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YOUR WEEKLY ECONOMIC UPDATE

26 August 2025

ECONOMIC COMMENTARY - DR. FRANCOIS STOFBERG

Chips, central banks, and capital

Markets are being pulled in multiple directions: Technology supply chains are under strain, central banks are caught between inflation and growth, and new financial hubs are emerging. Each shift illustrates how politics and policy increasingly shape market outcomes.

Nvidia in the crosshairs

Beijing's restrictions on Nvidia's H20 chip (a weaker, China-specific processor) highlight how sovereignty now defines technology. The move followed blunt remarks by United States (US) Commerce Secretary Howard Lutnick, who said that America would never sell China its "best" chips. Chinese regulators quickly urged companies (like Alibaba and ByteDance) to pause or shrink Nvidia orders, favouring domestic producers (such as Huawei and Cambricon). For Nvidia, already barred from selling its most advanced processors in China, the setback underscores how geopolitics trumps commercial logic. For investors, the lesson is clear: Chips are no longer just about performance but also about national security. This politicisation of supply chains will continue to shape valuations and global capital flows.

The Fed's stagflation puzzle

While technology divides the US and China, America's central bankers face their own challenge. Economic data indicate slowing job growth, stubborn inflation, and tariffs that increase costs while reducing demand. Minutes from the Federal Reserve's (Fed's) July meeting revealed a split: Some urged patience while others said cuts could not wait for "complete clarity" on tariff effects. Markets now expect a quarter-point cut in September. Yet, the Fed risks either reigniting inflation by easing too soon or tipping demand into contraction by holding steady. It is the classic stagflation dilemma (weak growth with persistent price pressures), echoing the 1970s. Adding to the pressure is fiscal dominance: Governments leaning on central banks to contain surging debt costs. In the US, President Trump openly demands lower rates to ease servicing burdens. Elsewhere, higher long-term yields in the United Kingdom, Germany, and Japan reflect the same tension between fiscal policy and monetary independence.

Europe's resilience

Across the Atlantic, the eurozone showed unexpected momentum. The HCOB Eurozone Purchasing Managers' Index rose to 51.1 in August, its eighth month above 50 and the strongest since May 2023. Both manufacturing and services expanded despite new US tariffs. However, inflationary pressures in services remain elevated, complicating the European Central Bank's decisions. For now, markets expect rates to stay on hold, reflecting Frankfurt's cautious stance.

Abu Dhabi: A rising capital of capital

While Western policymakers wrestle with inflation and debt, the Gulf is deploying financial firepower. Abu Dhabi, with $1.7 trillion in sovereign wealth, is positioning itself as the "capital of capital". Hedge funds (such as Brevan Howard) and asset managers (like BlackRock and Nuveen) have opened offices in the Abu Dhabi Global Market (ADGM) financial district. Unlike Dubai's banking hub, Abu Dhabi focuses on asset managers seeking proximity to sovereign wealth funds. Registrations at ADGM surged 41% in the past year. With tax advantages, regulatory flexibility, and regional stability, the emirate has become a magnet for global financiers searching for growth beyond New York or London.

Indonesia's warning

Not all economies are moving forward. Indonesia, once a manufacturing engine, is slipping into "premature deindustrialisation". Manufacturing's share of gross domestic product has fallen from 32% in 2002 to 19% today. The collapse of textile giant Sritex, alongside closures of suppliers to global brands, has left tens of thousands unemployed. Instead, investment has shifted to commodities such as nickel and palm oil. These capital-heavy industries generate fewer jobs and leave household demand weaker. Growth still hovers near 5% but purchasing power is eroding, the middle class is shrinking, and informal work is rising. For a country once seen as a demographic powerhouse, the risks are mounting.

What does all of this mean?

From Beijing's chip restrictions to the Fed's policy dilemma, from Europe's quiet resilience to Abu Dhabi's rise, and Indonesia's struggles, the global economy is being reshaped by politics as much as by markets. Some regions are adapting while others are faltering. For investors, the rule is simple: Fundamentals matter but in today's world, politics, power, and perception often move markets first.

