



Prosperity

July 2025

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Private Clients
by  Old Mutual Wealth

ECONOMIC UPDATE

US trade policies continue to dominate conversations about the global economy, with July ending in a fresh round of tariff announcements by President Trump. Two things stand out.

Firstly, despite the new tariffs, the US has reached agreements with most key trading partners, notably Japan and the EU. These high-level and fairly vague, unlike traditional trade deals that take years to negotiate. The main feature is a baseline 15% tariff on imports into the US, with some sectoral deviations. This is lower than the 25% - 50% tariffs faced by other countries and avoids retaliation and a drawn-out trade war, which brought relief to markets.

However, 15% is still far higher than the pre-Trump effective level of around 3%, bringing tariffs to levels last seen in the 1930s. While exporters might absorb some of the cost through discounts, most of the burden will fall on Americans in some combination of lower business profit margins for businesses and higher prices for consumers. This will push up inflation, though probably only temporarily. Having misjudged the 2021 inflation surge as "transitory", the US Federal Reserve is now cautious and has not followed other global central banks in cutting rates, including at its July meeting. Instead, it is waiting to assess the inflation and growth impact of the tariffs. Outside the US, tariffs are expected to weigh on economic growth but not raise inflation.

Trump has repeatedly pressured Fed Chair Jerome Powell to cut rates aggressively, raising concerns about the Fed's long-term independence. Powell's term ends next May, and Trump has already said his replacement will be more supportive of rate cuts. The Fed's decentralised structure offers some protection, but with many institutions under pressure, it is unclear how insulated the Fed will be. In the meantime, Trump may use Powell as a scapegoat if the economy weakens due to tariffs. This brings us to the second point.

So far, the global impact of tariffs has been muted and the world economy, including the US, remains surprisingly resilient. Three factors explain this.

The first is that tariffs have not fully filtered through. Companies stockpiled goods ahead of tariff announcements and used the 90-day pause to build inventories, keeping global factories busy, including in China. US consumers also brought forward durable goods purchases in anticipation of price hikes. This has offered temporary support, but suggests weaker demand and higher prices later in the year.

Second, there are offsetting factors. Central banks outside the US have cut rates, supporting households and business, while stronger currencies strengthen have lowered the cost of imports like oil. In the US, despite no rate cuts, financial conditions remain easy, credit markets are functioning well and fiscal policy remains loose. Large-scale capital spending linked to AI is also boosting the economy.

Third, the global economy is more flexible and adaptable than often assumed. It rebounded quickly from the 2020 lockdowns, and the 2022 rate hikes didn't cause the widely expected global recession. Technology allows businesses to adjust quickly, though uncertainty around tariffs makes planning difficult.

The economy's shift toward services also reduces exposure to inventory cycles, a traditional source of past recessions.

Finally, private balance sheets in major economies were mostly in good shape heading into 2025, giving households and businesses some buffer.

For SA, 30% US tariffs on key agricultural and automotive exports will be damaging but not necessarily permanent. Despite Trump's claim, negotiations will probably continue. Only 8% of SA's exports go to the US, and domestic conditions offer some offsets. Lower inflation and interest rates have lifted consumer spending, and structural reforms to boost investment and productivity are ongoing. Nonetheless, 2025 growth forecasts have been cut from 1.8% - 2% to 1% - 1.5%.

Inflation rose slightly to 3.1% year-on-year in June but remains well below the midpoint of the Reserve Bank's 3% - 6% target range. Core inflation, which excludes food and fuel prices, fell to 2.8%, the lowest since 2021. As expected, the MPC cut the repo rate to 7% at its July meeting.

More notably, the MPC will now target the lower end of the 3% - 6% range. In the short term, further rate cuts are unlikely, with inflation now in line with the new target. Over time, if the Reserve Bank anchors inflation and expectations around 3%, rates will trend lower. This would support local equities and bonds and limit long-term rand depreciation.

However, success is not guaranteed. Most inflationary pressures are from supply-side issues, especially municipal and utility costs, which are not responsive to interest rates or economic conditions. Inflation will also continue to move in cycles. Still, the SARB's previous success in anchoring inflation expectations around 4.5% suggests that 3% may be achievable over time. This would benefit the local economy and financial markets over the long term.

MARKET UPDATE

Global equity markets posted solid gains in July, supported by strong US corporate earnings, improved risk sentiment and easing trade tensions. The MSCI World Index rose 1.3% for the month.

In the US, the S&P 500 gained 2.2% and the Nasdaq surged 3.7%, driven by strong earnings in the semiconductor and AI sectors. The Dow Jones Industrial Average lagged, inching up just 0.1%.

UK equities also delivered strong returns, with the FTSE 100 climbing 4.2% despite mixed macro signals.

Chinese markets rallied on optimism around stimulus and easing trade tensions. The Shanghai Composite gained 3.7% and the Hang Seng rose 2.9%. In Japan, the Nikkei advanced 1.4%.

Locally, the JSE All Share Index briefly crossed the 100 000 mark before ending July at 98 519. Gains were broad-based: the Resi-10 rose 5.1%, the Indi-25 was up 1.1%, and the Fini-15 gained 1.5%.

