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INTERNATIONAL MARKETS
-GLOBAL MARKETS REBOUND AFTER MARCH MELTDOWN

After March's epic global markets meltdown, investors seemed to shrug off ongoing lockdowns as most major markets worldwide recorded an impressive bounce back in April, pushed along by a wave of stimulus packages unveiled by central banks. However, while US equity markets recorded impressive monthly gains in April, they ended their best month in decades slightly downbeat at the end of April as spending and unemployment data showed new evidence of the COVID-19 pandemic's reach. The inept handling of the crisis by the Trump administration (reported US deaths have increased from 9 in March to 67 682 by 3 May) has now also seen the US become the epicentre of the outbreak. Nevertheless, share prices have rebounded sharply since the US market bottomed on 23 March, the day the US Federal Reserve (Fed) signaled that it would do whatever is necessary to save an economy ravaged by the pandemic.

Looking at the major US indices, the Dow Jones ended April 11.1% higher MoM (-14.7% YTD) – its largest one-month percentage gain since 1987. Meanwhile, the S&P 500 jumped by 12.7% (-9.9% YTD), while the tech-heavy Nasdaq rocketed 15.4% MoM (-0.9% YTD) – its best performance since June 2000, according to *CNN*. The FAANG companies (Facebook, Amazon, Apple, Netflix, and Alphabet [formerly Google]) were once again among the best performers, as the online economy proved resilient in the face of movement restrictions.

US ECONOMY CONTRACTS

On the economic data front, despite only a few weeks of the first quarter of the year seeing an impact from movement restrictions, the damage done was enough to push economic indicators to show record declines. Initial GDP data for the first quarter indicated that the US economy had contracted by 4.8% compared to the previous quarter, ending the longest expansion in its history. Personal spending on services dropped 10.2% quarter on quarter – the biggest fall on record as the food services and accommodation sub-category fell by 30%. US employment continued to implode as 20m US workers filed initial unemployment claims in April (in addition to the 10m initial claims filed in March).

EUROPEAN SHARES UP IN APRIL

The UK's FTSE 100 rebounded by 4.0% in April (-21.8% YTD), while European markets also recorded positive performances. After double-digit declines in March, Germany's Dax gained 9.3% (-18.0% YTD) in April, while France's CAC rose by 4.0% MoM (-23.5% YTD). As widely expected, the European Central Bank (ECB) kept interest rates unchanged and did not alter the size of its EUR750bn pandemic emergency purchase programme (PEPP). The ECB did, however, say that it stood ready to adjust the size or composition of the PEPP if necessary. Europe's economy suffered its deepest contraction on record in the first quarter of the year, with preliminary data showing that European Union (EU) GDP shrank by 3.5% compared to the previous quarter and by 2.7% YoY.

In Asia, China's Shanghai Composite Index was up 4.0% MoM (-6.2% YTD), while Hong Kong's Hang Seng gained 4.4% MoM (-12.6% YTD). However, factory output across several Asian countries fell to record lows in April, signaling a deeper contraction in the world's manufacturing nerve centre. Japanese stocks also recorded good advances with the Nikkei rising by 6.7% MoM (-14.6% YTD).

LOCAL MARKETS
- JSE RECOVERS FROM MARCH DECLINE

The JSE followed the global trend in April and posted impressive gains from share price lows recorded in March. The FTSE JSE All Share Index (ALSI) gained 13.1% MoM (-11.8% YTD), buoyed by MoM share price gains among market-cap heavyweights and various resources shares. All ten of the biggest companies on the JSE posted gains – Anglo American Platinum (Amplats; +29.5%), Glencore (+24.8%), British American Tobacco (BAT: +18.3% MoM), BHP Group (+14.8% MoM), Naspers (+13.5%), Prosus (+11.5%), Anglo American (+8.2%) Anheuser Busch InBev (+5.7%), and FirstRand (+0.5%). With a monthly gain of 22.6% (-9.2% YTD), the Resi-10 by far outperformed the other indices as the bulk of the heavy lifting was done by resource shares.

Gold, considered a safe-haven asset, has been a big winner in April (up 7%). Gold is benefiting from the uncertainties clouding the global economy that COVID-19 has brought about and a move by central banks to expand balance sheets to support economies, companies, and individuals. The Indi-25 ended the month 9.6% higher (+2.3% YTD), while banking and financial shares, which were hard hit in March, gained ground and the Fini-15 closed April 8.8% higher (-34.9% YTD).

