APS WEALTH & ASSET MANAGEMENT

April 2025

Economic & Market Overview

March Overview

South Africa's Minister of Finance finally tabled a budget on 12 March. It contained proposals for two VAT hikes (a total of 1%) over each of the next two years to cover the revenue shortfall.

At the time of writing the Government of National Unity (GNU) did not agree on the implementation of the budget and the ANC had to garner votes from Action SA and others to push it through parliament.

This situation created a few cracks in the GNU which were detrimental to both the rand and bond yields. It also does not help that South Africa's current diplomatic stance towards the United States is not entirely welcomed by their counterparts across the Atlantic.

Early in April, US President Donald Trump announced a sweeping new set of tariffs, arguing that they would allow the United States to economically flourish.

These new import taxes, which Trump imposed via executive order, have sent economic shockwaves around the world and have caused heightened volatility in investment markets.

The US president argues they are necessary to address trading imbalances and to protect American jobs and manufacturing.

From their latest meeting minutes, the US Federal Reserve's Federal Open Market Committee (FOMC) has discussed maintaining a cautious approach to rate adjustments, considering inflation trends and economic growth. The FOMC members further noted strong labour market performance but acknowledged concerns about persistent inflationary pressures.

President Trump dominated news flow on many global matters – including finding a resolution to the conflict in Ukraine. The Trump administration has taken a mixed approach to the Ukraine-Russia conflict.

While President Trump has publicly expressed confidence in Russian President Vladimir Putin, there have been efforts to broker peace, though with limited success. Recent talks aimed at a ceasefire ended without a formal agreement, and Russia continued its military actions against Ukraine.

Marine Le Pen, the leader of France's far-right National Rally party, is facing a significant political and legal crisis. Recently, she was found guilty of embezzling European Union funds, resulting in a five-year ban from running for public office and a four-year prison sentence, with two years suspended.

This ruling has thrown her political future into disarray, as she was a frontrunner for the 2027 French presidential election.

Finally, the Federal Reserve kept interest rates unchanged, signaling caution amid economic uncertainty. The European Central Bank cut rates by 25bps, marking a shift toward a less restrictive monetary policy.

The South African Reserve Bank's Monetary Policy Committee kept the repo rate unchanged at 7.5%, in line with the consensus forecast and market pricing. The decision was close, with two of the six committee members preferring a repo rate cut.

Market Performance

Investment markets faced heightened uncertainty due to escalating US tariff policies, particularly affecting trade with China, Canada, and Mexico. Developed markets saw a sell-off (MSCI World Index: -4.2%), while emerging markets gained (MSCI Emerging Markets Index: +2.4%), as China's economy showed signs of recovery and reacted positively to government stimulus measures, leading to the MSCI China posting gains of +3.1% for the month.

The S&P 500 dropped 6.2%, reflecting investor concerns over tariffs and economic growth. Consumer confidence hit a four-year low due to inflation worries. The Euro Stoxx 600 Index declined 2.3%, impacted by US tariff hikes and economic uncertainty.

In South Africa, the JSE All Share Index rose 4.0%, driven by strong performance in mining stocks – partly due to rising gold prices (as the precious metal hit a new all-time high), gaining a little over 9% in March, taking the one year return to just shy of 40%.

SA bond yields rose for the fourth consecutive month in March, with longer dated bonds coming under the most pressure in response to the budget. This suggests further delays in fiscal consolidation, leading to a sharp increase in South Africa's risk premium.

The rand strengthened slightly against the US dollar. The oil price increased by 5.1% but is still 11% lower than 12 months ago.

MARKET INDICES[1] **(All returns in Rand except where otherwise indicated)**	**31 March 2025**		
	3 months	12 months	5 years[2]
SA equities (JSE All Share Index)	5.9%	22.9%	19.1%
SA property (S&P SA REIT Index)	-4.4%	26.4%	17.3%
SA bonds (SA All Bond Index)	0.7%	20.3%	11.7%
SA cash (STeFI)	1.9%	8.3%	6.2%
Global developed equities (MSCI World Index)	-4.2%	4.4%	17.4%
Emerging market equities (MSCI Emerging Markets Index)	0.4%	5.8%	9.0%
Global bonds (Bloomberg Barclays Global Aggregate)	0.0%	0.1%	-0.8%
Rand/dollar[3]	-2.5%	-2.9%	0.6%
Rand/sterling	0.5%	-0.8%	1.4%
Rand/euro	1.7%	-2.9%	0.3%
Gold Price (*USD*)	18.8%	40.8%	14.5%
Oil Price (Brent Crude, *USD*)	0.1%	-14.6%	26.9%

Source: Factset
All performance numbers in excess of 12 months are annualized.
A negative number means fewer rands are being paid per US dollar, so it implies a strengthening of the rand

Did you know?

"Our youth love luxury. They have bad manners and despise authority. They show disrespect for their elders and love to chatter instead of exercise. Young people are now tyrants, not the servants of their household".

- *Socrates (as reported by Plato)*

"The market is a device for transferring money from the impatient to the patient."

