Key market events since 2000: a tale of two contrasting decades

Comparing local vs global market performance*

2000:
Global markets outperform by 11.0%

The dot.com bubble burst, dragging global markets down; sentiment shifted to risk-off, impacting emerging market currencies. The rand declined by 19% against the dollar, despite S&P rating SA as investment grade for the first time. SA miners declined in response to the first Mining Charter. Telkom and SAA were part privatised, and similar plans were tabled for Eskom. Capital gains tax was introduced.

2001:
Local market outperforms by 0.2%

The US recession continued and the September 11 attacks contributed to a 13% dollar decline in the S&P 500. Despite the rand falling by a then-record 37% against the dollar, the local equity market managed to outperform global markets, as commodity shares produced strong returns in the final quarter.

2002:
Local market outperforms by 35.2%

Global equity markets lost money for the third year running, and the US was rocked by the Enron and Worldcom accounting scandals. The rand strengthened 28% to the dollar. This impacted dual-listed and rand-hedge shares, but a single-digit forward P/E multiple, a healthy local economy, and strong performance by Telkom, Vodacom and MTN saw SA outperform its global peers.

2003:
Local market outperforms by 13.0%

While global markets increased by more than 30% in dollars, the rand again strengthened significantly, resulting in another disappointing year for offshore assets. After a 12% return, the ALSI was still undervalued and the local economy remained in good shape.

2004:
Local market outperforms by 27.3%

Global markets again produced positive returns in dollars, but this was offset by the rand's 15% gain against the dollar (over three years the rand strengthened by more than 50%). Local banks and retailers continued to benefit from a healthy consumer and Naspers appreciated by 80%.

2005:
Local market outperforms by 23.9%

The local market returned an incredible 47%, aided by rampant resource shares as the impact of China's rise reverberated around the world. This was more than enough to offset an 11% decline in the rand/dollar exchange rate and a 10% dollar return by global equity markets.

2006:
Local market outperforms by 8.8%

The JSE delivered 40%+ and global investors fell in love with emerging markets. It was a great year for developed markets too, with a 21% dollar return. The rand weakened by 9%. Early warning signs of a new bubble in the US housing and credit markets became apparent.

2007:
Local market outperforms by 12.2%

A stable year for the rand. Global markets were under pressure as concerns about the US housing and credit markets grew, but still ended the year with a single-digit positive return. The local market started the year well, but retailers and banks came under pressure as the SARB aggressively hiked rates in response to rising energy and food prices.

2008:
Global markets outperform by 6.7%

A dismal year with no place to hide as the Global Financial Crisis (GFC) roiled global markets. The JSE declined by 23% in rands, the MSCI by 40% in dollars, and the rand weakened by 27%. While the short-term outlook for the economy and profits was dire, valuations were so attractive that we viewed it as a once-in-a-lifetime opportunity to buy global equities.

2009:
Local market outperforms by 30.5%

Developed markets entered the world of zero interest rates and quantitative easing. The rand recovered from the risk aversion caused by the GFC and strengthened by 21%. Local equities recovered strongly as the lure of low valuations trumped concerns about the global economy. The longest bull market in US history, still going today, kicked off in March 2009.

2010:
Local market outperforms by 18.5%

Global markets were up in dollars, but this was completely offset by a 12% appreciation of the rand. This was supported by significant foreign investment inflows into SA, which also contributed to a recovery in the share prices of resource companies and retailers.

2011:
Global markets outperform by 14.0%

A muted year for global markets, hallmarked by 'trendless volatility': despite lots of ups and downs, local and global indices still ended the year flat. The lack of direction was mostly due to the European debt crisis. Attention was fixated on the PIIGS (Portugal, Ireland, Italy, Greece and Spain). The rand weakened for the first time since the GFC, declining by 20% against the dollar. The local equity market struggled to produce growth, given concerns about full valuation levels.

2012:
Local market outperforms by 5.4%

The market climbed the proverbial wall of worry. The rand remained stable, global markets recorded an above-average dollar return and the local market gained 27%. This was the year of Grexit, Marikana, a record number of service delivery protests, and the confirmation of SA's competitive decline as a result of economic mismanagement. On the plus side, SA was included in the World Government Bond Index and significant foreign buying of local shares continued.

2013:
Global markets outperform by 35.5%

A year of strong returns from global and local indices and material rand weakness (-18%). While global developed markets – notably Japan and the US – continued to do well as a result of central bank support, then-Chairman Ben Bernanke's announcement that the Fed may consider reducing its asset purchases caused the so-called 'taper tantrum': a sell-off in emerging market currencies and other assets.

2014:
Global markets outperform by 5.8%

While returns were more subdued, markets still delivered real returns. The rand declined by 9%. Concerns about the SA economy increased with ongoing labour unrest, problems at the Medupi and Kusile power stations and the return of load-shedding. Locally, financials did well, but resources declined sharply on slowing China growth. The US economy continued to perform well. Global returns, ex-US, were dampened by a strong dollar.

2015:
Global markets outperform by 29.5%

A brutal year for investors. Commodities continued to decline as the Chinese economy shifted focus from infrastructure to consumer spending. The Fed started tapering asset purchases and raised rates for the first time since 2008. These factors caused emerging markets to lose favour. In SA, a bad macro environment, fiscal slippage, a lack of investment, Eskom's woes, and a severe drought were compounded by the axing of then-Finance Minister Nene. These factors culminated in the rand losing 25% of its value against the dollar; a cumulative decline of 60% over five years.

2016:
Local market outperforms by 6.9%

Developed market politics emerged as a bigger risk factor, as the world became familiar with Brexit and Trump. As domestic growth slowed to a standstill and confidence eroded further, the JSE failed to beat inflation for a second consecutive year. The rand recovered somewhat from its Nenegate-induced oversold position.

2017:
Local market outperforms by 10.3%

A good year for the JSE built on Naspers' 80% gain was completely overshadowed by the collapse of Steinhoff, which further eroded investor confidence. The rand also gained 10% against the dollar, buoyed by Cyril Ramaphosa's election as ANC leader. Global markets continued to do well in dollar terms, supported by a benign economic environment and tax cuts in the US.

2018:
Global markets outperform by 14.4%

Local and global markets declined in response to the Fed, signaling its intent to raise US interest rates, coupled with deteriorating geopolitics and an intensifying trade war between the US and China. Emerging markets fell even further out of favour. Domestic confidence and growth remained in the doldrums and the rand depreciated by 15%.

2019 year to date:
Global markets outperform by 16.9%

While the domestic economy remains under pressure, the rand remained stable this year. The local equity market remains on track to produce reasonable returns, but global markets, both developed and emerging, recovered more strongly as the Fed reverted to a dovish stance.

*Market outperformance quoted in rand.