

## COVID-19: An update since our last note

Living in and adapting to a fluid environment seems to be the new normal. We bring you a summary of some of the key changes over the past week.

### Key market indicators (weekly movement)

FTSE/JSE All Share TR ZAR 50 929.6 ▲ 1.71%	FTSE/JSE Financials TR ZAR 24 845.7 ▲ 4.14%	FTSE/JSE SA Industrials TR ZAR 74 345.8 ▼ -0.38%	FTSE/JSE Fin&Ind TR ZAR 11 184.1 ▲ 0.79%
FTSE/JSE All Bond TR ZAR 727.6 ▲ 0.60%	S&P 500 TR USD 2 955.5 ▲ 3.39%	DJ Industrial Average TR USD 24 465.2 ▲ 4.13%	FTSE 100 TR GBP 5 993.3 ▲ 2.89%
Hang Seng HSI TR HKD 22 952.24 ▲ 3.40%	USDZAR 17.64 ▲ 1.56%	GBPZAR 21.52 ▼ -0.82%	EURZAR 19.23 ▼ -0.56%

Data as at 1 June 2020. Measurement from Monday 25 May to Monday 1 June 2020. Percentage returns reflect weekly change. Source: Bloomberg.

### COVID-19 statistics for South Africa

742 742 tests	34 357 positive cases	17 291 recoveries	705 deaths
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Data as at 2 June 2020, 09h30. Source: <https://sacoronavirus.co.za/>

#### Level 3 regulations have been published

The transition to lockdown level 3 came on Monday 1 June, and most sectors of the economy are returning to work. Exceptions include personal care services, restaurants and any other place where food and beverages are consumed (e.g. a coffee shop in a retail setting, a convenience outlet, informal traders). Strict protocols for workplace health and safety have to be put in place, and a compliance officer must be appointed. The [Regulations](#) state that those who are able to work from home must do so.

**Domestic workers** are allowed to return to work under lockdown level 3. Paragraph 46(3) of the Regulations require that the relevant health protocols and social distancing measures are adhered to within the home as well.

Exercise is permitted between 06h00 and 18h00, and facemasks are now mandatory in any public place. Visiting family and friends continues to be prohibited, except where there is a need to care for an immediate family member. You can view a summary of level 3 regulations [here](#). According to a statement issued by the Department of Tourism on 30 May, some aspects of the tourism industry are slowly opening up. However, conferences, events and leisure travel still remain banned.



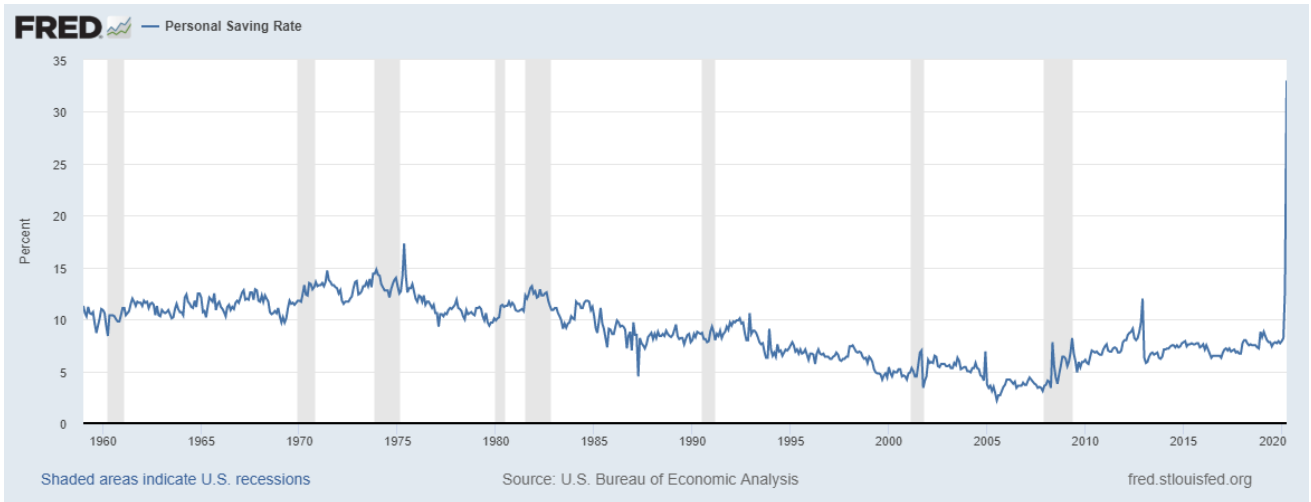
#### School calendar published

The revised school calendar dates were released on Friday, 29 May. Grades 7 and 12 were set to return first on 1 June, the second tranche of grades on 6 July, with the final set of learners on 3 August 2020 provided that health, safety, and social distancing requirements are in place. The Department of Basic Education announced a delay on Monday as “the sector was at different levels of readiness”, with the new start date set at 8 June. Subsequently, [new regulations were gazetted](#) on 1 June, indicating that schools are permitted to deviate from the phased return for specific dates, provided they meet the health requirements and apply for leave to do so. All events at schools – including sport, choral eisteddfods or choir rehearsals, arts and culture festivals – remain prohibited.