- *Warren Buffett*

Will the boomers go bust?

Last month the World Economic Forum published their "2024 Global Retail Investor Outlook," which analyses the evolving behaviours, preferences, and challenges of retail investors in a changing financial landscape, based on a survey conducted across 13 global markets, including the US, UK, China, and South Africa.

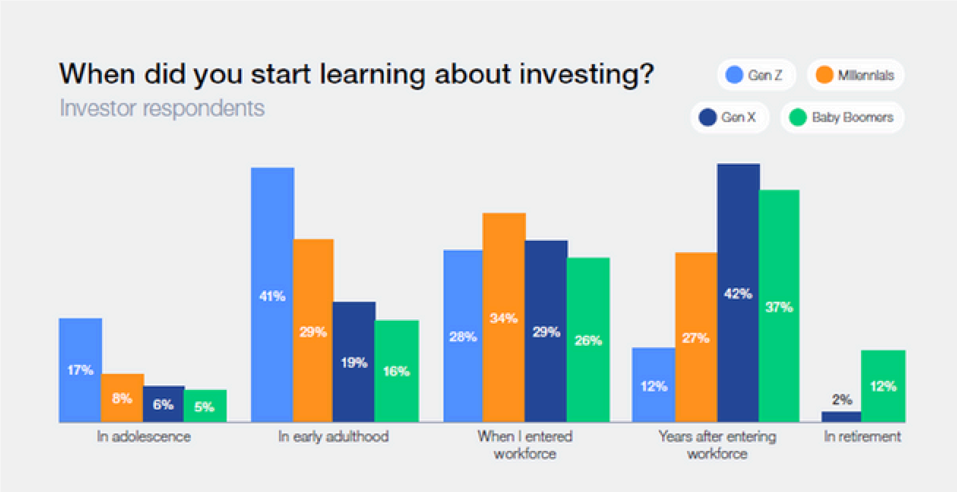
The report highlights the democratization of retail investment and the need for improved access, education, and trust in financial markets.

Retail investors expressed a strong demand for better access to financial advice, alternative investments, and comprehensive financial education.

It also compared the different views on investment, classified by age group:

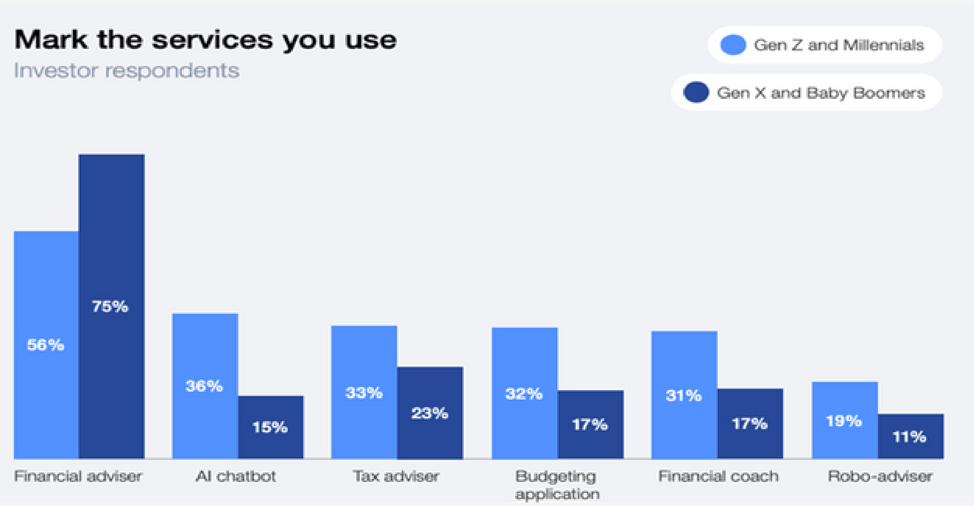
A new wave of retail investors is emerging, with a large proportion of Gen Z (ages 18 to 27) and Millennials (ages 28 to 43) starting to learn about investments in adolescence or early adulthood.

Financial objectives have shifted from retirement savings to emergency funds and leisure:



