

SA investors expect higher future returns despite Covid-19 shock

Even as Covid-19 halted the longest economic expansion on record and plunged the world into deep recession, South African investors expect to make an average annual total return of 12.67% - almost 2% higher than the global average predicted returns of 10.9%.



Kondi Nkosi, South Africa country head, Schrodgers

This was revealed in the recently released Schrodgers' [Global Investor Study 2020](#). To put that in context, between mid-February and mid-March, world stock markets fell by over 30%. During those weeks Germany, France, the UK and the majority of US states shut down to limit the coronavirus's spread. Although a recovery rally in world stock markets had begun by April – by which time some countries were re-opening aspects of business and society – South Africa's national lockdown only began on 26 March 2020.

Lockdown

“Interestingly, the market turbulence in early 2020 – as the scale of the pandemic became clear and as most of the world's economies entered lockdown – appears not to have dented South African investors' optimism,” says Kondi Nkosi, Schrodgers country head in South Africa. “Expectations for future returns are only slightly lower in 2020 than in 2019, when South African investors expected to make an average annual total return of 13.8%.”

Nkosi notes the US as one example where investors appear to have become much more bullish over the past year. “When surveyed in May 2019, US investors hoped for future annual returns of 10.3% – putting them broadly in the middle of the spectrum. In the intervening period, however, they appear to have become far more upbeat. This may be because US shares had a striking run in 2019, with the S&P500 gaining by approximately 25%,” he says.

European investors, on the other hand, are far more moderate in their expectations, with investors in Germany, France, Italy and Switzerland anticipating the lowest future returns in 2020. This, Nkosi says, is roughly in line with their 2019 predictions. “In the UK, investors’ hopes remain middle-of-the road. Their prediction for future annual returns rose from 9.3% in 2019 to 11.1% this year.”

Other geographic disparities have remained broadly consistent between 2019 and 2020, he says, adding that investors in a number of emerging markets, including Indonesia, Argentina, Brazil, India and Chile join South Africa among those with the highest hopes for what their portfolios will deliver in future years – all anticipating annual returns of over 12%.

Confidence

“It’s extremely interesting that despite the impact of Covid-19 – and all of its dramatic effects on our lives and work – investors still have confidence in generating returns from their savings,” says Nkosi. “You might say that some of these expectations are unrealistic, but you could also say that perhaps investors are realising that stock market returns are not the same as economic growth.

“We strongly believe that one of the prevailing future trends will be lower long-term interest rates, and this was our view well before the pandemic. Longer-term, we think there will be more disruptive forces at play in markets and that it will become harder overall to find returns. But we have seen again and again in the years since the financial crisis that certain investments can deliver returns even in challenging environments,” he says.

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