

ECONOMIC COMMENTARY - DR. FRANCOIS STOFBERG

Trump, rates, climate, and debt

The past month reminded us that global markets are rarely calm for long. President Donald Trump's repeated attacks on the Federal Reserve (Fed) have reignited debate over interest rates, as new fears swirl about climate-driven financial risk and the sustainability of the United States' (US') soaring debt.

Trump made headlines with a renewed push to pressure the Fed to slash interest rates to 1%, describing current Fed Chair, Jerome Powell, as a "stubborn mule" and openly preparing to replace him. This presidential interference in monetary policy again highlights the fragile balance that central banks must strike between independence and political pressure. While cheaper borrowing costs might please some investors, critics warn that aggressive cuts could reignite inflation or undermine the Fed's credibility. Although Powell is only 1 of 19 votes on the Federal Open Market Committee, markets cannot ignore the possibility of a more compliant future leader. This uncertainty is likely to feed into volatility across interest rates and currency markets.

Beyond rates, there is a parallel storm around the US' fiscal position. Data shows that nearly \$11 billion has exited long-term US bond funds in the second quarter alone, the sharpest outflow since early COVID-19. Investors fear Trump's tax plans, combined with high spending, could balloon federal debt, forcing massive new Treasury issuance. Many have shifted to short-term bonds, still delivering attractive yields with less duration risk. As one strategist noted, this signals a growing loss of confidence in long-term fiscal sustainability. These worries link directly to signals from global macro investors studying the so-called "Big Debt Cycle": A pattern where countries overextend themselves, pushing up borrowing and risking painful corrections. Analysts warn that the US and other G7 peers are approaching the late stages of such a cycle. Unless spending is reined in, the cost of servicing debt could crowd out more productive investments and destabilise markets.

Meanwhile, Europe faces a different challenge, namely reducing its dependence on US-controlled financial systems. Politicians in Germany and Italy have renewed calls to repatriate gold stored in New York, reflecting worries that the US' aggressive trade policies might one day turn European assets into bargaining chips. Europe is also exploring deeper capital market integration and a bigger role for the euro.

Layered on top of monetary and fiscal threats is rising climate risk. Soaring insurance premiums and shrinking coverage in disaster-prone regions are raising fears of a slow-moving financial shock that could resemble 2008 – but driven by physical climate events rather than by bad loans. In high-risk US areas, average homeowner insurance premiums are now 82% higher than in safer regions, making housing less affordable and potentially depressing property values. This could trigger a dangerous cycle, where falling property prices spark credit losses, limit lending, and damage broader financial stability. As climate-related disasters intensify, the potential for systemic stress grows. Yet, the Trump administration has signalled plans to dismantle many climate-focused safeguards, including pulling back from climate-oriented central bank networks and rolling back monitoring programmes.

For investors, the above creates a complicated landscape. In the short term, markets still appear resilient, with the S&P 500 near record highs. However, the mix of political interference at the Fed, a potential debt spiral, climate-driven property risks, and geopolitical tensions means ignoring downside risks would be unwise. History shows that financial systems can absorb a surprising amount of strain – until they cannot. Whether the trigger comes from a rate shock, a debt crunch, or a climate disaster, a break in confidence can spread rapidly. Investors would do well to keep a close eye on structural changes, maintain diversification, and plan carefully for how today's simmering risks might crystallise into tomorrow's crises.

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 MONTHLY ECONOMIC UPDATE

3 July 2025

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UPDATE

Global Indices, Currencies and Commodities, 3 July 2025

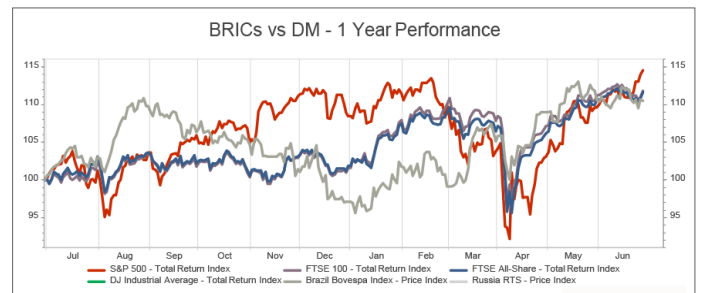
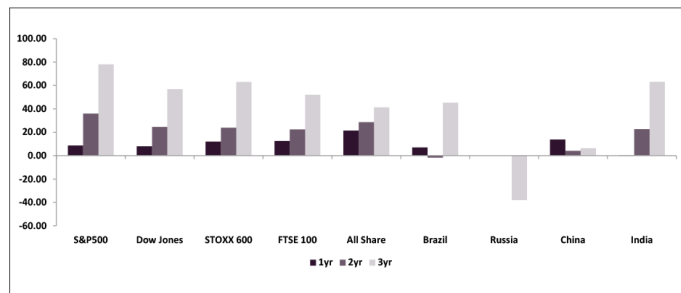
GLOBAL INDICES

