

# Monthly Market Highlights

Monthly edition | January 2025 recap

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# Monthly market recap | January in review

## Market news

In November 2024, there was a strong uptick in retail sales in SA, driven by Black Friday promotions and the impact of the two-pot pension withdrawal scheme, despite ongoing economic uncertainties. Retail sales rose by 7.7% y/y, surpassing the 5.5% forecast.

South Africa's RMB/BER Business Confidence Index increased to 45 in Q4 2024 from 38 in the previous quarter, marking its third consecutive rise and the highest level since Q1 2022. The improvement was driven by stronger business activity and more favourable operating conditions, supported by a stable electricity supply and political stability.

The UK's unemployment rate rose to 4.4% in September-November 2024. The number of employed individuals rose by 35 000 to 33.78 million, with y/y growth in full-time employees and self-employed workers.

Japan's Consumer Confidence Index declined to 35.2 in January 2025 from 36.2 in December 2024, below market expectations of 36.6. This marks the lowest level since September 2023, with weakness observed across all sentiment indicators.

Source: Sanlam Investments Multi-Manager, Trading Economics, Business Day - January 2025

## International markets

MSCI World (\$)	3.53%
Global Bonds (\$)	0.57%
Global Property (\$)	1.78%
MSCI EM (\$)	1.81%
FTSE (£)	5.52%
S&P 500 (\$)	2.78%

## Bond market

All Bond	0.44%
Bonds 1-3 years	0.77%
Bonds 3-7 years	0.76%
Bonds 7-12 years	0.49%
Bonds 12+ years	0.08%

## Local markets

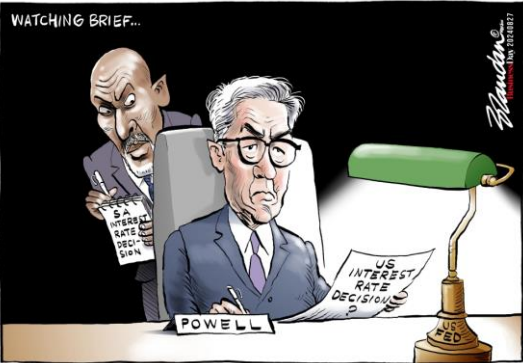
FTSE/JSE All Share	2.32%
Industrials	-2.60%
Resources	16.29%
Property	-2.34%
Financials	-2.87%
Cash	0.66%

## Currency

Rand vs USD	1.07%
Rand vs EURO	0.68%
Rand vs GBP	1.87%
Rand vs JPY	-0.11%
Rand vs AUD	0.002%

# SARB cuts interest rates amid cooling inflation

- The South African Reserve Bank (SARB) has reduced the repo rate by 25 bps to 7.5%, in line with market expectations.
- SARB Governor Lesetja Kganyago confirmed the widely anticipated rate cut following the Monetary Policy Committee’s first meeting of 2025. However, his tone on further cuts was cautious, amid an uncertain global environment for the rest of the year.





SOUTH AFRICAN RESERVE BANK

## MPC January 2025: Summary

**The Monetary Policy Committee reduces the repurchase rate by 25 basis points to 7.5%.**



### Inflation is at 3%

While we started 2024 with inflation above 5%, it slowed to 3% in December, mainly due to favourable goods prices. Overall, it averaged 4.4%.



### Inflation outlook

Inflation is expected to remain in the bottom half of the target range during the first half of this year, but the medium term projections are closer to 4.5%. There are also upside risks to the forecasts, especially from global factors.



### Global Outlook

In major economies, inflation may be getting stuck above targets, and expectations for rate cuts have been pared back. This is clearest in the US, where the Fed left rates unchanged in January, after three consecutive cuts.



### Economic Outlook

South Africa's economy is expected to rebound in the fourth quarter, following a slowdown in the third quarter that was driven largely by an unusually sharp decline in agricultural production. Over the next few years, growth is projected to trend higher, reaching 2% by 2027.

