

**Gold, Platinum and Other Market Drivers – Market Commentary**

The first half of the year has seen positive equity returns across global equity markets. Emerging Markets returned +6.0% in USD terms in June, and +15.3% year-to-date. We think this is primarily due to USD weakness. EMs are probably closer to Developed Markets in local currency terms – the DXY, the USD index relative to a basket of currencies, is down -10.3% for the year-to-date at the time of writing. Subtracting this from the EM return leaves an approximate +5.0% in local currency - lower than the MSCI World Index at +9.5%, and in line with the S&P 500.

Within Developed Markets, the S&P 500 and Nasdaq, at +6.0% and +8.3% respectively for the year-to-date, are both underperforming the MSCI World, but still respectably positive, while Value is outperforming Growth at +10.5% vs +8.6%.

We summarise the various global returns in Table 1 below.

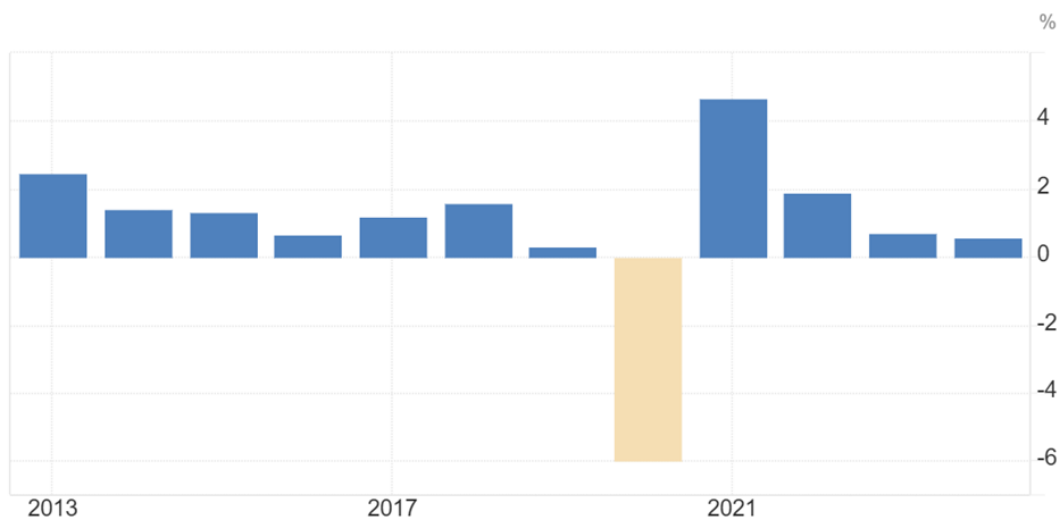
**Table 1. South African and global equity returns (USD) for June 2025\***

	Jun-25	YTD 2025
FTSE/JSE ALSI (ZAR)	2.4%	16.7%
FTSE/JSE ALSI (USD)	4.0%	23.9%
MSCI World	4.3%	9.5%
MSCI EM	6.0%	15.3%
MSCI Value	3.7%	10.5%
MSCI Growth	4.9%	8.6%
S&P 500	5.0%	6.0%
Nasdaq 100	6.3%	8.3%

\*Total return indices, Source: Factset

EMs are outperforming for the year-to-date at +15.3% in USD, and South Africa is outperforming EMs at +23.9% also in USD. Economic growth, presented in Chart 1 below, continues to be weak, however, and a 0.1% reading for Q1 of 2025 does not suggest imminent improvement.

**Chart 1. SA GDP % Growth**



Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)

Context is important as usual and we present SA sector returns in Table 2 below in order to provide some insight.

**Table 2. South Africa sector returns**

	Jun-25	YTD
Resources	4.2%	37.4%
- Gold	0.8%	73.7%
- Platinum	19.9%	83.0%
Financials	1.2%	3.7%
Industrials	2.3%	14.0%
- Naspers	6.8%	32.2%
MSCI World (ZAR)	2.7%	3.1%
MSCI World (USD)	4.3%	9.5%
USDZAR	-1.6%	-5.8% (negative is appreciation)