With gold miners up over 50% in aggregate last month, platinum shares jumping by 38% MoM and the oil price gaining 11.1% MoM, 11 out of April's 20 best-performing shares came from the resources sector. Sasol's share price had plummeted 80.1% in March as oil prices dropped to historic lows. This was due to unprecedented oil demand destruction on the back of COVID-19 movement restrictions and a boost in global oil supply as producers (particularly Russia and Saudi Arabia) flooded the market in a tussle to gain market share. However, the embattled integrated energy and chemicals firm emerged as April's best performer with its share price jumping by 136.3% MoM (albeit from a low base).

Ascendis Health (+81.0% MoM) was April's second-best performing share. The Ascendis share price initially leapt in early April after it announced that its drug chloroquine had been approved by the US Food and Drug Administration (FDA) for the limited treatment in an emergency situation of patients who were severely ill as a result of COVID-19 (do note that it is not advertised as a cure for the disease).

In third spot, Famous Brands rose 78.3% MoM. In early April, the company said that it will no longer fund its loss-making Gourmet Burger Kitchen (GBK) restaurants in the UK.

Agribusiness, Zeder Investments (-55.7% MoM) was April's worst-performing share by quite a margin. Zeder reported full year results last month which showed that its revenue had decreased to R7.49bn from R7.64bn posted in the previous year. Investment holding and management company, Invicta was in second spot with a MoM share price decline of 27.2%. It was followed by PPC Ltd, which was down 26.5% MoM.

Despite limited foreign selling in local equity and bond markets and strong global risk appetite, the rand breached the R19/$1 level several times in April before ending the month 3.7% weaker at R18.81/$1. For the year to date, the local currency is down 32% vs the dollar.

INFLATION LOWER AND SARB CUTS INTEREST RATE

In local economic data, annual consumer price inflation (CPI) dipped in March following sustained increases since November 2019, coming in at 4.1% vs 4.6% in February. MoM, inflation rose by 0.3%. The main contributors to the increase were housing and utilities (+4.8% YoY), and miscellaneous goods and services (+6.4% YoY). March's trade balance showed a surplus of R24.3bn from a revised R13.7bn in February. Exports were up 8.5% MoM at R118.5bn, while imports fell by 1.3% YoY to R94.2bn. The South African Reserve Bank's (SARB) Monetary Policy Committee delivered a further 1% interest rate cut in April, following its 1% rate cut in March, bringing SA's official interest rate to a record low of 4.25%.

RECESSION AHEAD

In a mid-April speech, Finance Minister Tito Mboweni said that the COVID-19 pandemic is expected to push SA's economy into a deep recession this year. He added that Treasury will have to revise the national budget across the board to ensure that the Department of Health has the necessary resources to respond to the outbreak. *News24* reported that Treasury has also been in talks with foreign lenders, including the World Bank, the New Development Bank, and the African Development Bank on possible loan facilities for COVID-19 support. SA began to gradually lift its strict coronavirus lockdown measures on 1 May with the introduction of Level-4 lockdown regulations, which allow some industries to reopen after five weeks of restrictions.

SHOCKER MONTH FOR VEHICLE INDUSTRY

New vehicle sales plummeted by a whopping 98.4% in April, during a nationwide lockdown to slow the spread of COVID-19. According to statistics on new vehicle sales released by the National Association of Automobile Manufacturers of South Africa (Naamsa), only 574 vehicles were sold, compared to the 36 787 vehicles sold in the same month last year.

Most (318) of the vehicles sold in April were light commercial vehicles, and the rest (105) were passenger cars. Industry wide, the volume of sales is down 32.1% for the year to date. "No one should be surprised because we didn't sell nor export vehicles in April", Michael Mabasa, Naamsa CEO, said.

HUGE TAX REVENUE SHORTFALL EXPECTED

The government faces a potential revenue shortfall of up to R285bn this year, posing a catastrophic scenario which could raise the likelihood of further approaches to multilateral agencies such as the IMF for financial support. Business Day reported that Sars commissioner Edward Kieswetter said that though it was still "early days", the tax agency's initial estimates suggest tax collections will be down by 15%-20% from those forecast in this year's budget, based on April's revenue collection performance.

Sources: Anchor Capital, News24, BusinessLive

SMART TIP

If you are interested in investing in innovative new business ideas incubated at Oxford University, consider the Sygnia Oxford Sciences Innovation Fund. Brenthurst has secured availability for local investors to invest in this fund. Read more: Exclusive opportunity and view a full presentation here (link to presentation).

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