Source: Business Day, BusinessTech, Moneyweb, South African Reserve Bank - January 2025

# SA inflation ticks up in December

- South Africa's inflation rate increased for the second consecutive month in December 2024, although the rise was less than expected.
- According to data released by Statistics South Africa, headline consumer inflation ticked up to 3% y/y in December 2024 from 2.9% in November 2024. Housing and food were the major contributors.
- Average inflation for 2024 was 4.4%, the lowest level in four years.
- Annual core inflation, which excludes food and energy prices, came in below expectations at 3.6% in December 2024, reflecting modest underlying price pressures.



Source: Reuters - January 2025

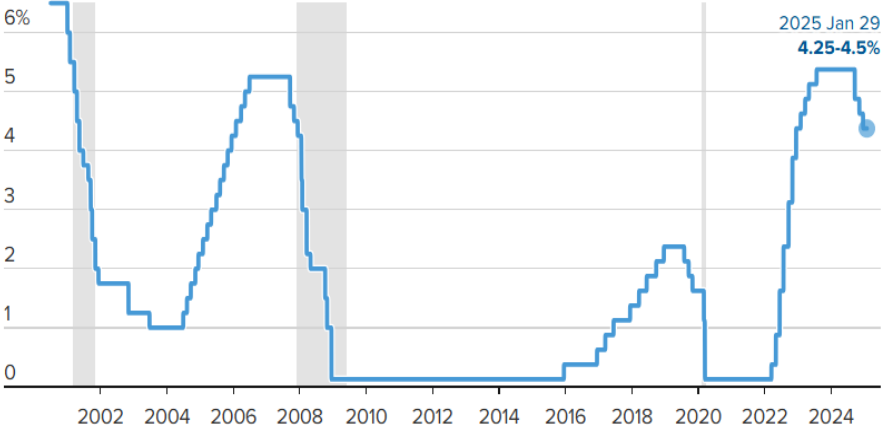
# US Fed holds interest rates steady

- The US Fed announced that it will hold interest rates steady, marking its first major policy decision in President Donald Trump's second term.
- The decision to maintain interest rates within the 4.25-4.5% range may signal the start of a prolonged pause, allowing the Fed to evaluate inflation trends and gain clarity on the implications of the Trump administration's trade and immigration policies.



## U.S. federal funds target rate

July 2000–Jan. 2025



Note: From December 2008 to present, the chart reflects the **midpoint** of the Federal Reserve's target range. The target rate began in 1982.

**Shaded areas** indicate recessions as defined by the [National Bureau of Economic Research](#).

Source: [Federal Reserve Bank of New York](#)

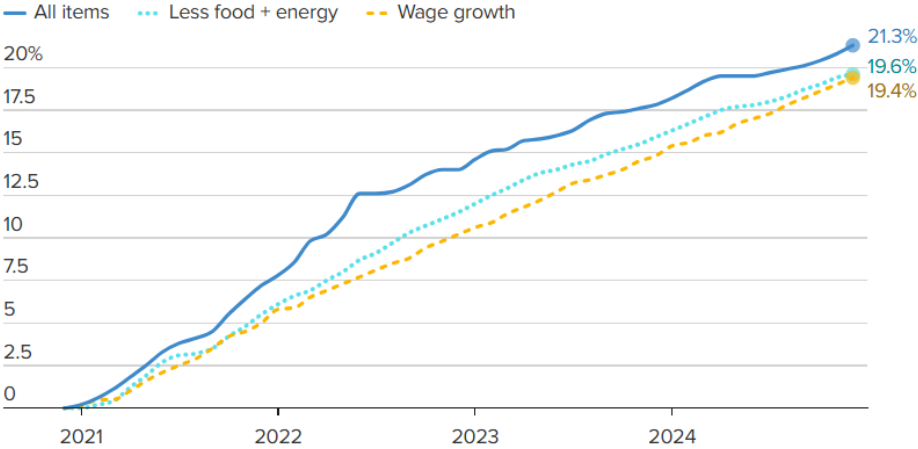
Target rate as of Jan. 29, 2025

# US inflation rises in December

- The Consumer Price Index (CPI) rose by a seasonally adjusted 0.4% in December 2024, bringing the annual inflation rate to 2.9%, illustrating the Fed's challenge in battling stickier-than-expected price increases.
- Despite the December 2024 increase, inflation showed signs of moderation towards the end of the year, particularly in the housing sector.
- Core CPI, excluding food and energy, increased by 3.2% annually in December 2024, down from the previous month and slightly below the 3.3% consensus forecast. On a monthly basis, core CPI rose 0.2%.
- For 2024, food prices rose 2.5% y/y, while energy prices edged down 0.5%.
- Shelter prices, which comprise about one-third of the CPI weighting, increased by 0.3%. They were up 4.6% from a year ago, the smallest one-year gain since January 2022.

