



LOCAL HIGHLIGHTS & LOWLIGHTS

- All-Share Index 49,113.06 (from 48,300 mid April) , - 14% YTD.
- USD/ZAR: R18.44/\$ from R16.58/\$ mid March
- South Africa 10Y Government Bond yield: Current 9.44%, (10.81% mid April, 9.68% mid March, 8.21% on January 2nd.)

(Data: Bloomberg; Fin24, Google finance; www.worldgovernmentbonds.com)

NEWS

- Coronavirus outbreak still having worldwide repercussions. USA and Russia now have the most daily infections. Some countries seeing second wave. New Zealand have eliminated infections outside of known and controlled clusters. Australia is leading calls for investigation to origin of the virus, China retaliating with trade sanctions.
- Diagnosed cases surpass 4.4mil, deaths >300,000.
- Oil price to remain volatile and probably subdued, predictions for year end prices vary widely.
- Some oil contracts experienced negative prices for first time in history. The WTI oil contract benchmark that expired in May at one point reaching -\$38 after a frantic selloff among traders.
- Worldwide markets flat over last month, with many experts beginning to warn of a next possible fall.
- Locally, economy on its knees. Various household print edition magazines to close.

WHEN CASH IS KING

As I've read articles and investment advice from around the globe these past few weeks, my prevailing question was what the magical power of hindsight will tell us in 3 or 4 years' time? The opinions have seemed to shift and flow like waves hitting the rocks of new information. Investors have been busy too: The flow of money and its final destinations are interesting to note, with the economic impact of the coronavirus and the oil-wars delivering a one-two sucker punch to short-term risk sentiment. Cash and gold have been clear winner destinations, so let's focus on cash instruments and interest bearing instruments this week.

Cash

All over the world reports are coming in of massive flows to money market funds. In contrast to 2008 when cash investments were not always safe due to banks failing, the current crisis has not delivered the threat of big banks going bust. Investors have therefore been piling in to cash to get out of equities and bonds. U.S. money market funds were on track for a record quarter of inflows, with \$676.87 billion worth of inflows during 2020 to end March.

Where is some of the money going?

- Robert Kiyosaki (best-selling author of the book Rich Dad, Poor Dad): Gold, Silver, and Bitcoin
- Warren Buffett: sold out of all of his airline stocks, sitting on record levels of cash.
- Stock exchanges have also reported record numbers of new investors, apparently trying to buy low and sell high as some pundits forecast a repeat of the V-shaped 2008 recovery.



OPPORTUNITY PRIVATE CAPITAL

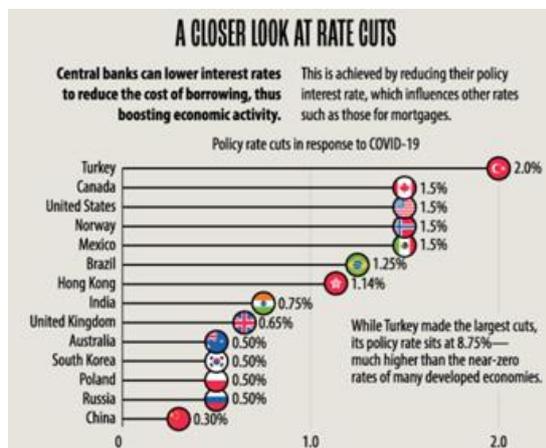
Interest bearing instruments

Investors all over are asking where they can get yield without risk. Some investors have even sold out of sovereign bonds in exchange for cash, but most countries with good credit ratings have seen inflows of funds at the expense of yields. A sea of red (indicating falling yields, or more expensive bonds) can be viewed at: www.tradingeconomics.com/bonds. It will remain like this until risk appetite resurfaces.

Rates and rates

The big issue is that rates for cash investments are almost 0 the world over, good news for borrowers but not so much for risk averse investors. In South Africa, rates between 5% and 6% for money market funds can still be achieved, but the forecast is downwards as rates may be under pressure during the year. **Those who are able to access investments with high interest and low risk of default are in the pound seats at the moment.**

The graph at the bottom left is from VisualCapitalist.com and shows how various countries' central banks have responded to try and stimulate their economies. The international discussion is now about negative interest rates, which will be the topic of the next newsletter.



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