Source: Factset

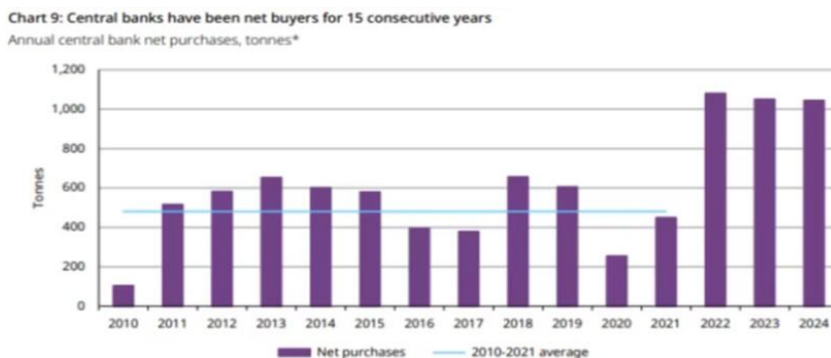
Per Table 2 above, the drivers of SA’s outperformance have been the strong rallies in Gold and Platinum, each for different reasons. Before we discuss these, we note that the Industrials’ +14.0% appears reasonable at first glance, yet Naspers/Prosus returned +32.2%, primarily on strong China performance. Since Naspers comprises approximately 30% of the Industrial index, the remainder of the Industrial Index is at a more pedestrian +4.4% for the year-to-date, and not materially different from the Financials index.

There have nevertheless been strong performers of which the telecom companies stand out – Vodacom, MTN and Telkom, among others.

**Back to Gold**

During the past two weeks we heard some fellow investment professionals decline to give public views on the gold price. Our own views on the matter are clear and firm – we expect strength for as long as global central banks, likely led by the People’s Bank of China, are realigning their reserves away from USD assets. We think the realignment was an unintended consequence of the Ukraine war, following the freezing of USD300 billion in Russian central bank assets. We again reproduce in Chart 1 below, a chart from the Financial Times on central bank demand for Gold. Demand has doubled, on average, since the start of the war.

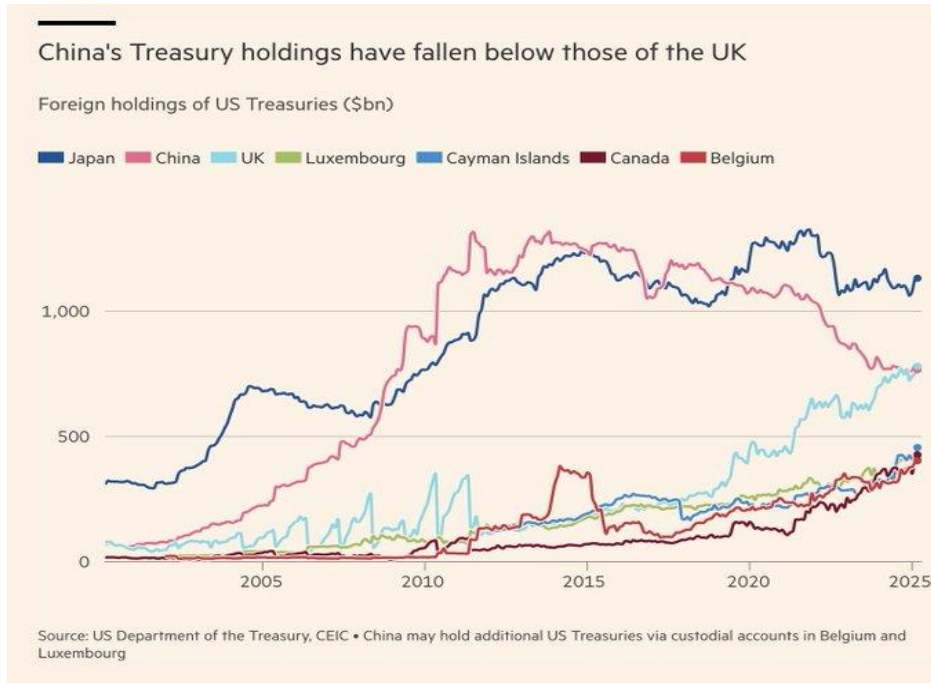
**Chart 1. Central bank demand for Gold**



Source: FT

As further evidence of policy in Chart 2 below, we point to China’s declining holdings of US Treasuries where the pace of decline accelerated from 2022.

**Chart 2. Declining Treasury holdings**



**So where to for the Gold price?**

We think the Gold price bull market will stop when central bank buying stops. We cannot suggest a timeline for this. Staying with China we note, from an Australian news source, that the share of Chinese Gold reserves is currently estimated to be 6.9%, up from 3.5% in 2022.

In contrast to the South African analysts mentioned above, we heard one prominent US hedge fund manager suggest a price target of USD5 000 per ounce.

We are not sufficiently confident to suggest a specific target price, nor a timeline for reaching it. We do feel reasonably confident that the price will continue to rise in the near future with a lot of volatility. Retail investors are also likely to contribute to this volatility now that the rally has caught global media attention.

Incidentally in years past Gold rallies have been marked by equally sharp declines – 2015/2016 comes to mind as an example. We note that Gold miners’ share prices can decline by up to -90% when the rally reverses. We think history will not repeat here, however, and a reversal is likely not around the corner. We make this point to highlight once again why we think AI or any other quantitative approach sooner or later fails when the past does not repeat.