## Inflation in the U.S. since 2021

Percent change in the consumer price index | Jan. 2021–Dec. 2024



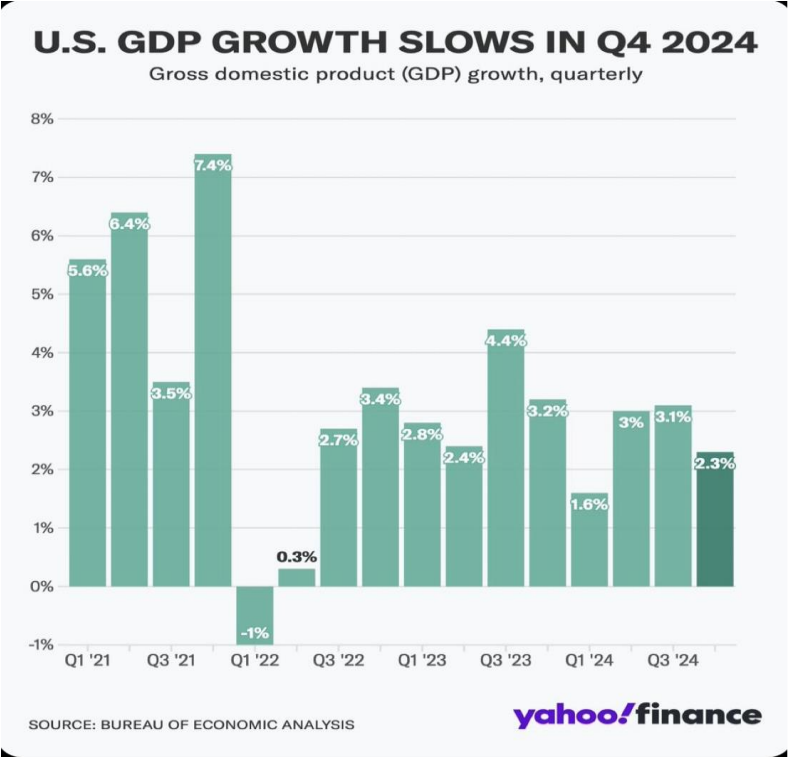
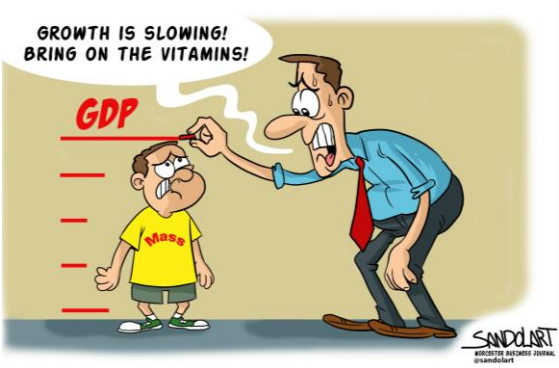
Note: Seasonally adjusted  
Source: CNBC analysis of U.S. Bureau of Labor Statistics' data



Source: CNBC, CBS News - January 2025

# US GDP growth slowed in Q4

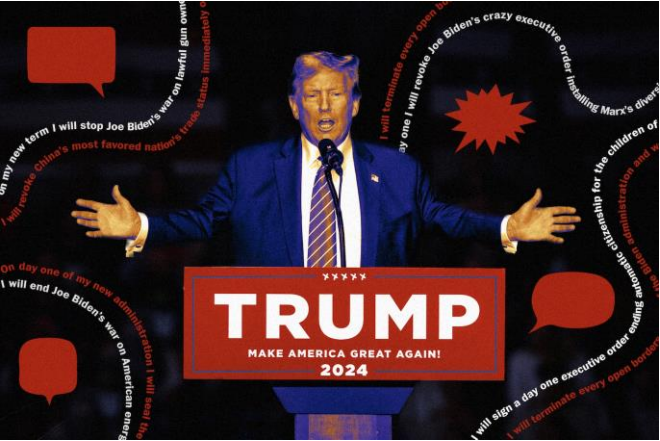
- Real Gross Domestic Product (GDP) rose by 2.3% from Q3 to Q4 2024 at an annualised rate, according to a first estimate of the inflation-adjusted metric shared by the Commerce Department.
- It's the weakest Q4 annualised GDP growth since 2018's 0.6%.
- For the full year, GDP accelerated by 2.8% compared with 2.9% in 2023.



