momentum
investments

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Economic and market snapshot for March 2020

Highlights

- United States (US): The surge in initial jobless claims illuminates the start of the dire effects of large parts of the US economy being shut down to curb the spread of COVID-19.
- Eurozone: Early high-frequency indicators tell a tale of a collapsing economy, as the COVID-19 crisis urges country-wide lockdowns to stop the rise in infection rates.
- United Kingdom (UK): The sterling has been the hardest-hit currency from those in the 11-largest industrialised economies since the outbreak of the disease.
- Emerging markets (EMs): A sustained tightening in external financing conditions could result in balance of payments strains for a number of vulnerable EMs.
- South Africa (SA): Moody's downgraded SA's sovereign rating to Ba1 from Baa3 and maintained a negative outlook amid persistently low growth and widespread fiscal pressures.
- Financial markets: Markets dropped precipitously in reaction to the spike in unpredictability. Turmoil triggered market-wide circuit breakers for the first time since 1997.

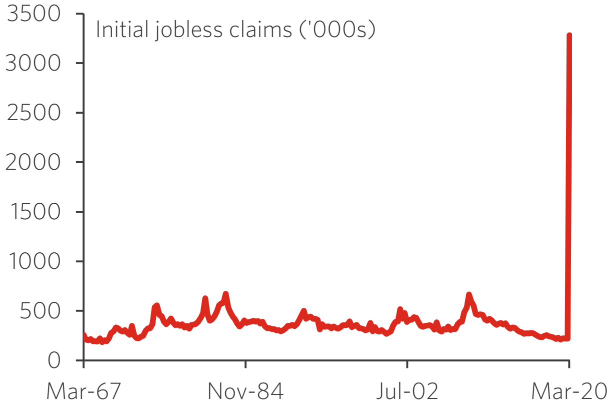
Global economic developments

US

Surge in initial jobless claims illuminates the start of the effects of large parts of the US economy being shut down.

Despite expecting the number to be large, seasonally adjusted US initial jobless claims rose by an unprecedented 3.3 million in the week ending 21 March 2020 (see chart 1), smashing expectations for a rise to 1.6 million. This figure shattered the previous record of 695 000 in October 1982, according to the US Department of Labour, which was when then US Federal Reserve (Fed) chair, Paul Volcker, used high interest rates to crush inflation.

Chart 1: Early signs of trouble in the US labour market



Source: Bloomberg, Momentum Investments

Initial jobless claims refer to the number of individuals filing for unemployment benefits for the first time, while continuing jobless claims refer to the number of individuals who have already filed for two or more consecutive weeks. The latest available continuing jobless claims figure for the week ended 13 March 2020 registered at 1.8 million, which is significantly below the peak of 6.6 million in June 2009. The latest initial jobless claims act as a leading indicator of US labour conditions, which are likely to remain poor in the near term on continued government measures to control the spread of COVID-19.

At the time of writing, the US surpassed China as the highest number of confirmed COVID-19 cases in the world, with New York accounting for more than 45% of the total cases in the US, based on data from Johns Hopkins University. At the time of writing, US testing for COVID-19 at 314 per million people lagged South Korea (6 148 per million), Australia (4 473 per million), Italy (3 499 per million), United Kingdom (960 per million) and Finland (538 per million).

President Donald Trump initially pushed for reopening sections of the country by 12 April (Easter), but was forced to abandon that idea after seeing projections by his administration that fatalities would not peak until then. The knock on public health caused by the outbreak of the disease and slow response from the US government may cause areas of the country to remain in lockdown for longer, which may worsen the damage to the economy.

Eurozone

Early high-frequency indicators tell a tale of a collapsing economy.

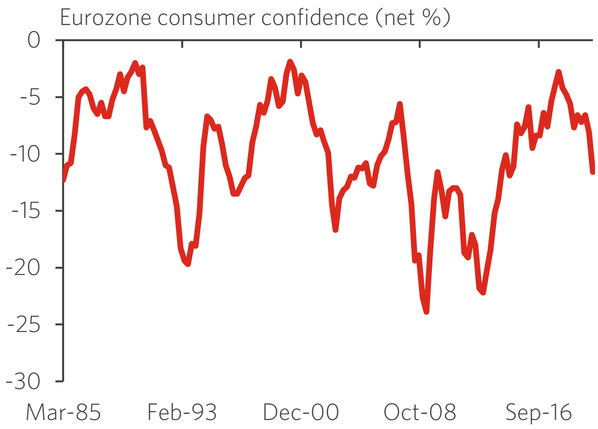
To quote Capital Economics, "March's slump in the Eurozone composite Purchasing Managers Index (PMI) is so sharp that at any other time it would look like a spreadsheet error".