Kind regards
Marius du Toit
Managing Executive: Efficient Benefit Consulting

t: 021 007 1550 | t: 087 944 7999
e: info@efcorporate.co.za

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UPDATE

Global Indices, Currencies and Commodities, 26 August 2025

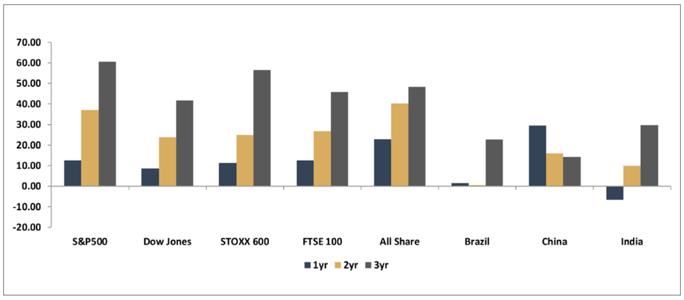
GLOBAL INDICES

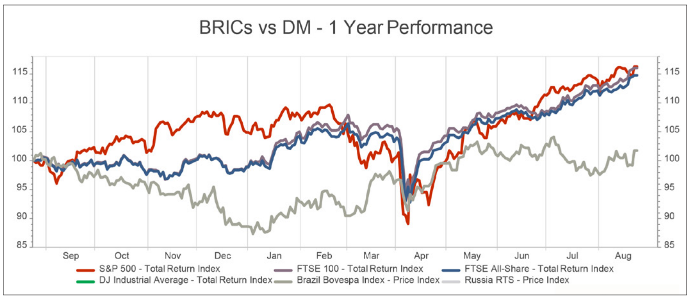
South Africa	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
All Share	102723.5	3.4%	23%	18%	13%
Top 40	95066.86	3.8%	24%	18%	13%
Mid Cap	100716.43	-0.2%	15%	16%	12%
Small Cap	97243.37	2.9%	17%	19%	21%
Resource 20	87427.97	2.8%	46%	26%	9%
Industrial 25	141908.48	3.0%	25%	18%	14%
Financial 15	22255.3	5.4%	10%	15%	17%

Europe	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
FTSE 100	9321.4	3.3%	12%	13%	9%
DAX 30	24363.09	1.3%	32%	25%	14%
CAC 40	7969.69	2.9%	6%	5%	10%
STOXX 600	561.3	3.1%	9%	11%	9%
Russia RTS	955.46	0.0%	0%	0%	-5%

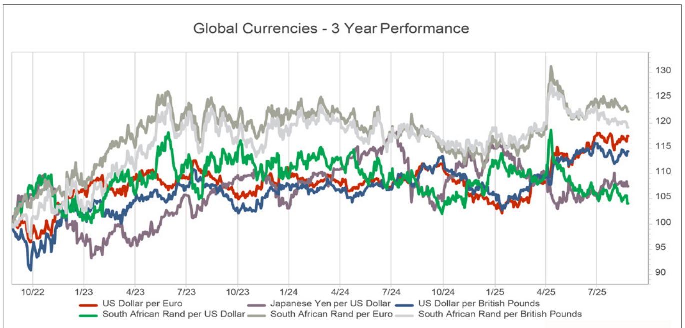
Asia	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Nikkei 225	42633.29	7.2%	12%	16%	13%
Hang Seng	25339.14	0.8%	44%	19%	0%
Shanghai	3825.7593	6.8%	34%	11%	3%
India SENSEX	81306.85	-1.1%	0%	12%	16%

Americas	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Dow Jones	45631.74	2.5%	12%	15%	10%
S&P 500	6466.91	2.5%	16%	21%	14%
Nasdaq	21496.535	2.9%	22%	26%	14%
Russsel 1000	45631.74	2.5%	12%	15%	10%
Brazil Bovespa	137968.16	2.9%	2%	9%	6%

