

# Newsflash: Downgrade wasn't our downfall

Tuesday 12 May

Country Equity	Index	Year to Date	Currency	Price	Year to Date
SA Equities (ZAR)	FTSE/JSE ALSI	-12.1%	Gold (USD)	1,705*	+12.4%
US Equities (USD)	S&P 500	-9.3%	Platinum (USD)	766*	-20.5%
UK Equities (GBP)	FTSE 100	-21.3%	Oil (USD)	29.72*	-55.1%
German Equities (EUR)	DAX	-19.4%	USD/ZAR	18.47*	-24.0%*
Japanese Equities (JPY)	NIKKEI 225	-13.8%	GBP/ZAR	22.75*	-18.5%*
Chinese Equities (CNY)	SHANGHAI SE	-5.1%	EUR/ZAR	19.95*	-20.9%*

Source: Morningstar Direct, Bloomberg, \*time of writing 06h20, 2020-05-12

South Africa's death rate from the coronavirus has gone over 200, reaching 206, with more than half in the Western Cape. The US death toll is now over 80,000 followed by the UK, Italy and Spain. President Trump mandated all staff entering the White House to wear face masks due to two staff member testing positive. In response, Vice President Pence, the FDA Commissioner, the CDC Director and Dr Anthony Fauci, director of the National Institute of Allergy and Infectious Diseases all adopted a level of quarantine on the weekend.

The Moody' Investors Service cut our investment rating to junk in March; it was expected that many foreign investors would exit the SA bond market causing bond yields to rise sharply and prices to fall, as well as the ZAR crashing further. Passive investors tracking the FTSE World Government Index (WGBI) would be forced to sell SA bonds because they would be expelled due to their new junk status. This was delayed until the end of April due to the coronavirus effect on markets.

Economists predicted capital outflows from South Africa of between USD 2bn and USD 10bn. Details of the outflows are not yet available; however, the expected collapse in bond prices and the currency did not happen. There was a price drop leading up to the end of April, but since then bond prices have increased. The FTSE All Bond Index is up 5.5% since the end of April. It would appear that foreign investors had priced in the downgrade and like what they see in terms of how the South African Reserve Bank is supporting the SA bond market. The ZAR has remained relatively stable in response.

Sources: BBC.com, Bloomberg.com, News24.co.za, MoneyWeb.co.za

## Coronavirus Numbers Update

Global Confirmed	Global Deaths	Total Test Results in US
<b>3,846,949</b>	<b>269,584</b>	<b>8,105,513</b>

Source: Center for Systems Science and Engineering (CSSE) at Johns Hopkins University

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## South Africa

Total Confirmed <b>10,652</b>	Total Recovered <b>4,357</b>
Active Cases <b>6,089</b>	Total Deaths <b>206</b>

Source: National Institute of Communicable Diseases

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