Source: Worcester Business Journal, Yahoo Finance, CNBC, Forbes - January 2025

# Donald Trump inaugurated as US President

The inauguration of Donald Trump as the 47th president of the US took place on 20 January 2025.



Source: Yahoo Finance, The Washington Post - January 2025

## TRUMP'S DAY 1 EXECUTIVE ORDERS

CULTURAL AGENDA			FOREIGN POLICY	
FREE SPEECH POLICY	RACE & GENDER POLICY	PAUSE TIKTOK BAN	DESIGNATE CARTELS AS TERROR ORGS	TAKE BACK PANAMA CANAL
REINSTATE DISMISSED MILITARY MEMBERS	GRANT JAN 6 CLEMENCY	END DEI PROGRAMS	OVERHAUL TRADE SYSTEM	
			WITHDRAW FROM WHO	RECONFIRM PARIS ACCORD EXIT
IMMIGRATION			GOV FUNCTION	
SOUTHERN BORDER EMERGENCY	REINSTATE 'REMAIN IN MEXICO'	ESTABLISH EXTERNAL REVENUE SERVICE		
TROOPS TO BORDER			ESTABLISH DOGE	
END BIRTHRIGHT CITIZENSHIP	SUSPEND REFUGEE RESETTLEMENT	END REMOTE WORK		
			REINSTATE FED HIRING FREEZE	
			ENERGY/EV	
			DECLARE ENERGY EMERGENCY	REVOKE EV MANDATE
			RENAME GEOGRAPHY	
			RENAME GULF OF MEXICO	RENAME DENALI
			LEGAL & JUSTICE	
			SEEK CAPITAL PUNISHMENT	

SOURCE: WHITE HOUSE

**yahoo!finance**

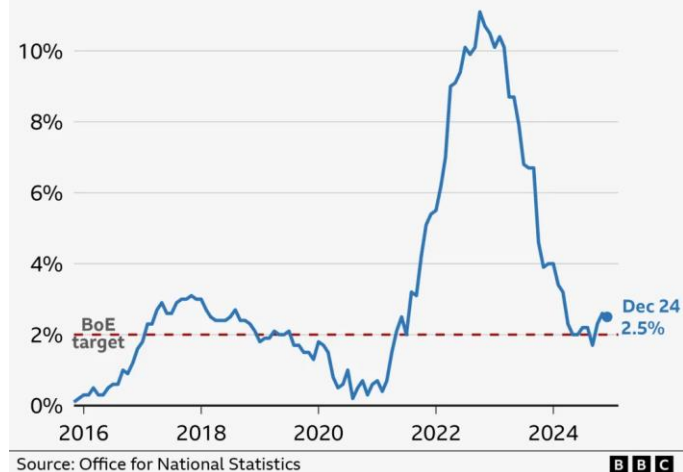


# UK inflation cools

- UK CPI declined to 2.5% in December 2024 from 2.6% in November 2024, coming in below expectations, while core inflation showed further moderation.
- Core CPI, excluding more volatile food and energy prices, was 3.2% in the 12 months to December 2024, down from 3.5% in November 2024.
- The UK CPI rate reached a three-year low of 1.7% in September 2024 before rising in subsequent months, driven by higher fuel costs and a faster increase in services fees than goods prices. In December 2024, annual services CPI eased to 4.4% from 5% in November 2024.



## UK inflation at 2.5% in December 2024



# ECB cuts interest rates but warns of weak economy

- The European Central Bank (ECB) cut interest rates by 25 bps, bringing the deposit rate down to 2.75% from 3%, the main refinancing rate to 2.9% from 3.15%, and the marginal lending rate to 3.15% from 3.4%.
- This is the ECB's fifth consecutive rate cut, highlighting its continued efforts to boost the Eurozone economy amid sluggish growth and persistent low inflation.



