

Outlook 2021

Sandton, Tuesday, 26 January 2021: The second wave of the Covid-19 pandemic has ushered in significant uncertainty early in the new year, and while key participants in the financial sector are likely to continue taking a cautious approach to business, the prospect of a vaccine roll-out during the course year and the many lessons learnt from the first wave should help lay the foundation for a better year.

Most participants in the financial sector underwent a rapid and painful adjustment to enable them to survive and continue operating when the virus first hit. And while the second wave may be worse in terms of infections and deaths, the big shift to digital and remote working has largely taken place. This puts business in a much healthier position to tackle the second wave, says A2X Markets CEO Kevin Brady, one of South Africa's newest stock exchanges and the leading exchange for secondary listings.

Says Brady: "The focus in 2021 is likely to shift from last year's big survival challenges, which consumed a huge amount of time and resources, to refining their digital strategy and platforms, staff well-being and productivity and, of course, a relentless focus on cost savings. Many companies will have experienced the benefit of technology-driven savings and will now look to extract even greater efficiencies going forward."

Brady believes that companies that are able to leverage their technology platform to create an efficient and agile business that can deliver cost-effective solutions and products to their clients, while creating a fun and trusted work environment, will be the winners of tomorrow.

He believes A2X is well positioned to face the challenges of the new year as it uses the latest stock exchange technology and passes on efficiency gains in the form of much lower fees. In addition, the narrower spreads quoted on the exchange offer huge savings to investors in the form of price improvement. In a tough economic environment, he expects investors to pay increasing attention to reducing cost while at the same time trying to eke out improved returns.

It is part of the reason why A2X is enjoying continued growth in onboarding new companies to its platform as many want to offer their shareholders the opportunity to capture these very benefits.

In December 2020, A2X onboarded both Prosus, which is regarded as Europe's largest tech company, and Capital Appreciation, a leading provider of financial technology in South Africa.

This has brought the number of listed securities on A2X to 40 with a combined market value of R5,4 trillion. A2X is now the second-largest exchange in Africa by market value, after commencing its operations a mere three years ago.

Brady says the company's growing position is likely to be sustained by pending new regulation that includes the Best Execution rule, which will see brokers having to obtain the best possible result for their clients when executing orders on their behalf. The potential savings this regulation could unlock for end investors are estimated to be upwards of R1 billion per year.

The A2X focus in 2021 will be on expanding the range of securities available for trade on its platform.



“We remain committed to offering choices to all market participants. In addition to growing the number of secondary listings, A2X will also look to attract new listings to the platform that were previously not available to mainstream investors.

“We have also applied to the Financial Sector Conduct Authority (FSCA) for approval to introduce a series of new trade types. These additions are aimed at assisting both investors and brokers to source fresh liquidity while at the same time reducing friction costs and improving market quality. The trade types have proven successful in both the United Kingdom and Europe and, when approved for local use, will assist in helping us grow and develop our market in line with international best practice,” says Brady.

ENDS