

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 Level: 49 186.6 ▼ -0.69%	FTSE/JSE Financials Index TR ZAR Level: 24 678.2 ▲ 1.26%	FTSE/JSE SA Industrials TR ZAR Level: 73 506.0 ▼ -0.54%	FTSE/JSE Fin&Ind TR ZAR Level: 6 336.0 ▼ -0.06%
FTSE/JSE All Bond TR ZAR Level: 695.3 ▲ 4.29%	S&P 500 TR USD Level: 2 842.7 ▼ -1.24%	DJ Industrial Ave TR USD Level: 23 749.8 ▼ -1.59%	FTSE: 100 TR GBP Level: 5 753.8 ▼ -1.59%
Hang Seng HSI TR HKD Level: 23 613.80 ▼ -2.74%	USD/ZAR Level: 18.59 ▲ 1.12%	GBP/ZAR Level: 23.11 ▲ 1.04%	EUR/ZAR Level: 20.27 ▲ 0.42%

Data as at 4 May 2020. Measurement from Monday 27 April to Monday 4 May 2020. Percentage returns reflect weekly change. Source: Bloomberg.

COVID-19 statistics for South Africa

257 541 tests	7 220 positive cases	2 746 recoveries	138 deaths
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Data as at 5 May 2020, 09h00. Source: <https://sacoronavirus.co.za/>

Regulations on level 4 lockdown released

Just before the long weekend, Government released the regulations that will guide South Africans through level 4 of the lockdown. The provisions came into effect on Friday, 1 May. The ability to exercise within five kilometres of your residence between certain hours was widely welcomed, as was the ability to have food delivered from restaurants and traditional take away outlets. Winter clothing and all children's clothing can now be purchased. A curfew from 20h00 to 05h00 was introduced, and a once-off concession has been granted to travel back home from other provinces if you were someplace else when lockdown began. Funerals in other provinces can now be attended within strict conditions, and only up to a maximum of 50 persons are allowed. [Click here](#) to view the entire document.

Partial return to workplaces – new regulations for employers

In addition to the general regulations, a separate directive was released on 29 April for employers. It provides basic measures employers must take to prevent the spread of COVID-19 in the workplace, and which must be put in place before restarting work. One of these is that all workers and visitors to a business must wear masks. In addition, employees should be at least 1.5 metres apart while working. If this isn't practical or possible, physical barriers must be erected between workers and they must be given personal protective equipment (PPE). Further, social distancing must be implemented in all common areas and employers have to screen workers for symptoms of the virus as they report for work. For more information, [read](#) the statement by Labour Minister Thulas Nxesi (delivered on 3 May) and view the [regulations](#).

Department of Basic Education provides detail on the reopening of schools

The Minister of Basic Education, Mrs Angie Motshekga, held a [briefing on 30 April](#) regarding plans for the reopening of schools. The plan includes strict guidelines around hygiene and screening of pupils. Pupils and teachers will have to wear masks to school. The current plan sees school management teams returning on 11 May, and teachers returning to schools on 18 May 2020. Grades will start in a phased manner, with grades 12 and 7 starting on 1 June.

Additional support for the most vulnerable individuals

Government has introduced a [COVID-19 Social Relief of Distress Grant](#) of R350 a month for unemployed people who do not receive other social grants, do not receive income from the UIF, or any other form of income. The SASSA's WhatsApp application system opened for testing over the weekend, with the official opening date for applications still to be communicated. The grant will be paid for a period of three months, with the possibility of an extension for a further three months in exceptional circumstances.

Markets show limited response to further downgrade, removal from bond index

[S&P Global Ratings](#) cut South Africa's rating further into junk territory. The ratings agency assigned a BB- rating to SA's foreign currency debt and a BB rating to local currency debt, with a stable outlook for both. The downgrade was widely expected, since S&P is considered to be more bearish on South Africa than the other ratings agencies, Moody's and Fitch.

In their statement, S&P indicated they expected a contraction of 4.5% in GDP for 2020. This is a smaller contraction than the estimates released by the South African Reserve Bank, which indicated an expected 6.1% shrinkage (expectation released mid-April), and Moody's, which had indicated a 6.5% contraction (expectation released late April).

South Africa was finally dropped from the World Government Bond Index (WGBI) on 30 April, as a result of the junk status rating the country had received from ratings agency Moody's at the end of March. Despite this, yields for the most-liquid 2026 government bond fell (a positive indication) reaching their lowest level since 11 March this year, and the rand continued to gain ground.

The rand strengthened against the major currencies (US dollar, euro and British pound) over the week.

What lies ahead for the aviation sector?

The future of the aviation sector made headlines again over the weekend when investment guru Warren Buffet announced that his company, Berkshire Hathaway, had sold all its shares in the four largest US airlines. He stated that the COVID-19 pandemic had changed the world. Previously, the International Air Transport Association indicated it expected to see US\$314 billion in lost revenue for the year. 90% of global flights have been cancelled and air travel in the USA (where airlines are still flying) has fallen to levels last seen in the 1950s.