South Africa	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
All Share	95862.28	2.2%	21%	13%	12%
Top 40	88214.9	2.4%	22%	13%	12%
Mid Cap	95931.71	1.7%	16%	15%	11%
Small Cap	92275.83	2.4%	20%	18%	21%
Resource 20	73829.55	2.6%	24%	9%	8%
Industrial 25	137032.63	2.5%	27%	15%	13%
Financial 15	21146.7	1.8%	15%	16%	16%

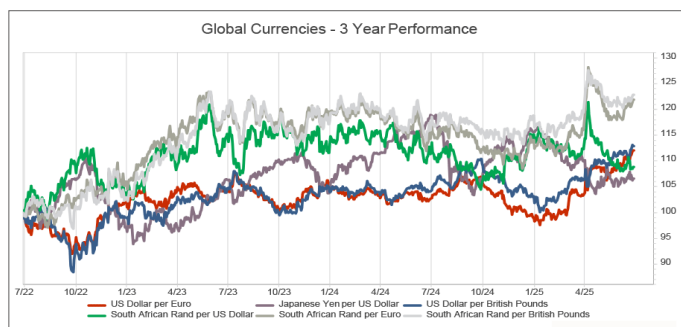
Europe	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
FTSE 100	8798.91	0.2%	8%	9%	7%
DAX 30	24033.22	-0.8%	32%	23%	15%
CAC 40	7691.55	-1.7%	2%	3%	9%
STOXX 600	543.63	-1.6%	6%	10%	9%
Russia RTS	955.46	0.0%	0%	0%	-5%

Asia	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Nikkei 225	40150.79	6.4%	2%	11%	12%
Hang Seng	24284.15	3.9%	37%	13%	0%
Shanghai	3424.2268	2.5%	16%	4%	3%
India SENSEX	84058.9	3.1%	6%	15%	19%

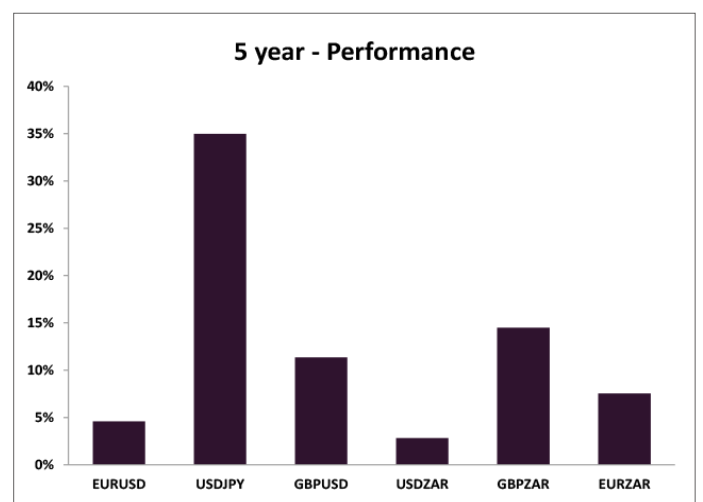
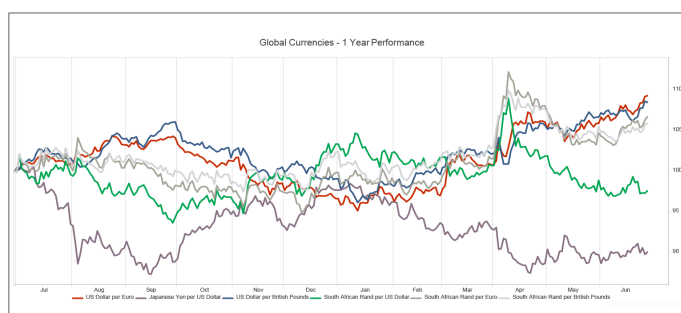
Americas	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Dow Jones	43819.27	3.5%	12%	14%	12%
S&P 500	6173.07	4.2%	13%	19%	15%
Nasdaq	20273.459	5.6%	14%	22%	16%
Russel 1000	43819.27	3.5%	12%	14%	12%
Brazil Bovespa	136865.8	-1.9%	10%	8%	8%



