

SIM launches index to measure investor sentiment.

Sanlam Investment Management (SIM), in collaboration with the Institute of Behavioural Finance, today launched an investor confidence index to measure sentiment among investment managers. Given that the various share price indices reflect the buying and selling votes of the investment community, are they not a very accurate barometer of sentiment?

Not so, says Fred White, head of research at SIM. He points out that as the market forges ever higher, many influential investors feel bearish. They may not actually be selling yet but the way they feel will eventually be expressed in the index.

The index will capture this hidden sentiment. As the market goes into the depths, a number of investors feel it is cheap. The SIM Investor Confidence Index will catch these people.

SIM has lined up 120 market moving respondents, who have agreed to answer five or six simple questions on where they see the market moving. They can simply click their replies, so SIM hopes to publish its results in a week, ensuring that they are still relevant.

All of SIM's competitors, with the single exception of arch-rival Old Mutual, have agreed to participate. No-one has yet invited SA's biggest investor, the PIC, on board but SIM is working on it.

SIM has monitored sentiment for five months before launching the index. White says short term fears around June have been allayed and that investors now believe markets will rise steadily. One of the questions gauges the likelihood of a stock market crash. White says only a tiny minority harbour such a fear. He said like their foreign counterparts, SA investors took great comfort from the preparedness of financial authorities to loosen monetary policy in the face of the sub-prime meltdown.

But he said 40% said the JSE was over valued: "Not a single person thought the market was cheap. That they still say trend returns from an overvalued market suggests that remain quite confident about earnings growth."

Chairman of the Institute of Behavioural Finance Theo Vorster said the survey was based on the Yale School of Management Stock Market Confidence Index conducted along similar lines.

There are four categories of questions - a one-year confidence index, a buy-on-dips confidence index, a crash confidence index and a valuation confidence index.