How air travel – which relies on densely packed planes to ensure the economic viability of the industry – will adapt to a post-COVID-19 world, still remains to be seen. In the US, some airlines have begun requiring passengers to wear face masks while flying, but maintaining social distancing may prove more challenging and harder to implement. A number of airlines have approached their governments for support, including German carrier Lufthansa and Richard Branson's Virgin Atlantic. Locally, the woes of SAA which is in business rescue and which is in the process of terminating employment for some 4 000 staff, is well known. Although their problems pre-date the COVID-19 outbreak, their prospects of recovery have been dimmed by the pandemic. Comair, who owns Kulula and operates British Airways for local flights, has indicated that they are likely to resume operations only in October or November this year. Although South Africa's borders remain closed, some embassies have arranged repatriation flights for their countries' citizens.

Birth certificates are now being issued

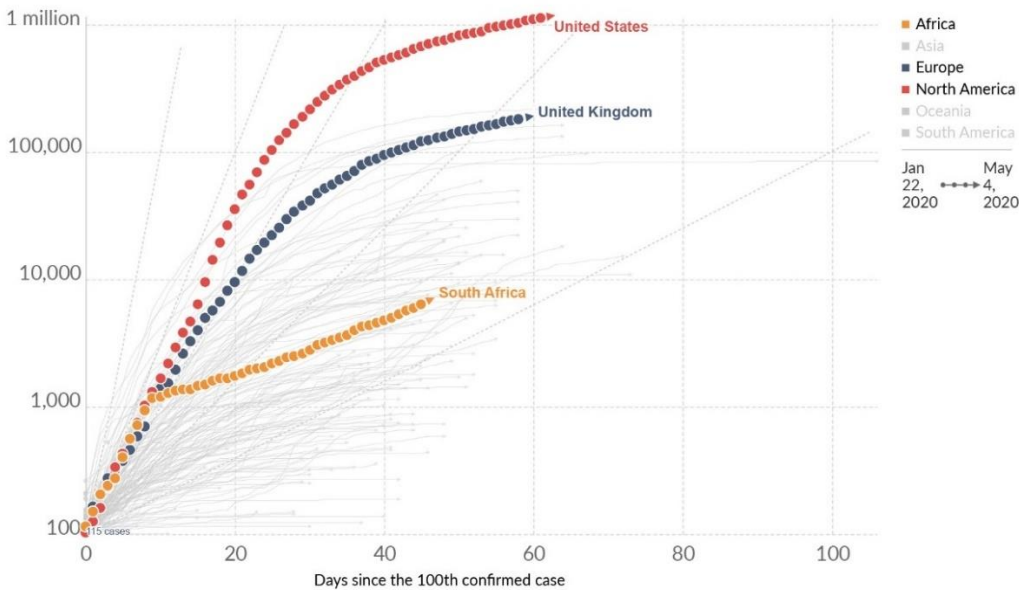
The Department of Home Affairs will [issue birth certificates](#) under level 4 lockdown. Babies born during lockdown will be registered as usual, as if the birth was registered within 30 days, and not in terms of the Late Registration of Births process.

An update on South Africa's numbers and global recoveries reach 1 million

On 3 May, South Africa announced a 447 increase in the number of daily cases – its highest daily increase to date. In his latest *From the desk of the President* newsletter, President Ramaphosa states that: “At this stage in the progress of the pandemic, other countries had far more infections than we do. As of now – which is 46 days since we recorded our 100th coronavirus case – we have 6 783 confirmed cases. Italy, which has a similar size population to ours, had more than 140 000 cases and the United States had around 700 000 confirmed cases at the 46-day mark.” According to figures published by [Johns Hopkins University](#), more than one million recoveries have now been recorded across the globe.

Total confirmed COVID-19 cases: how rapidly are they increasing?

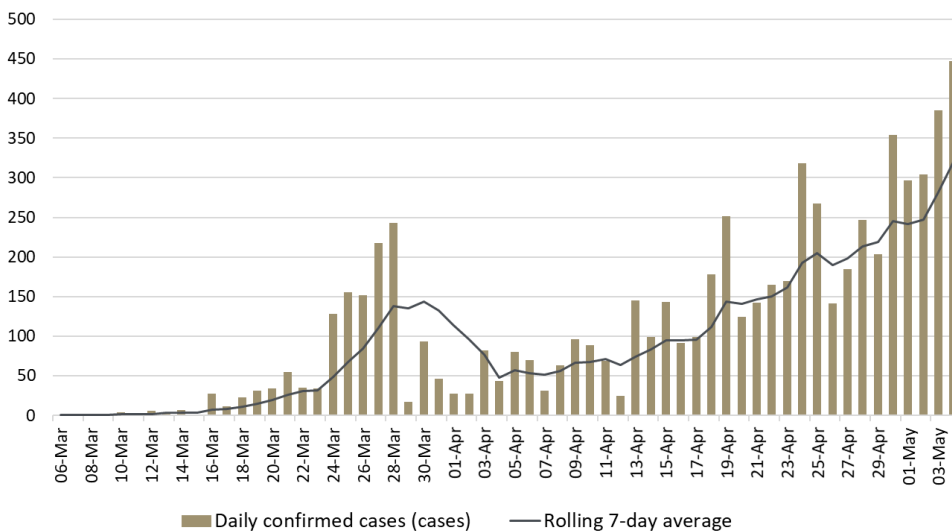
The number of confirmed COVID-19 cases is lower than the number of total cases. The main reason for this is limited testing.



