

What will shape global and local investments in 2025?

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South Africa, November 2024: As we enter 2025, investors are faced with a complex and evolving economic landscape. Key global events, which we saw play out in 2024, such as Donald Trump's return to the White House, and domestic political shifts, like South Africa's Government of National Unity (GNU), are shaping the future of markets. These developments bring both challenges and opportunities, underscoring the importance of a strategic investment approach.

Trump's presidency: Global trade and local consequences

Donald Trump's return to the US presidency marks a renewed focus on his distinct economic policies, with potentially significant implications for global trade, particularly in relation to China:

- **Possible tax cuts:** Trump is expected to reduce companies' tax, which could propel markets in the short-term, particularly value pockets (i.e. undervalued shares) of the market.
- **Possible tariff pressures on China:** Trump is expected to implement tariffs on Chinese imports, negatively impacting one of the US's largest trade partners. This could stifle Chinese growth and disrupt global trade dynamics. Important to also note is the inflationary outcome of such tariffs and how that could impact on monetary policy going forward
- **Implications for South Africa:** As China is South Africa's largest export destination—particularly for mining commodities—a slowdown in Chinese growth would ripple through the South African economy. A reduction in demand for exports could weaken the trade balance and curtail foreign currency inflows.
- **Market reactions:** The aftermath of Trump's re-election has already seen South African markets react with concern. The rand weakened and bonds sold off, reflecting broader anxieties about his potential impact on emerging markets.

The GNU's role in local market stability

On the domestic front, South Africa's Government of National Unity (GNU) is a pivotal factor for economic prospects in 2025. Formed to foster collaboration among diverse political parties, the GNU has created short-term optimism but faces long-term challenges:

- **Short-term boost:** The GNU's inception has positively influenced markets, but underlying tensions remain. Key figures, such as Panyaza Lesufi, have openly criticised the coalition, raising questions about its longevity.
- **Outlook for 2025:** Investors are cautiously optimistic about South African equities as monetary policy begins to shift toward easing through rate cuts, which generally benefits equity markets. However, sustained market confidence depends on the GNU's ability to maintain stability and deliver reforms.

Navigating uncertainty

Investors could do well to focus on the opportunities that 2025 brings, by managing global and local risks effectively. Geopolitical uncertainty (amplified by Trump's presidency) and relatively high US equity valuations (mainly in tech giants like the "Mag7") pose challenges.

However, locally, South Africa has a window of opportunity where positivity around the GNU has driven local market momentum and optimism. 2025 could usher in an improved inflation environment, with a strong possibility of rate cuts, which should enhance the outlook for fixed-income investments. This coincides with an upswing in equities – and bonds, to some degree – off the back of a persistent undervaluing of the full spectrum of South African asset classes. Our country enters 2025 as an attractive investment landscape, with much potential for future growth.

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