The flash composite (manufacturing and services) activity indicator for the Eurozone crashed to 31.4 index points from 51.6 in February 2020, which is its lowest level on record. The information for the survey was collected between 12 and 23 March 2020. Given that some of the more stringent lockdown measures were only implemented after this date, the indicator could worsen in the April reading, particularly if these measures remain in place.

While a full regional breakdown of the flash PMIs was not available at the time of writing, other lead indicators pointed to a similar conclusion. The German Ifo Business Climate Indicator was revised down further, from the flash print of 87.7 to 86.1 points, reflecting significant supply chain disruptions.

Plummeting consumer sentiment painted a similar picture. The Eurozone Consumer Confidence Index experienced its largest monthly drop in history. The index fell five index points to negative 11.6 in March 2020 (see chart 2). The fall was smaller than expected by consensus, but only 15% of responses were collected, due to confinement measures imposed by the various European governments. Pessimism among households is likely to persist, until a peak in infection rates is reached. With the closure of factories and office buildings denting corporate profitability, the unemployment rate is likely to rise, even with measures undertaken by government to prevent widespread job losses. As such, household spending is likely to contract sharply in the months that follow.

Chart 2: Sharp monthly dip in Eurozone consumer sentiment



Source: Bloomberg, Momentum Investments, data up to March 2020

UK

The sterling has been one of the worst performers in the 11-largest economies since the outbreak of COVID-19.

The sterling was hammered in March 2020 (see chart 3) and staged one of the worst currency performances across the world's 11-largest economies (G10). Initially, the UK government had a slow response to the outbreak of the virus, but strong containment measures have been taken since, including travel restrictions, closures of non-essential shops, social-distancing measures and increased testing.

Chart 3: Sharp fall in the sterling

Source: Bloomberg, Momentum Investments, data up to March 2020

The Bank of England has played a significant role in attempting to soften the blow on the economy. It cut the bank rate by 65 basis points to an all-time low of 0.1%, reduced the counter-cyclical buffer rate to 0% and announced a quantitative easing programme amounting to 9% of gross domestic product (GDP). Sizeable fiscal stimulus has also been triggered. Tax and spending measures have included:

- £5 billion in additional funding for the National Health Scheme and other public services
- £27 billion to support businesses
- A £7 billion increase in the social safety net
- A deferral of value-added tax payments to the end of the financial year
- Loan schemes to support small and medium enterprises
- A commitment to pay 80% of the salary of furloughed workers (maximum of £2 500 per employee, which amounts to more than 60% of the UK taxpayers) per month for three months

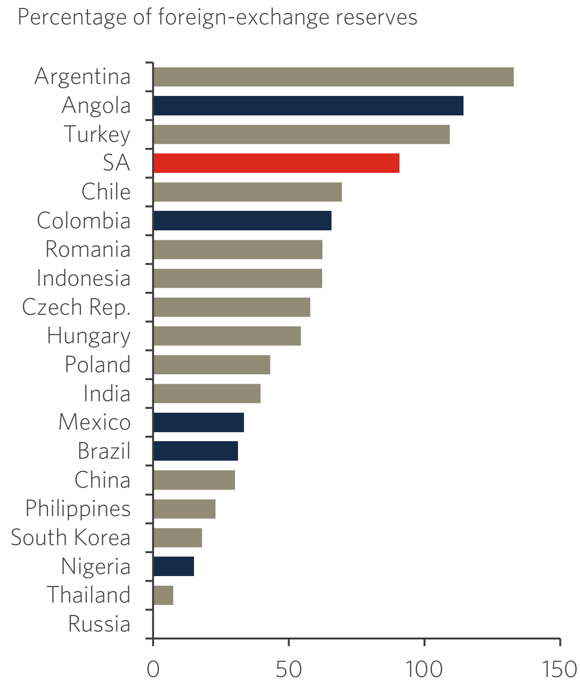
Although the flash readings for the UK's manufacturing and service PMIs came in ahead of those of the Eurozone, the spread of COVID-19 is a few weeks behind that of the euro area and, as such, near-term monthly prints are likely to worsen.