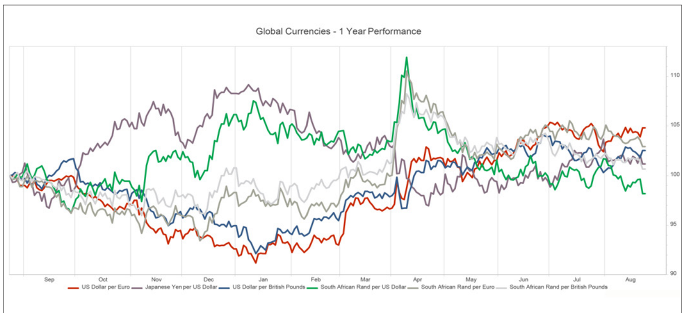


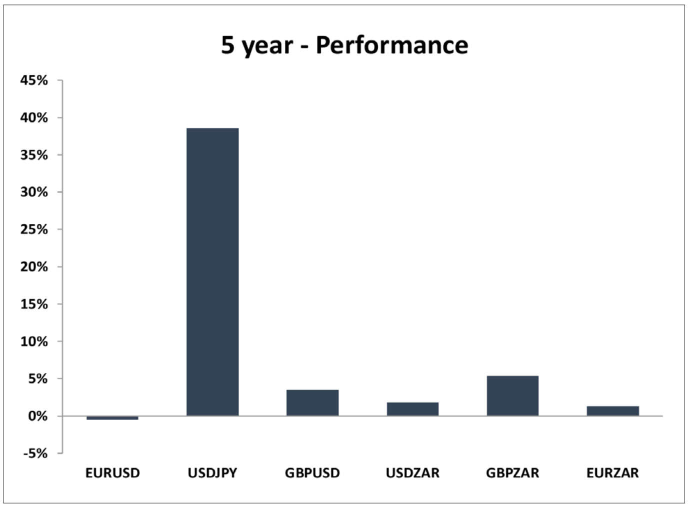


CURRENCIES



Currencies	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
USD/ZAR	17.46	-1.8%	-2%	-3%	1%
GBP/ZAR	23.61	-1.1%	1%	0%	1%
EUR/ZAR	20.46	-1.9%	3%	1%	1%
AUD/ZAR	11.34	-2.8%	-6%	-3%	-1%
EUR/USD	1.17	-0.1%	5%	4%	0%
USD/JPY	146.86	-0.6%	1%	0%	7%





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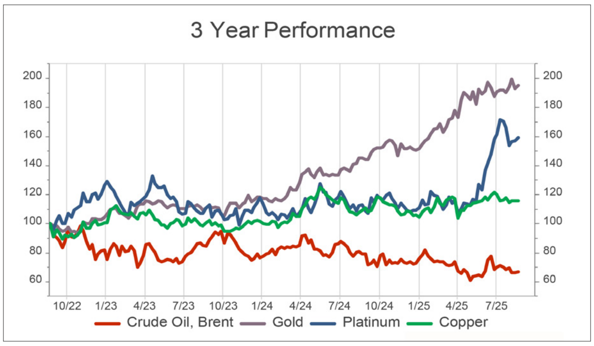
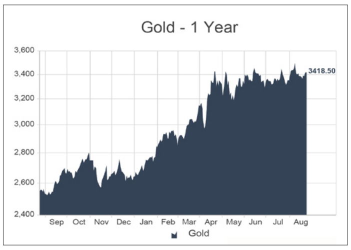
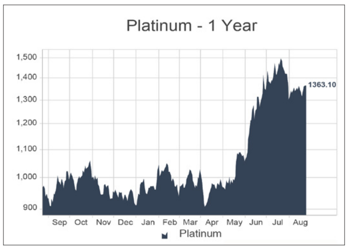
Global Indices, Currencies and Commodities, 26 August 2025

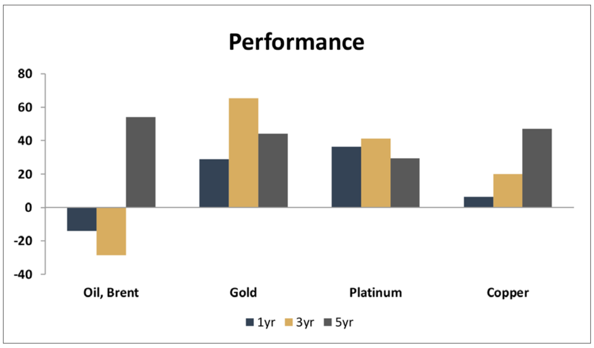
COMMODITIES

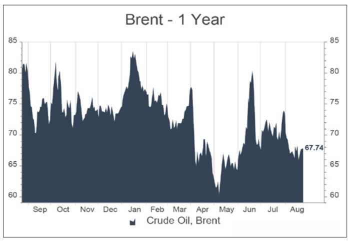
Commodities	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Gold	3418.50	-2.4%	29%	26%	3%
Platinum	1363.10	-8.0%	36%	16%	-2%
Silver	39.05	-1.3%	27%	22%	-1%
Brent Crude	67.74	-2.8%	-14%	-11%	11%
Copper	9643.00	-1.8%	6%	8%	6%

