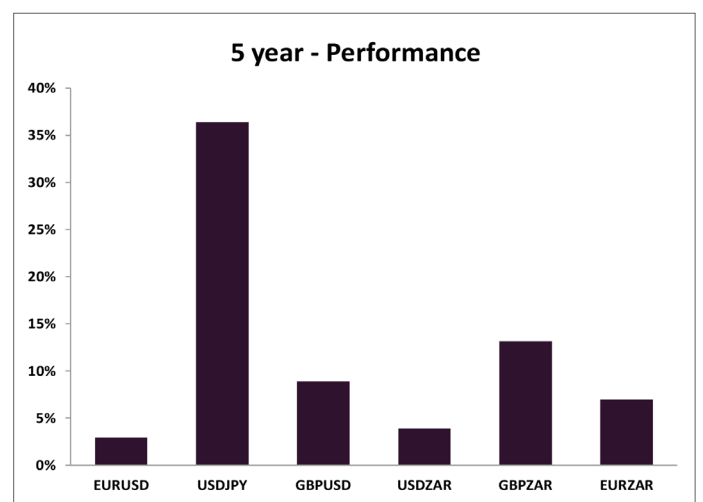
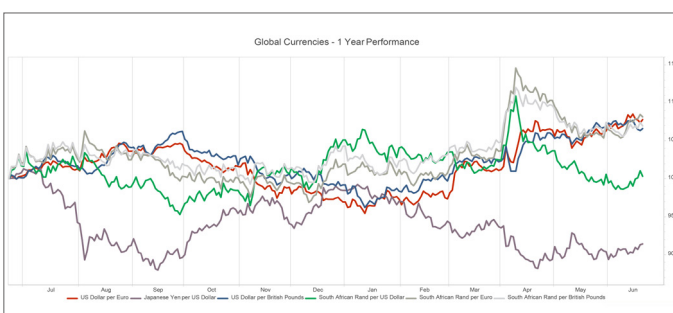
Americas	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Dow Jones	42206.82	-1.1%	8%	11%	10%
S&P 500	5967.84	0.5%	9%	17%	14%
Nasdaq	19447.41	1.6%	10%	19%	14%
Russel 1000	42206.82	-1.1%	8%	11%	10%
Brazil Bovespa	137115.83	-2.1%	14%	7%	7%



CURRENCIES

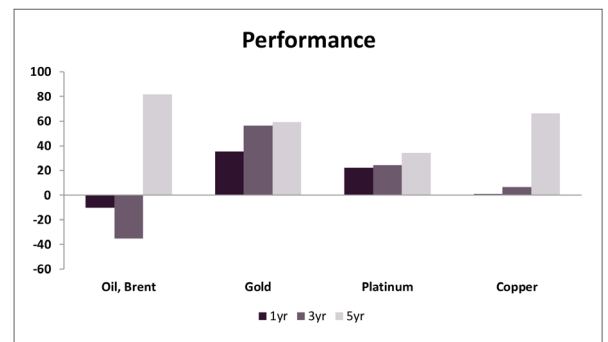
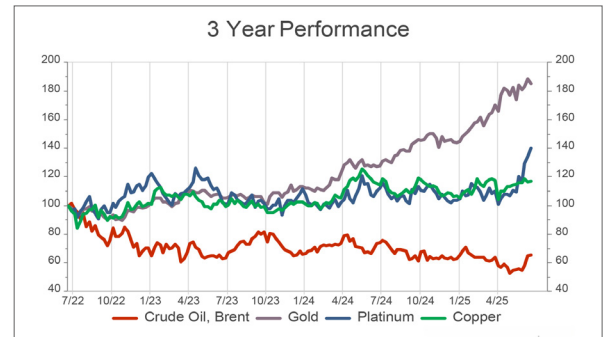
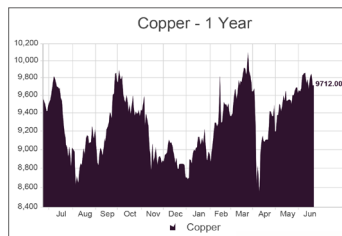
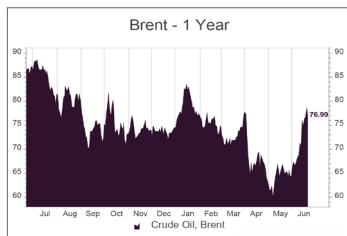
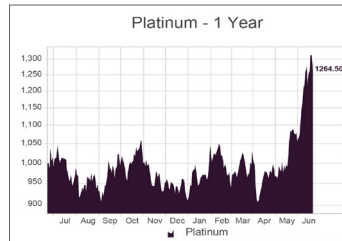
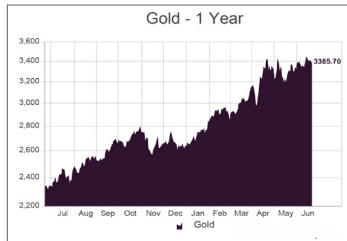


Currencies	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
USD/ZAR	18.00	0.6%	0%	-2%	1%
GBP/ZAR	24.24	0.4%	7%	1%	2%
EUR/ZAR	20.73	2.2%	8%	1%	1%
AUD/ZAR	11.64	0.5%	-2%	-4%	-1%
EUR/USD	1.15	1.5%	8%	3%	0%
USD/JPY	145.92	2.3%	-9%	1%	7%