EM

A sustained tightening in external financing conditions could result in balance of payments strains for a number of vulnerable EMs.

Significant economic disruptions triggered by the outbreak of COVID-19 have raised concerns about the capacity of EMs to meet debt repayments. Based on the gross external financing requirement (current account deficit and external debt maturing in the coming year) as a share of foreign-exchange reserves (which could be sold to meet the debt repayments), a number of smaller oil producers as well as Turkey and Argentina are sticking out as the most vulnerable (see chart 4).

Chart 4: EM ranking by gross external financing requirements (higher = more vulnerable)



Source: Capital Economics, Momentum Investments (blue = oil producers, red = SA)

According to JP Morgan, net capital inflows into EMs reached 0.2% of GDP in 2019 and generated similar momentum in the first two months of the year. Nevertheless, as the COVID-19 outbreak grew in March 2020, capital outflows were recorded. On 3 March 2020, the International Monetary Fund (IMF) announced that investors had withdrawn US$83 billion from EMs since the beginning of the crisis.

Compounded by a sharp depreciation in the EM currency basket relative to the US dollar (matching the pace of the depreciation experienced during the global financial crisis), JP Morgan warns against the risk of a sudden stop in capital flows, eliciting balance of payments strains. JP Morgan's model shows that more than 70% of EMs face a higher than 50% chance of being faced with a sudden stop.

The IMF announced the suspension of debt servicing for countries with a GDP per capita of below US$1 175 in 2020. The IMF noted it stood ready to deploy all of its US$1 trillion lending capacity and acknowledged that 81 countries (40% of the fund's members) have requested emergency finance from the IMF in light of the sharp spike in external vulnerabilities. According to Bank of America Merrill Lynch (BoAML), these financing programmes (including the one for SA) will likely be a rapid financing facility, free of conditionality, where countries can draw up to 50% of their quota in a year based on a very favourable interest rate. According to BoAML, SA could access roughly US$2.3 billion under this facility.

Local economic developments

Long-term rating	S&P (22/11/2019)	Fitch (26/07/2019)	Moody's (27/03/2020)
Investment grade (IG)	A-	A-	A3
	BBB+	BBB+	Baa1
	BBB	BBB	Baa2
	BBB-	BBB-	Baa3
Sub-IG	BB+	BB+	Ba1
	BB	BB	Ba2
Outlook	Negative	Negative	Negative

Local currency rating
Foreign currency rating
Both ratings

Moody's downgraded SA's sovereign rating to Ba1 and maintained a negative outlook.

Moody's announcement to downgrade SA's sovereign rating to junk status (from Baa3 to Ba1) has lagged the decisions of Standard and Poor's (S&P) and Fitch by nearly three years. Moody's maintained its negative outlook (see table 1) to reflect downside risks to SA's growth and fiscal metrics.

Table 1: SA's sovereign rating matrix

Source: Moody's, Fitch, S&P, Momentum Investments

The rating agency expects growth in economic activity to collapse by 2.5% in 2020 before recovering to 1.1% in 2021. The growth downgrade was premised on the negative effects of COVID-19 and long-standing structural constraints. In Moody's credit opinion, it warned that the size of government support in reaction to the virus outbreak was very modest and would be limited in its ability to mitigate the reduction in the country's productive capacities during the three-week lockdown of the country.

Moody's forecasts SA's fiscal deficit to widen to 8.5% of GDP in 2020 from 6.9% in 2019 and to remain sticky at 8.4% in 2021 on support to state-owned enterprises, a fast-growing interest bill and deteriorating tax performance.

The persistence of high deficits folds into Moody's forecasts for government's debt ratio to reach 91% by 2023 from 69% in 2021 (inclusive of government guarantees).

National Treasury responded to Moody's downgrade by warning the move would raise government's borrowing costs, which would crowd out spending on much-needed social and economic programmes. The rating is likely to knock down-beat business sentiment even further, leading to lower rates of fixed investment, weaker growth and increased downward pressure on employment.

Financial market performance

Global markets

Global financial markets plunged in the first half of the month, as the vicious economic and health shock intensified, sending shares further into correction territory. The responding bazooka of central bank and government spending plans nevertheless slowed the drop in global equity markets late in the month.