Source: toonpool, CNBC, IG, Reuters - January 2025

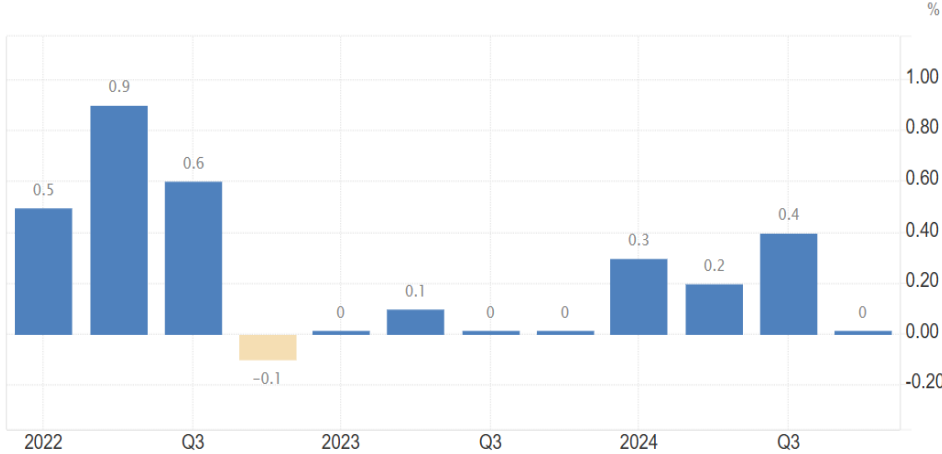
### A rate cut and a tariff warning



# Eurozone stagnation signals weak 2025

- The Eurozone economy stalled in Q4 as cautious consumers cut back on spending, raising concerns that a long-anticipated recovery may face further delays.
- GDP in the 20 nations sharing the euro remained flat compared to the previous quarter, missing a Reuters poll forecast of 0.1% growth, as Germany's prolonged two-year contraction continued to drag down the region.
- Germany's GDP fell 0.2% in Q4, while France's economy also shrank slightly over the same period. In contrast, Spain's GDP grew by 0.8% in Q4 and 3.2% in 2024.

**Eurozone GDP Growth Rate**



Source: Reuters, CNBC, Trading Economics - January 2025

# Eurozone businesses show modest growth

- Eurozone business activity rebounded modestly at the start of the year, as stable services growth in January was accompanied by an easing of in the manufacturing downturn, according to a survey.
- HCOB's preliminary Composite Eurozone Purchasing Managers' Index, compiled by S&P Global, rose to 50.2 in January from 49.6 in December 2024, edging above the 50 threshold that separates expansion from contraction.
- The recovery remained uneven. Germany's private sector stabilised in January, ending a six-month contraction, while France's services sector declined further amid weak demand and political uncertainty.
- An index measuring the Eurozone's dominant services industry dipped to 51.4 from 51.6.



# China maintains its lending rates

- China has kept its benchmark lending rates unchanged for the third consecutive month, aligning with market expectations. The decision reflects Beijing's cautious approach to monetary easing amid pressures from a weakening yuan.
- The one-year loan prime rate (LPR) was kept at 3.1%, while the five-year LPR was unchanged at 3.6%. Most new and outstanding loans in China are based on the one-year LPR, while the five-year rate influences the pricing of mortgages.
- The central bank caught markets off guard with unexpected cuts to key short- and long-term lending rates in July 2024, followed by a 25-bps reduction in October 2024.



