

South African investors are exuding confidence and are positive about one year returns — despite the recent hike in interest rates, petrol and food prices, a new investor confidence index has found.

According to the Sanlam Investment Management (Sim) Investor Confidence Index on Tuesday — which is run in conjunction with the Institute of Behavioural Finance — short-term fears have, for them moment, been allayed.

The index is the first in South Africa to measure investor confidence, Sanlam said.

Little fear remains

According to the head of research at Sim, Frederick White, the results covered the five months from June to October. "Investors believed that the market would now rise steadily. There was very little fear of a stock market crash. Emerging market growth was seen by respondents as reasonably secure in spite of a slowing down of growth in developed markets."

He said local investors shared the sentiment held by many global investors that central banks would support global financial systems — and in the process help to protect financial markets from a real catastrophe.

However, 40 percent of respondents believed the JSE was overvalued. "Not a single person surveyed thought the market was cheap. The fact that they still saw trend returns from an overvalued market indicated that they remain quite confident of positive earnings growth."

Well respected methods

Chairperson for the Institute of Behavioral Finance, Theo Vorster, said the survey was based on the well respected Yale School Management Stock Market Confidence Index conducted in the USA and Japan.

Vorster said the survey was conducted via a questionnaire on the second Monday of every month to a sample of 80 to 120 institutional investors and investments advisors, who participate anonymously.

"The index is based on four categories of questions, namely the One-Year Confidence Index, Buy-on-Dips Confidence Index, Crash Confidence Index, and Valuation Confidence Index."

Key role to play

According to Armien Tyer, MD of Sim, the index had an important role to play in South Africa as an objective measure of market sentiment.

"The information offers insight into the mood among investors and indicates how significantly major market changes affect investment decisions. Over time, trends will be revealed which will allow us to make comparisons between financial markets and to compare current sentiment to that over comparable periods in the past."

The index had received the formal endorsement of the Investment Management Society of South Africa (Imasa). From November, the Sim Investor Confidence Index will be published in the third week of each month.