The CBOE Volatility Index (Vix), or fear gauge, climbed nearly 40 points in the first quarter of the year to 53 points, but touched an intra-quarter higher of 83 points. Investor angst led to the MSCI All Country World Index crashing 22% in the first two and a half weeks of the month. Strong policymaker efforts to curb the spread of COVID-19 led a reversal in equity markets at the back end of the month, but global equities still finished March 2020 13.5% in the red. On a year-to-date (YTD) basis, the MSCI All Country World Index weathered a 21.4% fall, led weaker by an almost equally weak performance in developed and emerging equity markets.

The MSCI Developed Markets (DM) Index extended its slide in March 2020 and ended the month 13.2% weaker. Losses were greatest in the Eurostoxx 50 Index at 16.2%, followed by a 12.4% dip in the S&P500 Index and a 9.7% drop in the Nikkei 225 Index.

The MSCI DM Index lost more than a fifth of its value YTD, as the COVID-19 pandemic roiled financial markets. US, European and Japanese bourses contributed to the extensive losses in the first quarter of the year. The Eurostoxx 50 Index haemorrhaged 25.3% in the first quarter of the year, followed by a 19.6% crash in the S&P 500 Index and a 19.2% plunge in the Nikkei 225 Index.

The S&P 500 Index skidded down 19% at its worst point in the month, but staged a decent rally thereafter on aggressive central bank buying and an announcement by the US government that it would be rolling out stimulus measures of about 10% of GDP.

The Eurostoxx 50 Index had fallen more than 28% at its worst point in the month. Italian Prime Minister, Giuseppe Conte, put the entire country under lockdown on 10 March 2020, while Spain and France followed by ordering residents to stay in their homes. Policymakers have still not found a way forward on a co-ordinated fiscal response. France, Italy and Spain have called for pooled Euro-area resources, while Germany remains opposed.

The Nikkei 225 Index suffered a 21% blow at its worst point in the month, but rebounded on the US Fed's announcement of an open-ended asset purchase programme and a US$2.2 trillion COVID-19 stimulus bill, which was struck between the White House and Senate in Washington. Japanese buyers' optimism was also lifted on an expected increase in equity purchases by the Bank of Japan and public pension funds.

DM government bond yields plummeted further in the first quarter of 2020, as investors retreated to safety. The US 10-year government bond yield rallied 125 basis points to an all-time low of 0.6%, while the German 10-year government bond yield sank nearly 30 basis points deeper into negative territory to negative 0.5%.

EM equity markets tumbled 23.6% in the first quarter of 2020, in line with a 23.3% drop in the Bloomberg Commodity Price Index. The MSCI Latin America Index nosedived 45.6% YTD, followed by a 33.9% crash in the MSCI Europe, Middle East and the Africa (EMEA) Index and an 18.1% fall in the MSCI Asia Index.

The MSCI Latin America Index lost a third of its value in March 2020, as investors lost confidence in Brazil's ability to improve its economic outlook.
The MSCI EMEA Index suffered a 21.1% knock in the same period, following a scaling up of measures in SA and Russia (the two largest constituents of the MSCI EMEA Index) to fight the COVID-19 pandemic. The monthly loss in the MSCI Asia Index trailed at 11.7%, after China eased the lockdown in Hubei, signalling increased control over the outbreak.

Risk appetite worsened towards EMs in March 2020, with the JP Morgan EM Bond Index (Embi) spread ending March 2020 more than 223 points higher. This leaves the Embi spread 297 points higher YTD. Argentina (increase of 300%), Indonesia (257%) and Russia's (256%) credit default swap (CDS) spreads blew out the most since the end of 2019, while the deterioration in spreads was the most muted for Bulgaria (2%), Hungary (12%) and Poland (13%).

The JPMorgan EM Currency Index shed 13.0% against the US dollar YTD, depreciating by 8.4% in March 2020. All major EM currencies printed in the red against the US dollar YTD. The steepest depreciations against the US dollar were in the Brazilian real (22.6%), SA rand (21.5%) and the Russian rouble (21.0%). During March 2020, the Mexican peso lost 17.0% against the US dollar, the Russian rouble depreciated by 14.7% and the Brazilian real slid 14.1%.