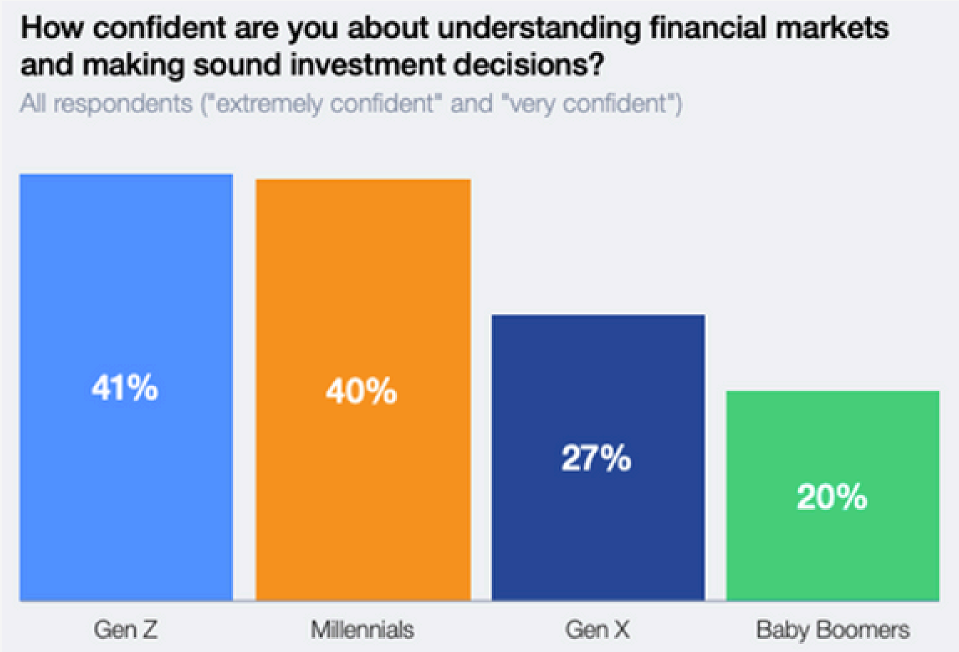
Investment advisers who rely on retirement as an opportunity may do well to note that only 1 in 8 baby boomers (age 60 and over) started learning about investments then, while the trend is that younger investors may look for various forms of advice or interaction long before an adviser can earn a significant fee from these clients.

Younger investors seem to be leaning towards "doing it for themselves" – much more so than generation X (ages 44 to 59) and the Baby Boomers:



The two younger generations place greater importance on intuitive and tech-enabled wealth management journeys, while the Boomers and Generation X investors tend to prefer people-first service models.

The younger generations are also far more confident that they understand investment markets and that they will make sound investment decisions.



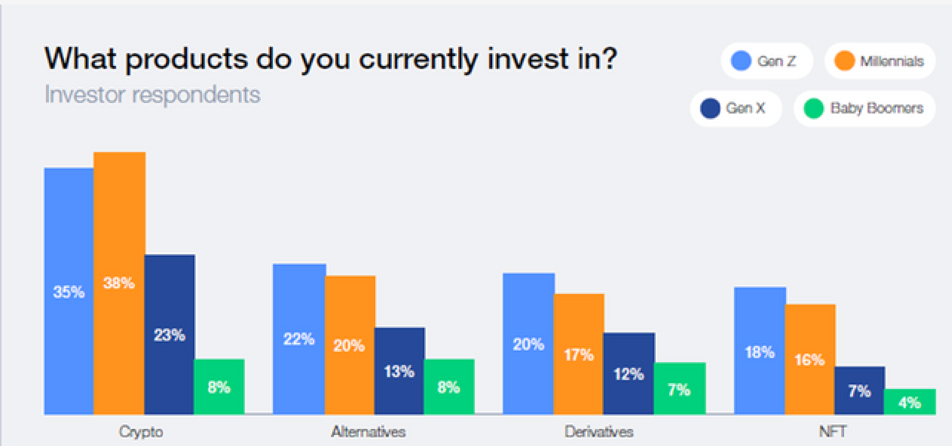
This may be because they have access to far more information than the generations before them, or because they simply have not made the mistakes of those before them yet.

US markets, Bitcoin, Gold and various technology linked investments have known only one way (aside from a couple of corrections), and that's been up, since 2009.

The oldest Millennials weren't even 27 then, and some Generation Y's were just starting to walk.

The report estimates that, by 2048, USD 124 trillion ($124 000 000 000 000) in assets will be transferred from Baby Boomers to the next generations. This is more than the total market capitalisation of all the stock markets in the world today.

Younger investors are also more adventurous when it comes to the exploration of alternative (to the mainstream) investment opportunities



As Gen Z and Millennials invest more in complex products such as alternative asset classes (covering more than one third of the portfolio for 74% of Gen Z investors) and crypto (covering at least one third of the portfolio for 62% of Millennial investors), addressing gaps in financial education becomes increasingly important. This is especially true when risk versus return is weighed up by investors.

What does all this mean for investors, and investment advisors?

[1] World Economic Forum (https://www.weforum.org/publications/global-retail-investor-outlook-2025/)

[2] *The Dunning-Kruger effect describes a cognitive bias where individuals with limited knowledge or skills in a specific area tend to overestimate their abilities, while those with greater expertise often underestimate their competence.*

For younger investors – they should not fall foul of the Dunning-Kruger[2] effect by extrapolating a little knowledge to the form the complete framework of future investment strategies. If they don't make their parents' mistakes, you'll make your own.

For older investors – there may be investment opportunities that they miss because they simply do not want to learn about it. It does not mean they need to bet the house on the latest cryptocurrency, but investing in a product that uses derivatives to lower costs and manage risk should not be a totally forbidden option.

And advisers? The heirs of their clients may have different views on wealth management than their parents. If advisers are not prepared to guide the next generation on all matters related to investment, someone else will.

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