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Market Overview Namibia – February 2025

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Market overview

In February, the world witnessed the full force of Trump 2.0's policy shift, with the announcement of tariffs targeting Canada, Mexico, and China on the very first day of the month. These tariffs were slated to take effect on 4 March, though both Mexico and Canada managed to temporarily halt the measures just a day before implementation. Renewed geopolitical tensions were also at the forefront during February, as Trump's headlines on both the Middle East conflict and the war in Ukraine seemed to hinder recent progress in peace talks, further increasing global uncertainty. This uncertainty, combined with shifting market dynamics, contributed to a weaker US$ throughout the month. It increasingly appears that the peak of US exceptionalism may have been reached in early January, but volatility in asset prices suggests the market could swing in either direction going forward.

US macroeconomic data releases were accompanied by sharp moves in both the equity and bond market, with US CPI and PPI both printing higher-than-expected, retail sales falling short of forecasts, and University of Michigan sentiment figures coming in below expectations.

Global equity, as measured by the MSCI All Country World Index, fell by 60bps during the month. The divergence in equity market performance across different regions was significant. US markets posted losses ranging from -1.4% (Dow Jones Industrial Average) to -3.9% (NASDAQ Composite), while other markets saw positive returns.

European markets, particularly the DAX, responded favourably to the German election results, with the index rallying 3.8%. This positive momentum spread to other European markets, continuing the strong performance that started in January.

Developed markets, as measured by the MSCI World Index, returned -0.7% while emerging markets (MSCI Emerging Markets Index) saw a slight uptick, with a 0.5% gain in US$ terms, largely driven by the impressive performance of Chinese equities.

Chinese technology stocks had an exceptional month, with the Hang Seng index climbing by 13.5%, driven by massive gains in Alibaba (44%) and Tencent (20%). This strong performance in Chinese stocks contributed positively to the local market, with Prosus delivering double-digit returns.

Locally, the FTSE/JSE All Share Index opened strong, but relinquished its gains in the latter half of February to end the month flat. By sector, Industrials (2.8%) and Financials (1%) delivered gains, driven by strong performances from major players including Anheuser-Busch Inbev, Naspers & Prosus, and Discovery. The resources sector struggled, falling -6.2%, after an approximately 18% gain the previous month. In particular, the PGM (Platinum Group Metals) segment was weighed down by falling commodity prices (all in rand).

On the fixed income side, cash delivered a return of 0.6% for the month, based on the Short-Term Fixed Interest (SteFI) composite. The bond market was relatively flat, with the FTSE/JSE All Bond Index showing little movement in February.

Source: M&G Investments, Bloomberg, data to 28 February 2025

The yield curve steepened slightly, with the 10-year R2035 proxy bond yielding 10.50% at month-end, up from 10.38% at the start of the month (all in rand).

Inflation-linked bonds performed well, with the SA Composite Inflation-Linked Bond Index gaining 1% during the month. The yield curve for inflation-linked bonds steepened by around 20bps, with the short-end I2029 bonds showing particularly strong performance (all in rand).

Meanwhile, South African inflation data was largely in line with market expectations, with both CPI and PPI edging slightly higher compared to the previous month.

The US dollar drifted lower over the course of the month, shedding around 70bps against a basket of currencies. The South African rand and Namibian dollar ended the month at levels similar to those at the beginning of February, after trading stronger against the US dollar for most of the month.

In Namibian markets, the NSX Overall Index, which tracks the performance of all listed companies, was down 1.4% for the month. The NSX Local Index, focusing on locally listed companies, displayed modest movements, with 0.1% delivered in February. The IJG All Bond Index rose by 0.20% for the month, following a 0.8% increase in January. Namibian bond premiums relative to South African yields generally declined in February. The IJG Money Market Index (including NCDs) increased by 0.6% in February (all in Namibian dollars).

In summary, February was marked by continued geopolitical and economic uncertainty, leading to volatility in global markets. While the US struggled with mixed macroeconomic data and market pullbacks, European and Asian markets, particularly Chinese tech stocks, enjoyed a stronger month. The ongoing shifts in markets and bond yields suggest we practice patience and proceed with caution as we move into the coming months where heightened volatility is likely to persist.

Source: M&G Investments, Bloomberg, data to 28 February 2025