The rand weakened 2.8% against the US dollar. Commodities had a mixed month. Brent crude rallied on supply constraints, ending at US\$73.50 per barrel. While gold slipped slightly (-0.4% to US\$3 390) due to a stronger dollar.

GLOBAL EQUITIES



ASML

Leading semiconductor equipment manufacturer, ASML delivered strong second-quarter results that beat both management's guidance and analyst expectations. Revenue rose 23.2% year-on-year to €7.7 billion, supported by Upgrade Sales i.e. revenue from previously shipped and operational equipment at customer sites. The impact of tariffs during the quarter was also less severe than expected. Gross margins improved to 53.7% and net income rose 37.1% to €2.3 billion, ahead of forecasts.

Order intake was robust at €5.5 billion, 16% above expectations. Of this, €2.3 billion (42%) stemmed from ASML's next-generation extreme ultraviolet (EUV) lithography machines, a positive sign for future margins due to their higher price point. Management maintained full-year guidance for 15% revenue growth and gross margins of 52%–53%.

Despite the strong earnings, ASML's share price fell by about 10% after management warned that 2026 demand may soften due to macro uncertainty and trade tariffs. While near-term caution persists, ASML remains well positioned over the medium and long term. As global semiconductor capital expenditure rises, ASML's dominant role in lithography systems should support continued revenue and profit and growth.

[Click here](#) to read more about our long-term investment case for ASML.



Atlas Copco

Atlas Copco delivered weaker-than-expected second quarter results, with global uncertainty weighing on investor sentiment and driving the share price down nearly 7%. Revenue for the first half of the year fell 4% to MSEK 83 940, with an organic decline of 2%. All divisions saw lower organic revenue, except Compressor Technique, which grew 3% and 2% in the first and second quarters, respectively. A significant currency headwind in Q2 contributed to a 9% decline in operating profit to MSEK 17 089.

Orders, a key indicator of future revenue, declined by 3% to MSEK 86 691, also weighed down by currency headwinds. While orders were up 2% in Q1 (flat organically), they fell 8% in Q2 (1% organic decline), mainly due to weaker demand in Compressor Technique as customers delayed capital expenditure amid macroeconomic uncertainty. Looking ahead, management expects customer activity levels to hold steady.

Despite softer profits, Atlas Copco's balance sheet remains strong, with net debt to equity improving to 16% from 22%. While the near-term outlook is uncertain, we believe the business' long-term fundamentals remain solid.



DanaHER

DanaHER delivered better-than-expected results for Q2 2025, with revenue and earnings ahead of management's previous guidance. Total revenue rose 3.5% year-on-year to US\$5.94 billion, supported by a rebound in the Biotechnology segment. Adjusted earnings per share increased by 5% to US\$1.80, driven by effective cost control. While still cautious on the broader macroeconomic outlook, management raised full-year adjusted EPS guidance slightly to US\$7.70 – US\$7.80, reflecting the solid performance in the first half.

Across divisions, Biotechnology posted organic growth of 6%, driven by steady demand for consumables. Life Sciences remained under pressure due to lower capital spending and a once-off impairment. While Diagnostics delivered modest growth, margins were diluted by recent divestitures.

Free cash flow was a standout at US\$1.1 billion for the quarter, maintaining a conversion rate above 100% of net income. DanaHER's net debt to EBITDA remains conservative at around 1.8x, highlighting the group's strong balance sheet. This financial strength leaves the group well positioned to pursue growth, both organically and through acquisitions, as market conditions begin to normalise.



Givaudan

Givaudan, the global leader in flavour and fragrance ingredients, reported interim earnings per share of CHF64.18, up 0.7% from HY 2024. This was driven by 6.3% like-for-like sales growth, supported by sustained volumes following a strong recovery in 2024. Gross margin held steady at 44%, while operating margin improved from 19.5% to 19.7%. Despite improved profitability from higher volumes and sales, cash flow was negatively impacted by the timing of higher tax payments and lower investment income, which also weighed on net income and EPS growth. Currency headwinds from a stronger Swiss franc further limited reported growth.

Geographically, Givaudan's strategic expansion into developing markets continues to pay off, with like-for-like sales up 10% in high-growth regions such as Latin America and the Middle East, compared to 2.9% growth in mature markets such as North America and Europe. With its current five-year strategy coming to an end this year, investors are eagerly awaiting the announcement of Givaudan's next medium-term strategy, expected in August.



Alphabet

Alphabet delivered strong second-quarter results, with total revenue up 14% year-on-year to US\$96.4bn. Growth was broad based, led by Cloud (+32% to US\$13.6bn), Search (+12% to US\$54.2bn), YouTube ads (+13% to US\$9.8bn) and Subscriptions, Platforms and Devices (+20% to US\$11.2bn).

Cloud continues to gain ground. While still smaller than Amazon Web Services and Microsoft Azure, it is growing twice as fast as AWS and is keeping pace with Azure. AI-powered search products are also scaling well and monetising at similar rates to traditional search.

