South African hospitality stocks sink as Covid-19 restrictions tightened

By Nqobile Dludla

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South African hospitality, grocery retail and gym stocks sank on Monday alongside the rand currency after the government tightened Covid-19 restrictions to cope with new coronavirus infections.

South African Rand coins are seen in this illustration picture taken October 28, 2020. REUTERS/Mike Hutchings/Illustration

The travel and leisure index tumbled 7.53% to a one-month low and recorded its biggest daily decline in just over a year, with City Lodge, Tsogo Sun Gaming, Tsogo Sun Hotels and Sun International down between 6.70% and 9.83%.

"Sentiment is very low on these businesses. People get fearful when news flow is bad as it is at the moment," said Varshan Maharaj, portfolio manager at Allan Gray.

Investment firm Brait SE, which holds just under 80% of Virgin Active gyms, fell 6.10%, while wines, spirits and cider producer Distell slipped 0.69%.

Grocery retailers who sell alcohol Massmart, Woolworths, Shoprite, Pick n Pay and Spar Group fell between 0.80% and

5.26%.

The Johannesburg All-Share index fell 0.61%, while the Top 40 index dropped 0.53%.

President Cyril Ramaphosa announced tighter Covid-19 restrictions on Sunday for 14 days saying the current containment measures were insufficient with the country, the worst hit on the African continent in terms of recorded cases and deaths, in the grip of a third wave of infections.

Under the measures announced, all gatherings are prohibited, there will be a curfew from 9pm. to 4am., gyms, cinemas, casinos and entertainment facilities must close and the sale of alcohol will be banned.

In the currency market, the rand weakened 0.55% to 14.2050 against the dollar by 1505 GMT.

"This scenario, although necessary, is likely to hamper an already faltering economy, and the rand is likely to remain under pressure, with any strength in the local unit likely to be met with fresh demand for USD," analysts at Nedbank wrote in a note.

Government bonds strengthened slightly, with the yield on the instrument due in 2030 falling 3 basis points to 8.960%.

ABOUT THE AUTHOR

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