

Little fear of SA market crash - I-Net Bridge

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Johannesburg - South Africa's inaugural Crash Confidence Index launched on Tuesday by Sanlam Investment Management shows that investors are demonstrating very little fear of a stock market crash in the next six months.

The index was recorded at 96 in October, meaning only 4% of respondents believed the chance of a crash to be more than 10%. The average probability of a crash halved from an August high to just 6%.

However, after the sharpness of the July/August correction, more investors thought a crash could be possible and the index dropped to 73 - that is 27% deemed the probability of crash higher than 10%, while the average probability of a crash rose to 11.3%. However, the initial leg of the recovery saw the index recover to pre-correction levels.

"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," said head of research at Sanlam Investment Management, Frederick White.

The Crash Confidence Index, one of the major categories of the overall Investor Confidence Index, shows whether respondents believe there is the possibility of a catastrophic market crash occurring during the next six months.

The researchers noted that there seems to be a growing acceptance that emerging market growth is "decoupling" from that of developed markets and hence that earnings and equity performance could continue, or be less harmed, should the developed markets slow down somewhat.

The Sanlam Investment Management Investor Confidence Index will be published from the third week of every month from November.

It is the only national barometer of investor confidence and is one of only three in the world. It is based on the Yale School of Management Stock Market Confidence Index conducted in the US and Japan.