Source: European CDC – Situation Update Worldwide – Last updated 4th May, 11:45 (London time) OurWorldInData.org/coronavirus • CC BY

Source: Ourworldindata.org as at 4 May 2020.

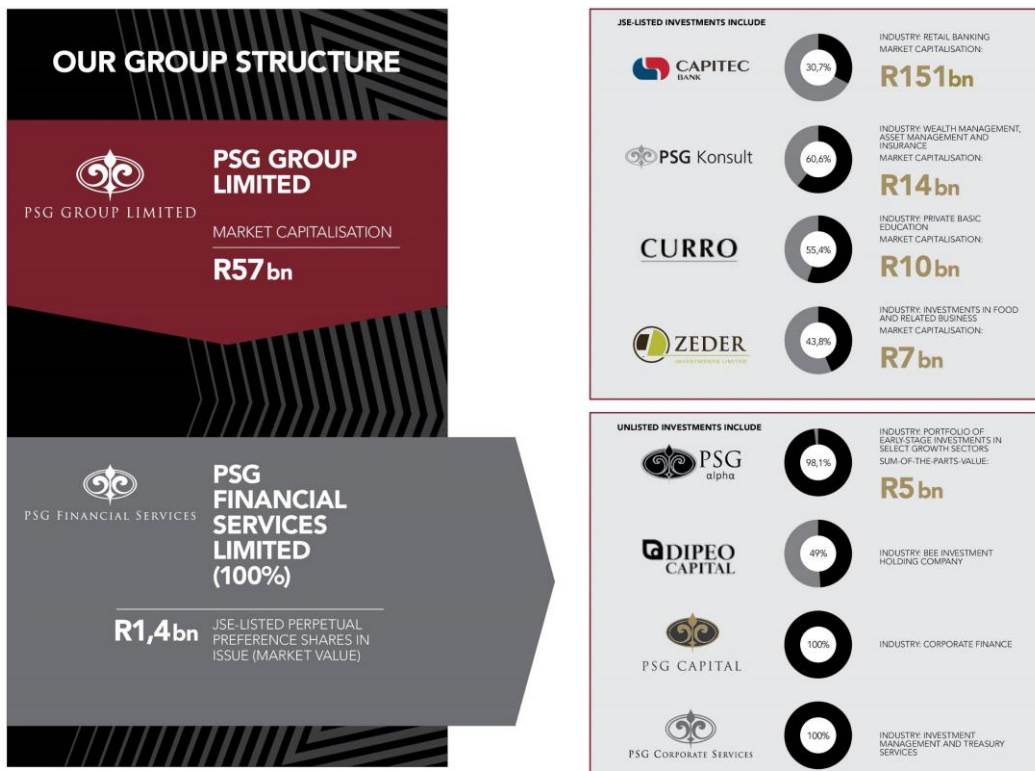
South Africa: Daily confirmed cases (cases)



Sources: Ourworldindata.org and PSG as at 4 May 2020.

PSG Group in the news

During last week there was media coverage on PSG Group’s announcement that it was considering unbundling its stake in Capitec. Some clients have asked how this affects their investments within PSG Konsult. Although both PSG Konsult (60.5%) and Capitec (30.7%) are partly owned by PSG Group, there is no direct operational relationship between the companies. The unbundling by PSG Group of their stake in Capitec will therefore not impact on your investments within PSG Konsult, unless you either hold PSG Group shares or Capitec shares as part of your financial portfolio. In this case, any market movement on these shares will be reflected in your portfolio. PSG Group has provided the risk of being seen as a financial conglomerate, and the additional regulatory burden this would entail, as the main motivation for the unbundling.



Source: <https://psgroup.co.za/corporate-information/group-structure/>

Investment principles remain important in times like these

We remind all investors to continue being selective about the sources of information they trust. Continue to be alert to fake news; sharing of fake news remains a punishable offense. Investor behaviour has been shown to destroy, rather than add value, as emotions like fear and greed tend to lead to sub-optimal decision-making. If your portfolio is correctly structured for your needs, the best policy may be to do nothing. We expect volatility to continue for some time. Therefore, being selective is key, and quality remains a crucial determinant in investment decisions. Relying on thorough analysis and trusted advice is important. Before making any investment decisions, always consult with your financial adviser, who is best placed to help you ensure that your overall financial plan stays on track.

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>