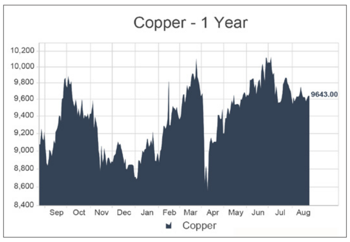






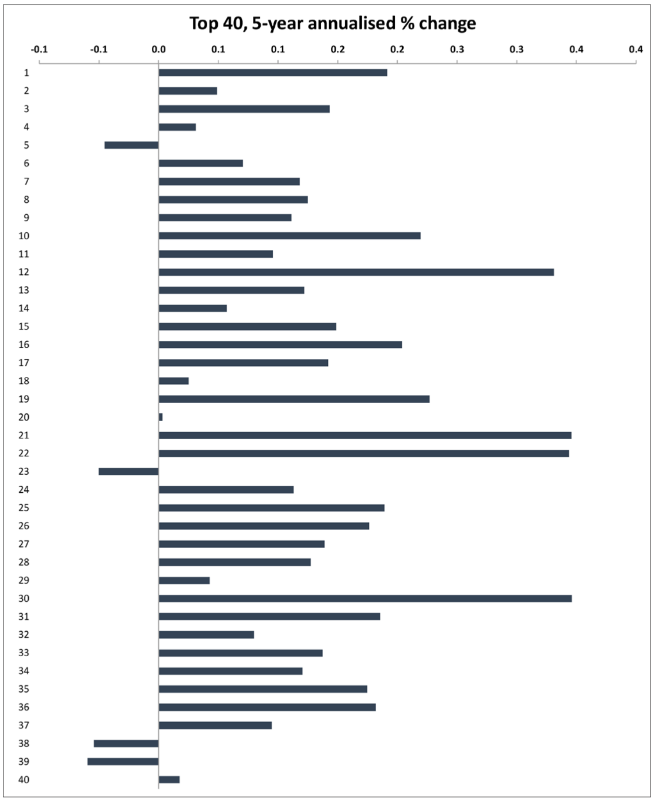






TOP 40

Top 40		Close	1M %	1 Year %	2Y Ann %	5Y Ann %
1	ABSA GROUP LTD	193.16	10.8%	16%	4%	19%
2	ANGLO AMERICAN PLC	521.58	-6.2%	1%	5%	5%
3	ANGLO GOLD ASHANTI	947.34	4.7%	71%	77%	14%
4	ANHEUSER-BUSCH INBEV	1109.79	-8.7%	1%	3%	3%
5	ASPEN	104.05	-11.0%	-56%	-26%	-5%
6	BHP Group Limited	486.26	1.7%	-1%	-3%	7%
7	BID CORP LTD	471.37	4.3%	9%	8%	12%
8	BRITISH AMERICAN TOBACCO PLC	1019.40	12.0%	56%	30%	12%
9	BIDVEST GROUP LIMITED	245.42	3.9%	-12%	-4%	11%
10	COMPAGNIE FINANCIERE	2980.00	-3.6%	2%	7%	22%
11	CLICKS GROUP	386.18	5.9%	7%	19%	10%
12	CAPITEC	3679.46	6.3%	29%	49%	33%
13	DISCOVERY	218.14	1.2%	44%	22%	12%
14	EXXARO RESOURCES LTD	186.75	3.5%	12%	10%	6%
15	FIRSTRAND	78.07	3.6%	-6%	4%	15%
16	GOLDFIELDS LTD	539.74	18.2%	90%	57%	20%
17	GLENCORE PLC	69.62	-9.7%	-27%	-15%	14%
18	GROWTHPOINT	14.97	4.5%	11%	13%	3%
19	HARMONY GOLD MINING	280.89	5.7%	46%	107%	23%
20	IMPLATS	163.18	-13.0%	90%	32%	0%
21	INVLTD	133.91	1.6%	2%	11%	35%
22	INVESTECP	133.50	1.5%	1%	11%	34%
23	MONDI PLC	254.63	-5.7%	-25%	-9%	-5%
24	MR PRICE GROUP LTD	214.31	-0.3%	-8%	25%	11%
25	MTN GROUP	156.39	8.5%	74%	11%	19%
26	NEDBANK	233.18	-2.4%	-19%	6%	18%
27	NASPERS -N	5811.92	3.7%	57%	35%	14%
28	NEPI ROCKCASTLE PLC	147.49	7.8%	6%	13%	13%
29	OLD MUTUAL LTD	13.33	5.5%	8%	2%	4%
30	OUTSURANCE	74.67	-2.0%	58%	40%	35%
31	PEPKOR HOLDINGS LTD	25.68	-4.7%	23%	26%	19%
32	PROSUS NV	1096.62	6.7%	65%	36%	8%
33	REMGRO	173.00	4.1%	25%	6%	14%
34	REINET INVESTMENTS SCA	541.99	5.0%	15%	14%	12%
35	STANBANK	255.00	11.8%	10%	15%	17%
36	SHOPRITE	271.12	-1.2%	-11%	2%	18%
37	SANLAM	90.75	4.7%	8%	20%	9%
38	SASOL	108.86	21.1%	-24%	-32%	-5%
39	Sibanye Stillwater Ltd	36.74	-12.9%	93%	12%	-6%
40	VODACOM GROUP LIMITED	146.17	1.7%	32%	15%	2%



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