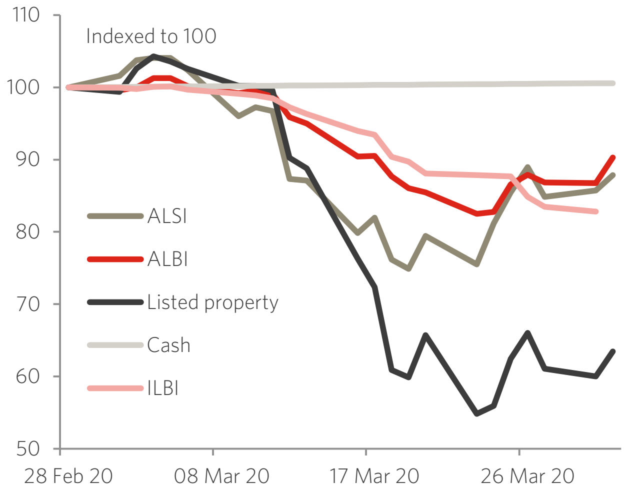
Local markets

The local equity market rout continued in March 2020, as panic set in. The FTSE/JSE All-Share Index sank 24.1% YTD, dragged lower by a 39.5% collapse in the FTSE/JSE Financials Index and a 25.3% lurch down in FTSE/JSE Resource Index.

Gold prices lifted 4.0% since the end of 2019, but platinum prices tanked 26.2% in the same period. Meanwhile, the international price of crude oil dove 65.7% in March 2020 to the lowest level since March 2002, on a collapse in demand driven by widespread lockdowns in European and the US as well as a price war launched by Saudi Arabia. According to the Financial Times, traders believe the global surplus could reach 25 million barrels a day by next month, which could overwhelm storage capacity.

The FTSE/JSE All-Share Index shrank 12.1% in March 2020 (see chart 5), driven weaker by financial shares, which grinded 29.4% lower in the month. Bank shares performed poorly in the month, losing more than a third of their value. The FTSE/JSE Resources Index ended March 2020 12.4% lower, while losses in the FTSE/JSE Industrials Index were limited to 3.1%, as a weaker currency buffered the fall by aiding dual-listed shares in the index. Retail shares were nevertheless hit hard in the month, falling by nearly 35% at its weakest point, when the SA government announced a 21-day lockdown on 23 March 2020.

Chart 5: Returns from local asset classes (%)



Source: Iress, Momentum Investments, data up to 31 March 2020

The FTSE/JSE Mid-cap Index fared marginally worse than the FTSE/JSE Small-cap Index in March 2020, with the former stumbling 23.7% in the month (down 35.6% for the quarter), while losses in the latter amounted to 21.7% (32.6% weaker for the quarter).

The SA 10-year government bond yield sold off 186 basis points since the end of 2019. The bulk of the sell-off was generated in March 2020, when yields spiked more than 180 basis points. The JSE Assa All Bond Index fell 9.7% in the month, while the JSE Assa Government Inflation-linked Bond Index traded 17.2% weaker for the same period. Meanwhile, the FTSE/JSE SA Listed Property Index slumped by a further 36.6% in March 2020, nearly halving in value since the end of 2019.

A shock to risk appetite caused by the virus and a late-month downgrade of SA's sovereign rating by Moody's into junk territory saw the rand spike to historic levels. The rand weakened by 12.3% against the US dollar, 12.4% against the euro and 9.4% against the pound in March 2020.

In line with the rise in CDS spreads across numerous EMs, SA's five-year CDS spread widened by 95%

(240 points) to 419 points in March 2020, partly owing to Moody's downgrade. SA's five-year CDS spread shifted 257 points above levels seen at the end of 2019.

Despite Brazil rated as a poorer credit quality (BB- by S&P and Fitch as well asBa2 by Moody's), its CDS is trading much lower at 272 points.