# China's economy expands in Q4 2024

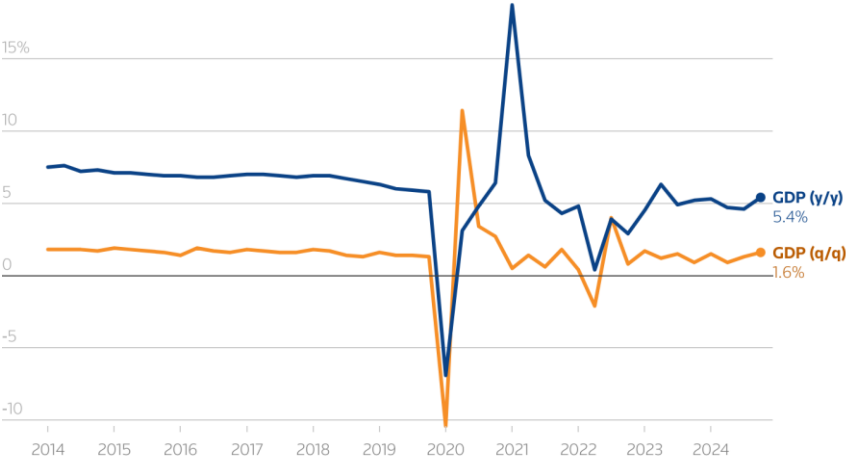
- China's economy closed 2024 stronger than anticipated, supported by a series of stimulus measures. However, the potential for renewed trade tensions with the US and subdued domestic demand could weigh on confidence in a sustained recovery for 2025.
- China's economy expanded by 5% in 2024, slower than the year before, but aligning with the government's annual growth target of approximately 5% and slightly exceeding analysts' forecasts of 4.9%.
- Exports surged as companies and consumers rushed to beat tariff hikes that President Donald Trump was expected to impose on Chinese goods.



Source: Reuters, Daily Maverick, AP News , South China Morning Post - January 2025

## China economic growth beats forecast in Q4 2024

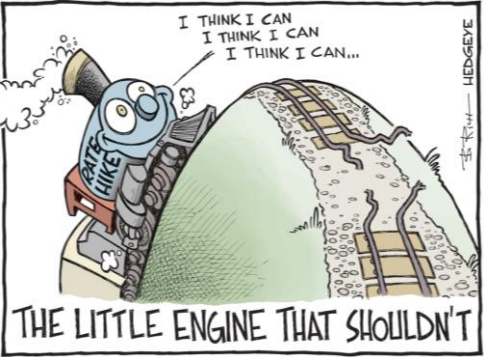
The world's second-largest economy grew 5.4% year-on-year in October-December, beating a 5% forecast in a Reuters poll.



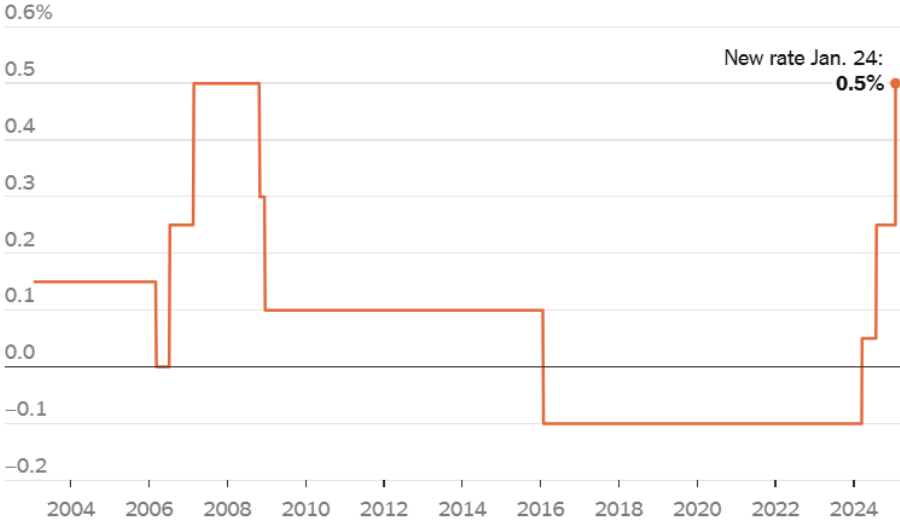
Source: LSEG Datastream | Reuters, Jan. 17, 2025 | By Kripa Jayaram

# Bank of Japan raises interest rates

- The Bank of Japan (BoJ) raised its key interest rate to the highest level in 17 years.
- The BoJ raised rates to 0.5% from 0.25%, noting that inflation is holding at a desirable target level.
- The decision represents the BoJ's first rate hike since July 2024, and it coincided with the inauguration of US President Donald Trump. His administration's stance on higher tariffs is expected to keep global policymakers on alert for potential economic repercussions.