## COVID-19 is changing saving and spending habits

The USA recorded its highest savings rate since the 1960s as the COVID-19 pandemic is causing consumers to rethink their spending habits. The savings rate reached 33% in April, while pre-pandemic it hovered at between 6% and 8%. The USA has seen a 30% decline in restaurant spending, an 80% decline in travel and a 100% decline in spending at movies, arts festivals and sporting events. Many savers are using this period of ‘forced learning’ to recalibrate their spending patterns and improve their financial savings rate – ensuring they are better prepared for future crises. However, it is widely expected that savings rates will revert to more normal levels as the economy reopens.



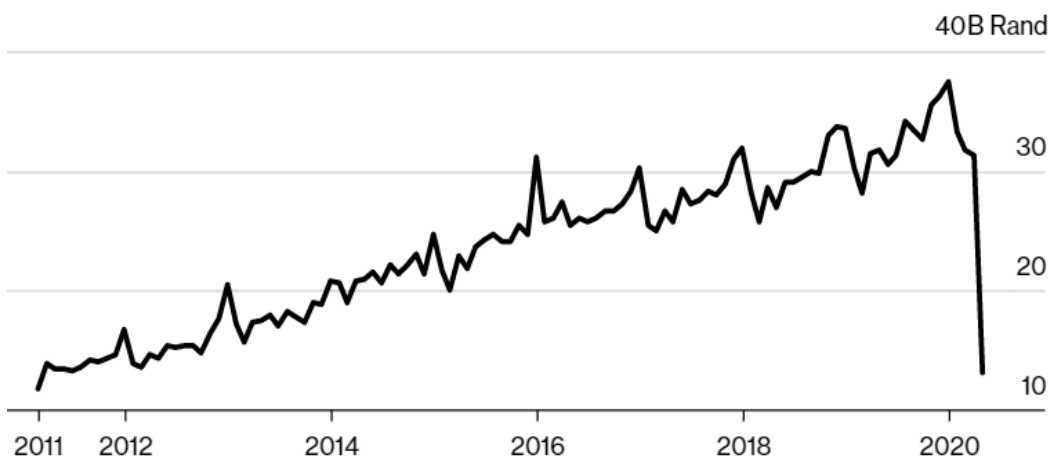
Source: [StLouis Fed](#)

Locally, the South African Reserve Bank (SARB) reported that credit extension to households declined for the first time in three years. Consumer spending is a crucial driver of economic growth, and while an improved savings rate would be positive overall, an abrupt shift in trend could jeopardise an economic recovery.

### Spending Less

South African credit-card purchases dropped to a nine-year low in April

#### ✓ Credit-card purchases



Sources: [Bloomberg](#) and South African Reserve Bank



### Rand rebounded in May

The rand staged [its first monthly advance](#) for the year when it strengthened 6.7% during May (source: Bloomberg, 30 April to 31 May 2020). It is the currency's best performance since January. While currencies are notoriously volatile, traders linked the strengthening to a return of global risk appetite, indications from the SARB that it would not cut rates much further, and the end of foreign outflows from South African bonds as the country finally exited the World Government Bond Index (WGBI).



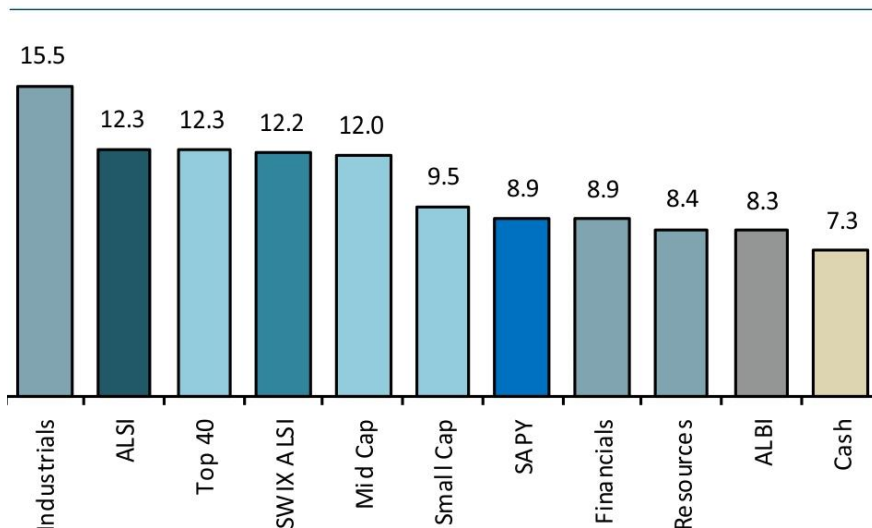
### The divergence in USA equity markets

The Dow Jones Industrial Index, which hosts many mega-cap companies, has lagged behind the recovery of the largely tech-driven Nasdaq. Technology shares have continued to surge, as developments linked to COVID-19 are expected to continue boosting the demand for tech products. The result is that the performance of the tech-heavy Nasdaq (5.7% positive for the year to date in dollar terms) has diverged from that of the more traditional Dow (negative 11% for the year to date, source Bloomberg, 31 December 2019 to 31 May 2020). But as the prices of already pricy tech stocks continue to soar, some believe more traditional companies (like those found on the Dow) could be signalling [relative value](#).