CURRENCIES

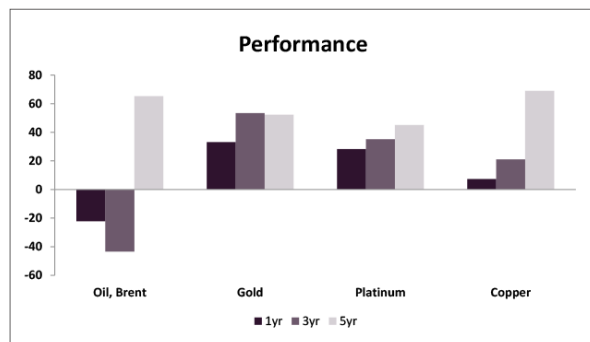
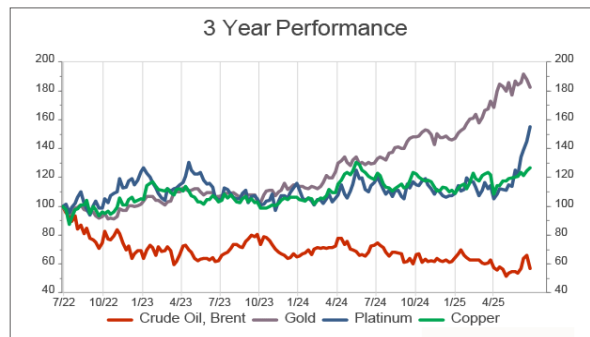
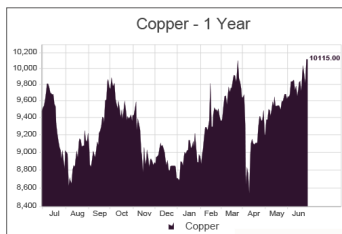
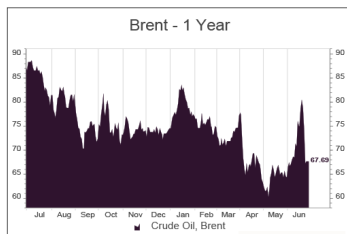
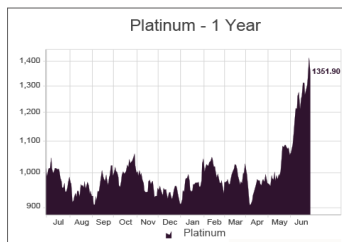
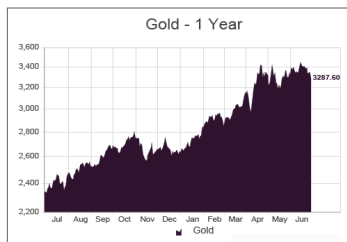


Currencies	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
USD/ZAR	17.83	-1.3%	-2%	-3%	1%
GBP/ZAR	24.45	0.4%	6%	1%	3%
EUR/ZAR	20.89	1.9%	7%	1%	1%
AUD/ZAR	11.64	0.1%	-5%	-4%	-1%
EUR/USD	1.17	3.2%	9%	4%	1%
USD/JPY	144.89	0.4%	-10%	0%	6%