Bank of Japan policy rate



Source: FactSet, Bank of Japan • By The New York Times

Source: Euronews, Reuters, The New York Times , Hedgeye - January 2025

# Of interest | Global population in 2025

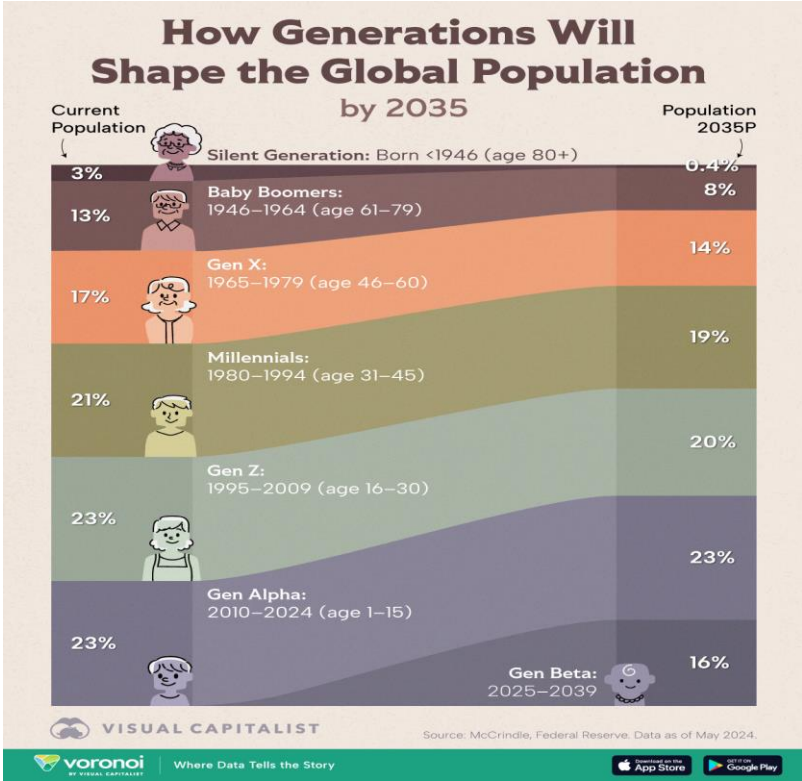
- 2025 marks the start of Generation Beta.
- This graphic compares the current generational population distribution and its projected composition in 2035, based on McCrindle data as of May 2024.

## Generations Defined

For this analysis, McCrindle examines the following cohorts, each adhering to a 15-year pattern:

- **The Silent Generation (Born <1946, age 80+):** Also known as the Builders, they built suburbs and infrastructure while enduring the Great Depression and World War II.
- **Baby Boomers (1946-1964, age 61-79):** Born during the post-WWII baby boom, they drove major cultural, social, and economic shifts.
- **Generation X (1965-1979, age 46-60):** Known for embracing entrepreneurship, anti-establishment movements, and economic prosperity.
- **Millennials (1980-1994, age 31-45):** Also referred to as Generation Y, they are known for their tech-savviness, social consciousness, and a shift away from traditional goals like homeownership.
- **Generation Z (1995-2009, age 16-30):** The first generation to grow up with smartphones, social media, and constant internet access from a young age.
- **Generation Alpha (2010-2024, age 15 and younger):** The children of Millennials, growing up in a highly digital, tech-driven world.
- **Gen Beta (2025-2039, not born yet):** The generation just beginning, born into a world of rapid technological and environmental change.

Source: Visual Capitalist - January 2025





# Of interest | Top 10 investment trends of 2025

- As we enter 2025, the investment landscape is evolving, with both opportunities and risks. Technological advancements, demographic shifts, and global economic dynamics are redefining market strategies and capital allocation. Staying ahead of these developments is essential to optimise returns and manage risk effectively.

## Here are the key investment trends to monitor this year:

The rise of artificial intelligence (AI) – and the risks it brings

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ESG investing: Know what you're buying

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Africa as a growth hub

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Inflation-proof assets gain momentum

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Passive investing gets an active twist

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Blockchain technology beyond crypto

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Healthcare and biotech innovation

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Green energy investments expand

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