

South African investors remain confident about one-year returns on the local equity market despite recent increases in interest rates and higher fuel and food prices, a new survey showed on Tuesday.

The inaugural investor confidence index, sponsored by financial services group Sanlam, showed investors believed Johannesburg stocks would rise steadily in the short term.

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

The survey found that 70 percent of market players expected positive returns from the local bourse, although 40 percent believed that shares prices were overvalued.

"The fact that they still saw trend returns from an overvalued market indicated that they remain quite confident of positive earnings growth," he said.

The Johannesburg bourse's All-share index is up 29 percent this year, despite market turmoil amid a global credit squeeze, and higher domestic interest rates, boosted by a commodities boom. It touched a record high on October 11.

South Africa's central bank has raised rates by 350 basis points since June last year, including half percentage point hikes in June, August and earlier in October.

Sanlam said the confidence index -- which measures investors' expectations on one-year returns, valuations, probability of a market crash and buy-on-dips -- will be released monthly.

The first survey started in June and ran through to October 10, covering a period of market turmoil sparked by problems in the U.S. subprime mortgage sector.

White added investor confidence may have been bolstered by the world's major central banks injecting liquidity into money markets, to ease the credit crunch.

The Sanlam survey will be conducted among 80 to 120 portfolio managers and investment institutions each month and is based on similar indices in the United States and Japan.

"The information offers insight into the mood among investors and indicates how significantly major market changes affect investment decision," he said.

"Over time, trends will be revealed which will allow us to make comparisons between financial markets and to compare sentiment to that over comparable periods in the past," he said.