

ClucasGray

Update
Regarding
Covid-19



The start of the new decade has been extremely disappointing for investors, both globally and in South Africa. The developments around the Coronavirus (Covid-19) have in a matter of weeks left an indelible mark on global society. Medical advice, embraced by political and business leaders alike, has been, amongst other measures, to restrict gatherings, to isolate oneself from society, close schools and universities, encourage working from home, and prevent local and global travel. These measures are intended to contain the spread of Covid-19 and preserve the health of citizens. Whilst we applaud the decisive manner in which leaders, including our own President Ramaphosa, have acted, we have to acknowledge that the actions have come at a great economic cost. For all South Africans, March 2020 is likely to be a defining month in their lives. These are indeed extraordinary times.

Governments globally have reacted to the crisis by promising significant fiscal stimulus measures to alleviate the short term pain being felt by businesses and individuals, Central Banks have lowered monetary policy where possible, and injected significant liquidity into their financial systems. The South African Reserve Bank too has cut interest rates by 1% - coupled with a material reduction pending in the price of fuel, consumers are likely to enjoy some relief. Interestingly, given a conservative approach to monetary policy over the last few years, South Africa is one of the few economies globally that has an ability to stimulate through meaningful interest rate cuts, should the need arise. Unfortunately this relief may be dwarfed by the pain felt were the current lockdown of many economies (including South Africa) to last for any sustained length of time.

What started out as a medical crisis has, through a confluence of events, resulted in an economic and financial crisis. Monday the 16th of March saw the largest single day fall in global equity markets since October 1987 – the original and infamous Black Monday.

Panic is an unfortunate, and typically costly, approach to investing. We, like you, are extremely disappointed with the way the quarter has to date developed. In these extremely volatile and unprecedented times, we are mindful of the risks of overreacting in the management of private client portfolios – more so when valuations of many companies now rival those on offer in the depths of the Global Financial Crisis of 2008/09.

We believe the quote from Macquarie strategist Viktor Shvets is worth repeating: *“Whilst it is fruitless to try to pick the bottom, we continue to view the current rush for cash as a transient event rather than a reset of our global asset-based and financialized world. Recent monetary and fiscal responses are likely to prevent extreme outcomes.”*

From a business point of view, ClucasGray will be fully operational during the 21 day lockdown period recently announced by President Ramaphosa. All staff will be working remotely from home with effect from Friday 27th March. Please do not hesitate to contact us to discuss your investment portfolio or the current market environment.

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Best wishes to you and your family during these extraordinary times- stay safe and healthy.

Kind regards

The ClucasGray Team



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Persons are advised to contact ClucasGray directly should they wish for us to conduct an analysis with a view to facilitating investing in our investment portfolios.

ClucasGray (Pty) Ltd is an independent investment management company registered in South Africa, company registration number 2005/12445/07 and authorised financial services provider under the Financial Services Board (FSB) registration number 21117. The main business of ClucasGray is the provision of investment management services to private and institutional clients.

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