Indices summary for March 2020

	One month	Three months	One year	Three years	Four years	Five years	Six years	Seven years	Ten years
Equity indices									
FTSE/JSE All-Share Index (ALSI)	-12.13%	-21.38%	-18.42%	-2.07%	-0.94%	-0.13%	1.88%	4.72%	7.68%
FTSE/JSE Shareholder Weighted Index (SWIX)	-14.15%	-23.28%	-20.88%	-4.56%	-3.06%	-1.94%	1.09%	4.14%	7.64%
FTSE/JSE Capped SWIX All Share index	-16.69%	-26.58%	-24.53%	-7.38%	-5.36%	-3.81%	-0.54%	2.70%	
FTSE/JSE All Share Top 40 Index	-10.44%	-19.17%	-16.22%	-0.44%	-0.15%	0.53%	2.08%	5.16%	7.78%
FTSE/JSE Mid Cap Index	-23.66%	-35.57%	-27.54%	-10.64%	-6.31%	-4.68%	-0.08%	1.55%	6.40%
FTSE/JSE Small Cap Index	-21.67%	-32.55%	-33.03%	-18.36%	-11.36%	-8.52%	-4.43%	-1.02%	4.48%
FTSE/JSE Resources Index	-12.43%	-25.27%	-18.50%	8.42%	10.43%	2.08%	-2.61%	0.24%	0.14%
FTSE/JSE Financials Index	-29.43%	-39.48%	-38.82%	-12.17%	-9.69%	-7.96%	-2.08%	0.72%	5.76%
FTSE/JSE Industrials Index	-3.06%	-8.44%	-7.18%	-1.89%	-1.41%	0.55%	3.89%	7.03%	12.36%
FTSE/JSE Research Affiliates Fundamental Indices 40 Index (RAFI)	-18.41%	-28.74%	-27.76%	-4.47%	-1.18%	-1.15%	-0.23%	2.71%	5.86%
FTSE/JSE Research Affiliates Fundamental Indices All Share Index	-18.71%	-29.25%	-27.96%	-5.11%	-1.38%	-1.67%	-0.46%	2.31%	5.41%
FTSE/JSE SA Listed Property Index (SAPY)	-36.57%	-48.15%	-47.91%	-23.00%	-17.51%	-13.50%	-6.11%	-5.11%	2.82%
Interest-bearing indices									
JSE ASSA All Bond Index (ALBI)	-9.75%	-8.72%	-2.99%	5.27%	6.68%	5.18%	6.36%	5.51%	7.40%
JSE ASSA All Bond Index 1-3 years (ALBI)	-0.50%	1.22%	6.82%	8.27%	8.55%	7.95%	7.85%	7.31%	7.54%
JSE ASSA SA Government ILB Index	-7.26%	-6.85%	-5.07%	-0.49%	0.43%	1.42%	2.75%	2.43%	6.08%
Short-term Fixed Interest Composite Index (SteFI)	0.57%	1.69%	7.21%	7.31%	7.38%	7.23%	7.04%	6.78%	6.51%
Commodities									
NewGold Exchange-Traded Fund	13.62%	34.13%	52.34%	19.37%	11.59%	14.28%	12.80%	9.55%	12.84%
Gold price (in rands)	14.02%	34.26%	53.01%	20.73%	11.05%	14.75%	13.21%	10.01%	13.41%
Platinum Exchange-Traded Fund	-3.84%	-4.32%	5.63%	0.52%	-2.88%	-1.60%	-2.83%	-0.49%	
Platinum price (in rands)	-6.17%	-4.77%	5.68%	0.62%	-2.49%	-1.35%	-2.35%	-2.24%	-2.91%
Currency movements									
Rand/euro movements	14.19%	24.71%	20.92%	10.92%	3.97%	8.53%	5.15%	7.53%	7.02%
Rand/dollar movements	14.11%	27.46%	23.70%	10.01%	5.00%	8.08%	9.22%	9.97%	9.29%
Inflation index									
Consumer Price Index (CPI)			4.63%	4.24%	4.75%	5.20%	4.98%	5.12%	5.15%

Important notes

1. Sources: Momentum Investments, IRESS, www.msci.com, www.yieldbook.com, www.ft.com.
2. Returns for periods exceeding one year are annualised.
3. The return for Consumer Price Index (CPI) is to the end of the previous month. Due to the reweighting of the CPI from January 2009, this number reflects a compound of month-on-month CPI returns. The historical numbers used are the official month-on-month numbers based on a composite of the previous inflation series (calculations before January 2009) and the revised inflation series (calculations after January 2009).
4. The MSCI World index (All Countries) returns are adjusted to correspond with global investment prices received.
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UNITED STATES

Financial and economic stress have swamped the good news at the start of the year. Tourism and travel spend initially bore the brunt of the coronavirus outbreak, but the blowback has spread to many other sectors suggesting a recession is inevitable. An emergency 100-basis point cut, massive expansion in liquidity provision by the Federal Reserve, tax cuts, cash handouts and public spending aim to protect businesses and consumers from near-term economic disruption, but a drag on business sentiment and widespread disruptions to global supply chains in an already frail manufacturing sector are likely to weigh negatively on growth.

