M&G Insights

Market Overview Namibia – April 2025

May 2025

M&G Investments

April was marked by significant volatility as global markets reacted to dramatic shifts in US trade policy.

Markets were shaken early in the month by US President Donald Trump's sudden imposition of sweeping reciprocal tariffs on most global trading partners. Dubbed "Liberation Day," the 2 April announcement introduced much higher-than-expected tariffs (including 50% on Lesotho and 30% on South Africa), triggering a severe global equity market sell-off. The S&P 500 and Nasdaq both plunged into bear market territory, after double-digit declines over just two days.

Panic eased somewhat after a 90-day pause on tariff implementation, announced on 9 April, for all countries except China. This led to a partial rebound across global equity markets, although the respite proved temporary. Further volatility followed later in the month when a broad 10% tariff on Chinese imports was confirmed, escalating trade tensions and prompting retaliatory measures from China. Markets struggled to price in shifting policies, leaving investor sentiment fragile through the month.

Most global markets partially recovered the initial losses caused by the US tariff announcements.

In global equity, the MSCI All Country World Index (ACWI) rose just 0.9% in US$ terms, while the MSCI Emerging Markets Index gained 1.3% in US$. Mexico, Brazil and South Korea joined South Africa in delivering positive equity returns for the month.

Global bonds fared better as the Bloomberg Global Aggregate Bond Index returned 2.9% in US$. US economic data showed signs of cooling. First quarter GDP contracted by 0.3%, marking the first decline since 2022. March CPI moderated to 2.4% year-on-year (y/y), down from 2.8% in February. The Federal Reserve (Fed) indicated a wait-and-see approach on monetary policy amid trade-related uncertainty, citing risks to inflation and employment targets. The US dollar weakened significantly, falling 4.5% against a basket of major currencies and reaching a three-year low.

In Europe, the European Central Bank cut its deposit rate by 25 basis points to 2.25% - its seventh cut in a year - on weakening growth prospects and trade tensions. It warned that a full-blown trade war with the US could reduce eurozone GDP by half a percentage point, though some analysts projected an even greater impact. Inflation in the euro area remained contained, with February's CPI coming in at 2.3% y/y, just below the preliminary estimate.

Asian markets were not spared the tariff turmoil. In Japan, the Nikkei 225 mirrored the broader global pattern, a sharp sell-off following the US tariff announcement, followed by a rebound after the 90-day tariff pause, and renewed caution later in the month due to rising government bond yields. The 40-year government bond yield climbed to record highs, fuelling concerns over future borrowing costs and weighing on equity sentiment. Japan's March CPI stood at 3.7% y/y, still above the Bank of Japan's 2% target, adding pressure on policymakers.

Chinese equity markets, which had outperformed in the first quarter, gave back some gains amid concerns over retaliatory tariffs and a weakening economic outlook. China's inflation data fell short of expectations, with March CPI rising just 0.1% y/y compared to the expected 0.4%.

Source: M&G Investments, Bloomberg, data to 30 April 2025

Despite the global volatility, the South African equity market proved resilient.

The FTSE/JSE All Share Index rose 4.3% in April, recovering strongly from an early-month sell-off and outperforming both developed and emerging market indices. All local sectors delivered positive returns, led by the Property sector (7.6%), followed by Industrials (5%), Financials (4.6%) and Resources (with only 2.4% despite strong gains in gold mining shares), all in rand.

South Africa's performance came amid political and economic turbulence. Tensions within the Government of National Unity (GNU) intensified after the confirmation in early April of the planned VAT increase, scheduled for 1 May. This triggered friction between the ANC and DA, with the market pricing in the GNU's potential collapse. South African government bonds sold off sharply, pushing the 10-year yield above 11% - a level not seen since last July. However, sentiment improved after the finance minister reversed the VAT increase, which was seen as reaffirming the government's commitment to fiscal stability. A revised budget is now expected on 21 May. SA's annual consumer inflation slowed to 2.7% y/y in March from 3.2% y/y in February, largely due to lower fuel prices and a moderation in education costs.

In SA fixed income, the All Bond Index delivered a modest 0.8% return for April, trailing global peers. South Africa's yield curve continued to steepen, with longer-dated bonds showing minimal movement and shorter-dated bonds benefiting from more favourable price action. Inflation-linked bonds underperformed slightly, down 0.2%, as longer-term instruments, such as the I2050 sold off. SA cash returned 0.6% for the month according to the Short-Term Fixed Interest (SteFI) Composite.

The Namibian equity market delivered mixed results. The NSX Overall Index recorded a strong performance with a return of 12.1%, largely driven by gains in dual-listed stocks. In contrast, the NSX Local Index was more subdued, posting a modest gain of 1.6%, reflecting limited momentum in locally listed companies. Namibian bonds, as measured by the IJG All Bond Index, returned a solid 4.1%, benefiting from relatively stable interest rate conditions. Namibian cash delivered a conservative return of 0.7%, in line with short-term interest rates (all in Nam$).

In commodities, gold continued its upward trajectory, reaching an intra-month high before stabilising. In contrast, brent crude oil declined sharply in April. Most industrial metals also ended the month lower, reflecting concerns over slowing global growth and the potential for prolonged trade disruptions.

Despite the widespread volatility, many equity markets ended the month on stronger footing, though uncertainty remains elevated. April's events underscored the sensitivity of global markets to geopolitical developments, particularly the unpredictable shifts in US trade policy. While markets partially recovered by month-end, the turbulent intra-month moves highlighted ongoing fragility in investor sentiment and the need for policy clarity.

Source: M&G Investments, Bloomberg, data to 30 April 2025