**What about Platinum?**

Platinum and PGMs have their own dynamics. Platinum demand is widely seen as declining as the adoption of EVs is expected to widen. Here again this is not a straight line. EV adoption appears to be moving at a slower pace than anticipated and we also wonder whether the current rally has not coincided with the Trump administration’s entry and its well-known intention to remove EV credits. We set out the Platinum price in Chart 3 below.

**Chart 3 Platinum price**



Source: Factset

A prominent local investment manager announced not too long ago they would no longer invest in Platinum assets due to Platinum's long term decline. Our own view at the time was that this may be true but surely with strong rallies along the way – this appears to be one of them, and Platinum is likely not quite dead yet.

In any case, perhaps counterintuitively, prices can rise strongly in declining commodities primarily because supply often falls faster than demand.

### **What about global equities?**

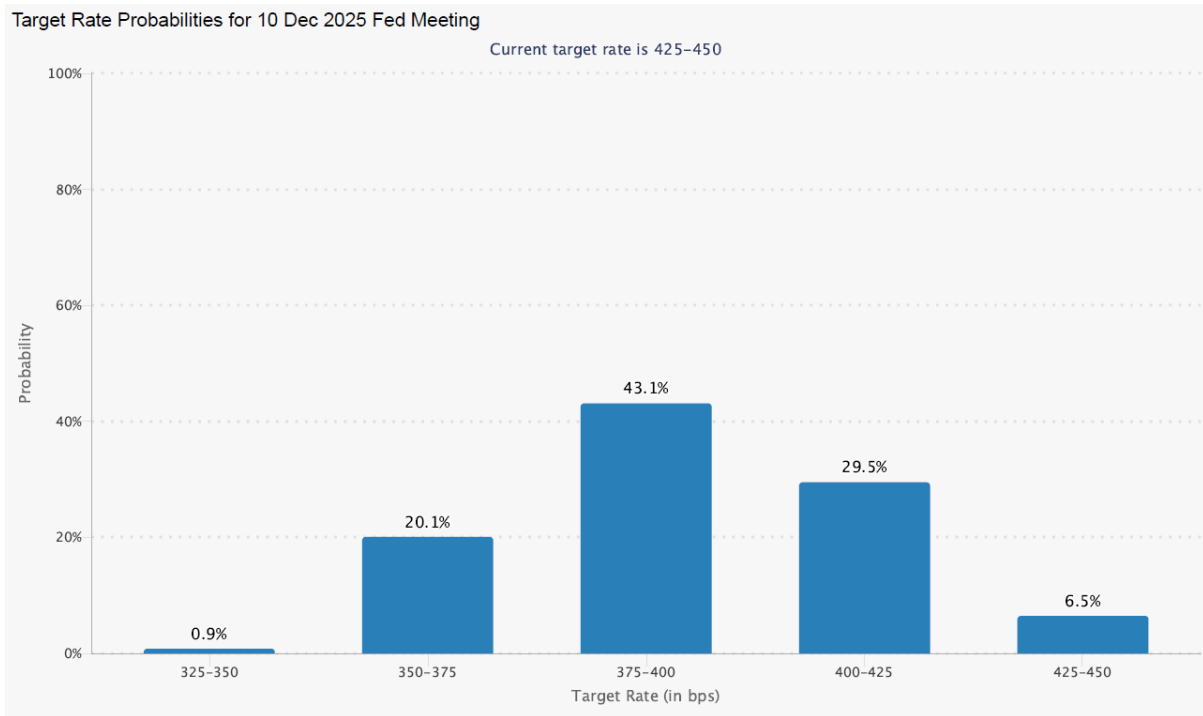
US short rates are expected to start declining by the end of the year. Expectations include one cut by September and a 70% probability of two cuts by December. We present the latter set of expectations in Chart 4 below.

These expectations should be reflected in current valuations and we also expect real rates to begin to decline once the Fed rate declines.

Other than interest rates, company earnings (and therefore economic) growth is the other variable of interest. Much depends on the continued risk of a downturn. As we have seen several times in the last 12-24 months, recession is not a threat until suddenly it is i.e. a new piece of economic data comes out, which is less than benign, and suddenly we have sharp market volatility and strategists on TV and elsewhere quickly change their tune. Now is not one of those times, with recession not a subject of much media interest and commentary.

We do note there appears to be weakness in the US housing market but here again we have no firm view and prefer to manage these risks through the nature of holdings and the portfolio construction of the M1 Capital Global Equity Fund.

### Chart 4. Rate cut probability by December 2025



Source: CME Group