BUS4050H

Assessment 1

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## S&P 500 Index

Despite global economic uncertainty, the S&P 500 index has proven resilient, reaching record highs as of 2025. The U.S. presidential election in November 2024 and geopolitical uncertainties, such as tensions in the Middle East and Eastern Europe, caused instability and resulted in changes to policy that affected monetary and fiscal stability. Nonetheless, the S&P 500 index has been driven by robust technology sector earnings growth, productivity increases fuelled by AI, and a reduction in inflationary pressure.   
  
Due to strong company profitability and investor optimism, the S&P 500 Index has grown significantly, hitting 6,000 points as of March 2025. Analysts maintain a bullish outlook for the remainder of 2025, with projections suggesting continued upward momentum. Forecasts indicate that by the end of 2025, the S&P 500 will have increased by 8.3% from its present levels to roughly 6,500 (Sam Dogen, 2024).

This encouraging trend is supported by several important aspects. First, the U.S. economy continues to exhibit resilience, with GDP growth projected at 2.1% for 2025. Investor confidence and business profitability are supported by this consistent growth. Second, innovation and technology developments across industries have increased productivity and created new sources of income for index companies. Furthermore, financial market liquidity has been maintained by accommodative monetary policies, which has promoted equity investment (Neethling, 2025).

However, it is essential to acknowledge potential headwinds. The market may be vulnerable to corrections, and elevated valuations may restrict additional upward potential. According to technical analysis, investors should keep an eye on key overhead areas near 6,090 and 6,290 as well as major support levels around 5,875, 5,670, and 5,445, even though the S&P 500 has formed a head and shoulders pattern, a traditional chart formation that suggests a possible market top (McElroy, 2025, Smith, 2025).

## State of South Africa’s Government of National Unity

The African National Congress (ANC), the Democratic Alliance (DA), and the Inkatha Freedom Party (IFP) formed the Government of National Unity (GNU) in South Africa after the general elections held in May 2024. This coalition emerged in response to a fragmented electoral outcome, aiming to foster political stability and collaborative governance (Plé, 2024). However, as a result, the GNU has experienced political division, necessitating wide agreement amongst many groups.

The GNU's formation initially alleviated political uncertainty, leading to positive market reactions, including a 4.1% appreciation of the South African rand against the US Dollar and a 58 basis points decline in 10-year government bond yields. However, decision-making and policy consistency have been hampered by the coalition's underlying ideological divisions. Recent occurrences, such as the national budget speech's postponement, have brought attention to internal conflicts and sparked worries about the GNU's long-term viability (Patel, 2025).

The economic outlook for South Africa is still cautious. With limited recovery prospects, the South African Reserve Bank projects 1.6% GDP growth in 2025. Since the business sector may react cautiously, which could impact foreign direct investment, the GNU's capacity to enact effective policies is essential for boosting investor confidence and promoting sustained growth (Marais & Pieterse, 2024).

In conclusion, while the GNU has provided a framework for collaborative governance, its effectiveness is contingent upon resolving internal conflicts and accelerating policy execution. The period leading up to September 2025 will be pivotal in determining the coalition's capacity to deliver tangible socio-economic improvements. By September 2025, the GNU is likely to remain intact, albeit under strain. Policy inertia or internal discord may weaken investor confidence, though stability in key economic sectors could sustain moderate growth. Therefore, the likelihood of a mid-term coalition reconfiguration remains high.

## State of the Rand to the Dollar

Due to both domestic and international influences, the South African rand (ZAR) has fluctuated in value relative to the US dollar (USD). U.S. monetary policy, local economic performance, and global risk sentiment are the causes of the volatility. In recent months, the exchange rate has fluctuated between R18.35 and R18.89 per USD (CoinCodex, 2025). However, prolonged strength is constrained by domestic challenges such as sluggish economic growth, budgetary restraints, and ongoing political instability.

South Africa's modest GDP growth projections, coupled with structural challenges such as high unemployment and fiscal deficits, exert downward pressure on the rand (Marais & Pieterse, 2024). Additionally, investor confidence is influenced by the GNU's cohesiveness and efficacy. The USD/ZAR exchange rate is influenced by the strength of the US dollar, which is determined by the monetary policies of the Federal Reserve and worldwide economic trends. A strong US economy might cause the dollar to appreciate, which would devalue the rand. Moreover, being a country that exports commodities, South Africa's income is influenced by the price of those commodities globally. The rand may suffer if the price of important exports, such as gold and platinum, declines.

Forecasts indicate a gradual depreciation of the rand against the dollar through September 2025. Given ongoing political and economic risks, coupled with fluctuating commodity prices, the currency is likely to experience depreciation pressures. According to projections, the USD/ZAR exchange rate may fluctuate between R18.35 and R18.89 during September 2025, reaching roughly R18.89 at that time (CoinCodex, 2025). The ZAR might stay in this range if investor confidence stabilises and the GNU maintains policy cohesion. Severe governance problems, nevertheless, might cause it to rise above R20/USD. Likewise, Trading Economics predicts that by the conclusion of the current quarter, the USD/ZAR exchange rate will be approximately R18.81 (Trading Economics, 2025).

Publicly traded financial instrument

Based on the preceding analyses, Aspen Pharmacare Holdings Limited (Aspen) emerges as a compelling investment opportunity on the Johannesburg Stock Exchange (JSE). Aspen is Africa's largest pharmaceutical company, with a significant presence in both domestic and international markets.

As of early 2025, Aspen reported a 5% increase in half-year earnings, with normalized headline earnings per share rising to 724.2 South African cents from 688.3 cents in the prior year. Revenue grew by 4% to R21.9 billion, and normalized group EBITDA increased by 12% to R5.8 billion. The company projects double-digit revenue and core profit growth for its commercial pharmaceuticals unit for the full year, driven by its Latin American portfolio and the rollout of Mounjaro, a weight-loss drug marketed in collaboration with Eli Lilly (Nqobile Dludla, 2025).

Aspen's extensive international operations position it as a rand-hedge stock, benefiting from a depreciating South African rand. With the rand projected to weaken against the US dollar through September 2025, Aspen's foreign revenue streams are likely to translate into higher earnings in rand terms, enhancing its profitability (Louw, 2023).

The company's agreement with Eli Lilly to market products like Mounjaro in Sub-Saharan Africa and its acquisition of commercialisation rights for well-known brands such as Viagra in Latin America underscore Aspen's strategic efforts to diversify and expand its product offerings. These initiatives are expected to contribute positively to revenue growth and market share (Nqobile Dludla, 2025).

Considering Aspen's robust financial performance, strategic international collaborations, and its advantageous position as a rand-hedge stock, investing in Aspen offers a promising opportunity for substantial returns up to and beyond September 2025 (Nqobile Dludla, 2025).

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