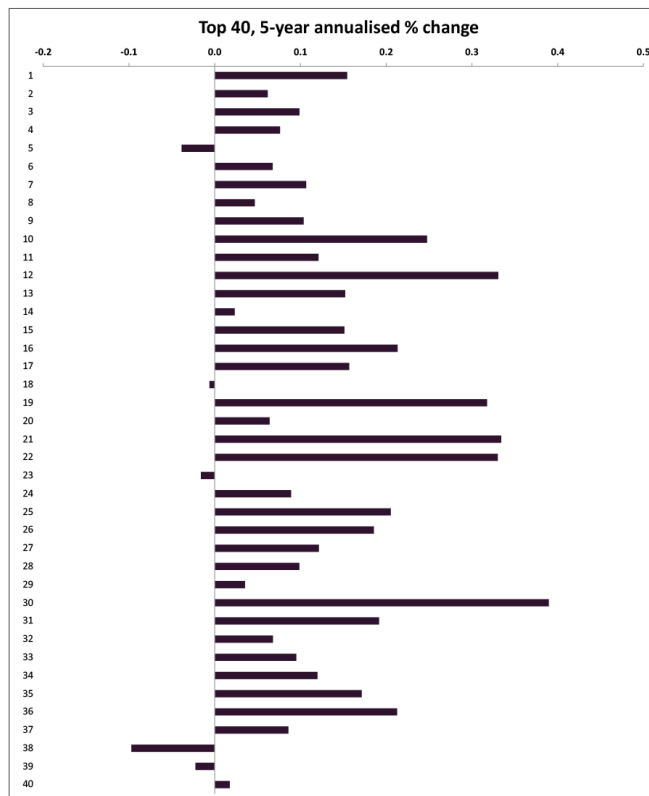
COMMODITIES

Commodities	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Gold	3287.60	-1.2%	33%	23%	5%
Platinum	1351.90	24.0%	28%	15%	0%
Silver	36.37	8.2%	18%	18%	7%
Brent Crude	67.69	5.2%	-22%	-3%	13%
Copper	10115.00	4.8%	7%	10%	8%



TOP 40

Top 40		Close	1M %	1 Year %	2Y Ann %	5Y Ann %
1	ABSA GROUP LTD	177.00	5.1%	15%	4%	15%
2	ANGLO AMERICAN PLC	521.78	-0.9%	-9%	-1%	6%
3	ANGLO GOLD ASHANTI	780.68	0.1%	69%	40%	10%
4	ANHEUSER-BUSCH INBEV	1228.49	-2.4%	12%	8%	8%
5	ASPEN	118.50	-2.1%	-50%	-19%	-4%
6	BHP Group Limited	433.46	-2.3%	-17%	-11%	7%
7	BID CORP LTD	470.96	-1.2%	11%	8%	11%
8	BRITISH AMERICAN TOBACCO PLC	836.87	3.4%	47%	17%	5%
9	BIDVEST GROUP LIMITED	235.91	-1.7%	-15%	-4%	10%
10	COMPAGNIE FINANCIERE	3320.66	-3.7%	14%	4%	25%
11	CLICKS GROUP	370.40	-4.2%	11%	19%	12%
12	CAPITEC	3551.38	3.9%	40%	53%	33%
13	DISCOVERY	213.20	-0.7%	64%	22%	15%
14	EXXARO RESOURCES LTD	147.31	-0.1%	-17%	-5%	2%
15	FIRSTRAND	75.79	2.7%	3%	6%	15%
16	GOLDFIELDS LTD	404.05	1.6%	43%	25%	21%
17	GLENORE PLC	69.95	5.1%	-34%	-16%	16%
18	GROWTHPOINT	13.43	2.7%	12%	8%	-1%
19	HARMONY GOLD MINING	238.69	-8.0%	38%	76%	32%
20	IMPLATS	155.56	16.1%	72%	11%	6%
21	INVLT	132.74	6.6%	1%	14%	33%
22	INVESTEC	131.31	5.1%	0%	14%	33%
23	MONDI PLC	295.00	1.2%	-17%	2%	-2%
24	MR PRICE GROUP LTD	219.00	-8.6%	9%	23%	9%
25	MTN GROUP	140.00	16.4%	69%	1%	21%
26	NEDBANK	242.26	-5.4%	-2%	4%	19%
27	NASPERS -N	5506.66	5.1%	55%	30%	12%
28	NEPI ROCKCASTLE PLC	135.38	-0.8%	4%	12%	10%
29	OLD MUTUAL LTD	11.92	4.3%	0%	1%	4%
30	OUTSurance	77.84	1.1%	71%	53%	39%
31	PEPKOR HOLDINGS LTD	27.04	-1.0%	46%	30%	19%
32	PROSUS NV	988.68	6.0%	50%	26%	7%
33	REMGRO	155.25	-2.3%	16%	5%	10%
34	REINET INVESTMENTS SCA	515.00	7.0%	12%	14%	12%
35	STANBANK	228.20	0.3%	11%	15%	17%
36	SHOPRITE	281.39	0.1%	1%	12%	21%
37	SANLAM	88.28	1.4%	13%	24%	9%
38	SASOL	79.41	-3.2%	-41%	-41%	-10%
39	Sibanye Stillwater Ltd	31.39	15.4%	58%	5%	-2%
40	VODACOM GROUP LIMITED	136.60	1.1%	47%	9%	2%



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