Operating income grew 14% to US\$31.3bn, with margins steady at 32.4%, leverage constrained by legal costs linked to the US\$1.4bn settlement related to data privacy in Texas. Diluted EPS rose 22% to US\$2.31 per share.

Alphabet has raised its planned AI-focused capital spend for 2025 from US\$75bn to US\$85bn, reflecting rising demand and the need for greater infrastructure capacity. [Click here](#) to read our recent article on how tech giants are investing in hyperscale data centres to cement leadership in AI and cloud computing – investments reminiscent of earlier tech cycles that laid the foundation for long-term dominance.

LVMH

LVMH

LVMH's interim 2025 results were relatively weak, with sales down 4% driven by persistent softness in Wines & Spirits and a marked slowdown in Fashion and Leather Goods during the second quarter. Continued investment into fashion shows, new collections, store refurbishments and new store openings contributed to a 15% decline in operating profit.

Geographically, domestic demand in the US and Europe held up well, while tourist spending in Japan slowed materially. Asia (ex-Japan) remained the largest revenue contributor at 28%, however sales declined by a high single digit, impacting Wines & Spirits and Leather Goods in particular.

In response to a challenging geopolitical environment and uncertain luxury demand landscape, LVMH is scaling back its travel retail network, which has struggled to recover post-COVID. The Wines & Spirits division is under review to enhance brand appeal and streamline costs. Management remains focused on improving operational efficiencies while continuing to invest in brand strength and expanding the Sephora and Tiffany store networks.

Honeywell

Honeywell

Honeywell delivered a pleasing set of second-quarter results, with three of four segments posting growth. Revenue rose 8% year-on-year to US\$10.4 billion, driven by strong performance in Defence & Space and UOP. Adjusted earnings per share (EPS) increased 10% to US\$2.75.

Industrial Automation remained flat organically, as delays in large warehouse and workflow solutions projects offset the growth in process solutions and sensing and safety technologies. For the group, segment margin dipped slightly by 10pbs to 22.9%. Operating income increased by 7% to US\$2.1bn, while free cash flow declined by 9% to US\$1bn due to a 17% increase in capital expenditure.

The planned separation into three independent entities focused on automation, aerospace and advanced materials is on track for completion by the second half of 2026. Full-year 2025 guidance was raised, with adjusted EPS now expected at US\$10.45 – US\$10.65 (up from US\$10.20 – US\$10.50) and revenue at US\$40.8 billion – US\$41.3 billion (up from US\$39.6 billion – US\$40.6 billion). This outlook reflects current tariffs and planned acquisitions.

L'ORÉAL

L'Oréal

L'Oréal maintained its leadership in the global beauty market in the first half of 2025 and was recognised as Europe's most innovative company in Fortune's inaugural ranking of the continent's 300 most forward-thinking businesses. The group strengthened its portfolio of 37 global brands through the acquisitions of Medik8 for L'Oréal Luxe and Color Wow for its Professional Products division.

Like-for-like sales grew 3%, in line with the industry, with three out of four divisions outperforming. Currency fluctuations weighed on reported results, reducing growth by 1.9%. Despite this, decisive cost management drove a 3.1% increase in operating profit and a 30bps improvement in the operating margin to 21.1%. Robust cash generation, low net debt and an increase in tax supported a 1.2% rise in earnings per share to EUR7.07.

Emerging markets delivered double-digit growth of 10.4%, led by the SAPMENA-SSA and Latin America regions. In North Asia, sales fell 1.1% due to travel retail weakness, however, excluding travel retail, the region experienced positive growth in the first half of 2025, led by Mainland China. Notably, luxury sales in the region are recovering faster than the mass market, aligning well with L'Oréal's positioning. Europe maintained solid momentum with 3.4% growth, while North America grew by 2%, supported by a stronger second quarter.

Management continues to prioritise innovation through their Beauty Stimulus plan, which is expected to gain further traction in the second half of the year. The plan drives growth through a

strong pipeline of innovative product launches, increased marketing investment with smart AI-powered allocation, and a focus on accelerating digital and e-commerce channels.

LOCAL EQUITIES



Valterra Platinum

Valterra Platinum (formerly Anglo American Platinum) reported a mixed interim performance for 2025. Headline results were weighed down by once-off costs related to the demerger from Anglo American plc, as well as the impact of flooding at the Amandelbult mine in February. Insurance proceeds related to the flooding are expected in the second half of the year.

While PGM prices have recently rallied, the average realised US\$ basket price rose just 5% year-on-year, with much of the second quarter price recovery and July strength not yet fully reflected in these results.

Production disruptions at Amandelbult led to a 19% decline in net revenue, while adjusted EBITDA fell 46%, driven by lower sales volumes and exceptional costs. However, the ramp-up in production at Amandelbult has progressed well, supporting an improved outlook for the remainder of the year. On the demand side, both vehicle sales and Chinese demand remain robust. Combined with the rebound in PGM prices and improved operational momentum, a stronger financial performance is expected in the second half of the year.

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