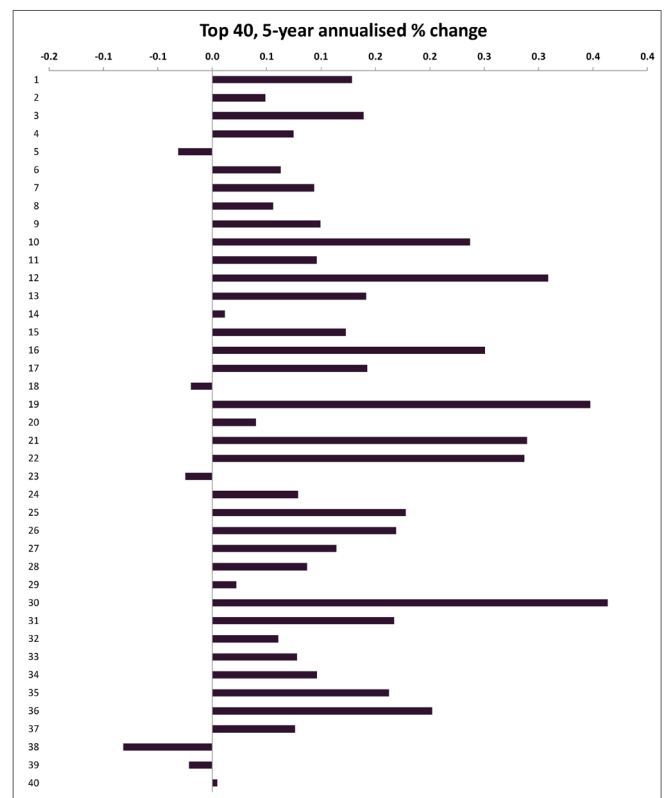
COMMODITIES

Commodities	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Gold	3385.70	2.2%	35%	25%	5%
Platinum	1264.50	19.8%	22%	9%	0%
Silver	36.02	8.6%	10%	17%	7%
Brent Crude	76.99	15.0%	-10%	1%	12%
Copper	9712.00	1.7%	1%	6%	8%



TOP 40

Top 40		Close	1M %	1 Year %	2Y Ann %	5Y Ann %
1	ABSA GROUP LTD	172.84	3.3%	0%	1%	13%
2	ANGLO AMERICAN PLC	489.00	-1.3%	-13%	-6%	5%
3	ANGLO GOLD ASHANTI	867.38	12.7%	103%	42%	14%
4	ANHEUSER-BUSCH INBEV	1290.89	5.0%	20%	11%	7%
5	ASPEN	122.00	2.2%	-51%	-19%	-3%
6	BHP Group Limited	418.49	-6.8%	-19%	-14%	6%
7	BID CORP LTD	458.43	-3.5%	8%	5%	9%
8	BRITISH AMERICAN TOBACCO PLC	880.04	11.4%	57%	21%	6%
9	BIDVEST GROUP LIMITED	233.01	-2.1%	-19%	-7%	10%
10	COMPAGNIE FINANCIERE	3248.65	-8.4%	15%	4%	24%
11	CLICKS GROUP	362.06	-4.0%	6%	17%	10%
12	CAPITEC	3480.19	1.1%	35%	50%	31%
13	DISCOVERY	215.20	3.8%	60%	19%	14%
14	EXXARO RESOURCES LTD	149.74	4.7%	-16%	-7%	1%
15	FIRSTRAND	72.60	-1.3%	-4%	3%	12%
16	GOLDFIELDS LTD	440.08	12.7%	65%	28%	25%
17	GLENORE PLC	69.61	7.1%	-35%	-16%	14%
18	GROWTHPOINT	13.32	3.1%	8%	3%	-2%
19	HARMONY GOLD MINING	253.87	-6.9%	55%	79%	35%
20	IMPLATS	143.83	13.4%	59%	-1%	4%
21	INVLT	120.97	3.5%	-9%	5%	29%
22	INVESTEC	121.12	2.6%	-9%	5%	29%
23	MONDI PLC	291.19	-0.6%	-15%	0%	-2%
24	MR PRICE GROUP LTD	212.56	-12.0%	3%	22%	8%
25	MTN GROUP	126.99	3.6%	48%	-4%	18%
26	NEDBANK	248.07	-2.7%	-6%	4%	17%
27	NASPERS -N	5235.40	0.4%	41%	29%	11%
28	NEPI ROCKCASTLE PLC	134.20	-2.4%	0%	9%	9%
29	OLD MUTUAL LTD	11.79	1.1%	-3%	-2%	2%
30	OUTSURANCE	79.43	6.2%	74%	53%	36%
31	PEKOR HOLDINGS LTD	27.27	2.9%	41%	29%	17%
32	PROSUS NV	953.48	3.6%	44%	25%	6%
33	REMGRO	154.50	-3.0%	11%	2%	8%
34	REINET INVESTMENTS SCA	475.00	-2.5%	3%	7%	10%
35	STANBANK	227.40	0.2%	8%	13%	16%
36	SHOPRITE	276.06	-0.6%	-5%	11%	20%
37	SANLAM	88.02	2.1%	9%	20%	8%
38	SASOL	95.23	19.8%	-29%	-39%	-8%
39	Sibanye Stillwater Ltd	31.30	30.2%	53%	-1%	-2%
40	VODACOM GROUP LIMITED	131.03	-4.4%	34%	4%	0%



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