### Long-term returns include past periods of market volatility

Markets continue to respond as the COVID-19 pandemic unfolds. The one thing we know for sure, is that volatility is inherent to the market. However, the long-run returns investment managers use as guideline for their asset allocation decisions, are based on very long-term observations of how markets behave. Despite regular bouts of volatility and challenging market conditions, asset classes have continued to behave as we would expect in the long term. While short-term volatility can be unnerving, investing in equities remains the strategy for long-term growth in excess of inflation. Investors are also well-reminded that low interest rates are likely to persist, eroding the prospects of any real returns from cash for the foreseeable future.

### 15 year total return performance



Source: Standard Bank, data as at 31 May 2020



## Points of interest

### Economics

- Japan's Prime Minister, Shinzo Abe announced a further 117 trillion yen (US\$1.1 trillion) in relief measures, aimed at stimulating the country's economy. The latest measures bring Japan's total stimulus to US\$2.2 trillion.
- Concerns are growing that subsidies implemented to help domestic manufacturers overcome the effects of COVID-19, may lead to a resurgence in tariff wars.
- South Africa ranked second (for the third consecutive year) as the most favoured location for contact centres (after India). The 2020 Front Office Business Process Outsourcing Omnibus Survey polls senior decision-makers from multiple sectors and 42 countries, and factors cited as contributing positively to South Africa's ranking include: an attractive price point (including cost of labour), language skills, a clear regulatory framework, and health and safety.

### Health

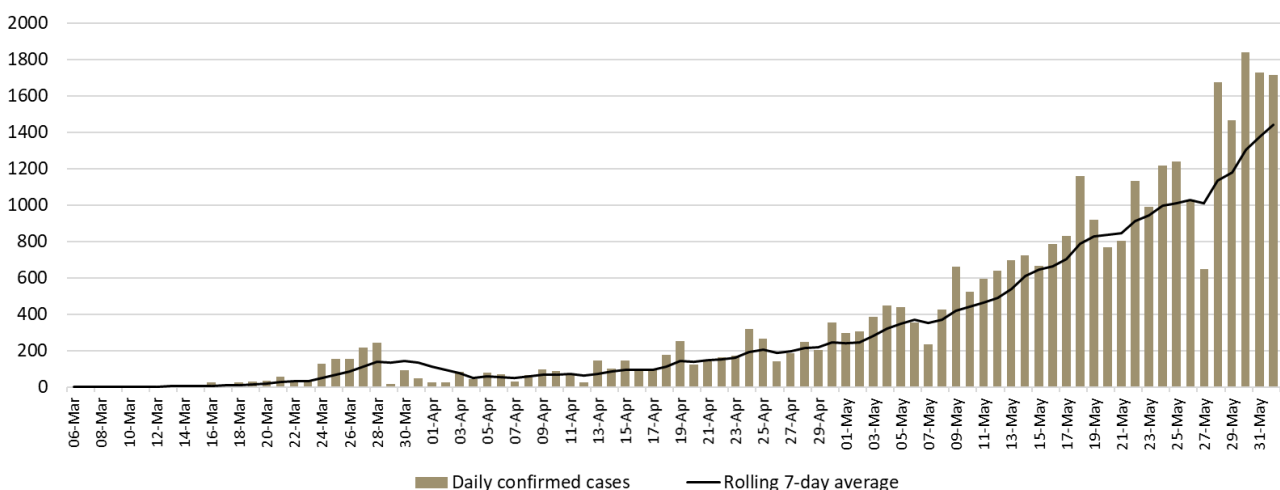
- Latin America has recorded 40% of the world's new COVID-19 cases.
- The Western Cape is facing a shortage of intensive care unit (ICU) beds. The province has 65% of the country's reported cases and has recorded more than 1 000 infections among medical staff.
- The World Health Organisation (WHO) has paused hydroxychloroquine trials over safety concerns, while France has banned its use.



## South Africa's recovery rate remains ahead of the global average

In his press release dated 31 May, Health Minister Zweli Mkhize indicated that the South African recovery rate, is now at 51.4% (last week this was reported at 49%). The highest percentage of deaths occur in the 50 to 59 and 60 to 69 age groups, at 25.5% and 25.8% respectively.

South Africa: Daily confirmed cases (cases)



Sources: Ourworldindata.org and PSG as at 1 June 2020.

The official government site for COVID-19 news is: <https://sacoronavirus.co.za/> and our previous communication on the topic can be found at: <https://www.psg.co.za/support/faq/general/covid-19>