Forecast 2020:
GDP: -2.7%
Inflation: 1.3%
Forecast 2021:
GDP: 1.4%
Inflation: 1.8%

EUROZONE

Stringent measures to contain the spread of COVID-19, including country-wide lockdowns in Italy and Spain, suggest that a severe shock to demand will compound the supply disruption triggered by a shock to global supply chains. Heightened uncertainty are likely to contribute to a plunge in sentiment. The European Central Bank has responded to the crisis by ramping up asset purchases by an additional €870 billion and introducing a comprehensive package focused on liquidity. A substantial co-ordinated fiscal response still appears to be lacking to the detriment of the growth outlook.

Forecast 2020:
GDP: -4.2%
Inflation: 0.7%
Forecast 2021:
GDP: 0.6%
Inflation: 1%

UNITED KINGDOM

The coronavirus pandemic swiftly dashed upbeat sentiment related to reduced Brexit uncertainty after the election in December 2019. Global supply chain disruptions and a deterioration in Eurozone economic prospects will compound the negative effect on growth caused by social distancing behaviour which is dampening business and consumer spending. The Bank of England announced an emergency interest rate cut of 50 basis points, a £32 billion COVID-19 stimulus package, a Term Lending Facility for small businesses and credit guarantees to ease the effects of the virus on the economy.

Forecast 2020:
GDP: -2.9%
Inflation: 1.2%
Forecast 2021:
GDP: 1.0%
Inflation: 1.5%

JAPAN

Growth momentum was already weak on the back of a sales tax and a severe typhoon in the fourth quarter of 2020. The response from government to encourage a reduction in the movement of people is expected to knock economic activity. Lower demand by Japan's trading partners will damage growth, while a hit to tourism and entertainment will add to the drag on activity. The side effects of negative interest rates on banking margins have prevented the Bank of Japan from cutting interest rates further, but it has announced a new one-year lending facility and an increase in the limits of private securities purchases.

Forecast 2020:
GDP: -2.2%
Inflation: -0.1%
Forecast 2021:
GDP: 0.3%
Inflation: 0.3%

CHINA

While data suggests the epidemic is being brought under control in China, the future evolution of the disease is far from certain. The coronavirus outbreak has severely disrupted economic activity through government restrictions on transport which have slashed consumption and manufacturing activity. The collapse in new cases of COVID-19 has helped to normalise economic activity in areas where the virus has been contained. Further interest rate cuts are likely, while government has already instituted substantive fiscal easing, targeted credit easing and introduced plans to ramp up infrastructure.

Forecast 2020:
GDP: 2.0%
Inflation: 3.4%
Forecast 2021:
GDP: 5.5%
Inflation: 1.6%

EMERGING MARKETS

The crippling COVID-19 outbreak has worsened the environment for emerging markets which will suffer the blow of much lower global growth and plunging commodity prices. A proliferation of measures to curb the spread of the virus and a consequent change in consumer and business behaviour will strike retail, recreation and transport sectors the hardest. Parts of Emerging Europe and Emerging Asia have scope to accelerate fiscal and monetary policy efforts. Meanwhile, it will be more difficult to stave off a recession in Latin America and Africa, where capacity is more constrained.

Forecast 2020:
GDP: 0.8%
Inflation: 3.8%
Forecast 2021:
GDP: 3.6%
Inflation: 3.5%

SOUTH AFRICA

The global spread of COVID-19 and the subsequent containment measures following the announcement of a State of Disaster will slam already-muted confidence and squeeze domestic demand even further. With South Africa's (SA) relatively strong financial and economic integration into the global economy, the global slowdown and supply chain disruptions will slash the country's export volumes. Weighing up hefty fiscal constraints, government's planned fiscal stimulus package is unlikely to save SA from an outright contraction in growth this year. Despite the rand reacting poorly to a spike in global risk sentiment, lower oil prices and a modest currency pass through should result in tame inflation. Although the SA Reserve Bank has already lopped 125 basis points off interest rates since the start of the year, it stands ready to act further, if necessary.

Forecast 2020:
GDP: -3.2%
Inflation: 3.5%
Forecast 2021:
GDP: 0.8%
Inflation: 4.1%

The macro research desk

Herman van Papendorp is the head of the Momentum Investments research and insights team and takes ultimate responsibility for macro research and asset allocation. Economist, Sanisha Packirisamy, is responsible for providing a macro framework to inform investment opportunities and strategies.

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