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Die Beleggings-ontleders Tydskrif

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Inhoud

This issue in brief

A standard method of property performance measurement
Institutional investors have large portfolios of property investments, yet very little has been published on the measurement of property investment performance. The complications associated with it, in particular the difficulty of valuation, is the main explanation. This paper examines existing methods of property performance measurement and their drawbacks and suggests a standard method of valuation and a standard method of property investment performance measurement. The suggested standard method of measurement is an adaptation of existing measurements which are combined to provide a more comprehensive measure of performance.

The maintenance of living standard hypothesis – the key to practical selection of efficient portfolios
The motivation for a higher standard of investment advice is compelling because it improves the efficiency of investment strategies and ultimately raises the performance of investment portfolios. However, the problem facing most investment advisers is the tenuous link between theory and practice. This paper promotes a reconciliation between theory and practice by suggesting a means for responsible determination of investment strategies based on the principles of Modern Portfolio Theory.

Are fund managers using futures and options?
South Africa's financial derivatives markets have been in existence for close on four years now. What use are fund managers making of them? Mr Israelsohn and Professor Firer here report on interviews they conducted with a representative sample of fund managers. They found that the options market is fairly generally used, but they regard the small use fund managers make of futures as disappointing. Among the reasons given are dissatisfaction with the regulations and guarantees (this was pre-SAFEX), a lack of knowledge and staff, and conservatism at top management level. More active promotion is recommended. Suggestions are also made for the introduction of certain new instruments.

Immunisation in South Africa

Most empirical research on immunisation has not considered such issues as for instance transaction costs, nor has the convexity of portfolios been quantified. Furthermore, research has been based on data from overseas capital markets. An important study using South African data tended to be 'theoretical'. This article attempts to overcome these shortcomings. It assesses the feasibility of immunisation in South Africa and attempts to keep it as practical as possible. The results are encouraging, although imperfect. The evidence tends to indicate that, with the increasing sophistication of the South African financial market, bond practitioners who possess knowledge of bond immunisation techniques should have a distinct advantage over their competitors.

Investment basics XXIV – Technical analysis – Part 2

This is the second in a series of articles by Joubert and Mason. In the first article they dealt with the basic principles of technical analysis. Here moving averages and momentum oscillators are discussed as specific tools in attempting to anticipate changes of trend in price time series. Moving averages and momentum oscillators are described as "event driven" indicators. Their greatest value is seen to be in computerised scanning of share price changes.

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Die Beleggingsontleders Tydskrif

Vier-en-dertigste uitgawe – Lente 1991

The major revision of the PPI figures from February 1990 to June 1991 deserves public concern for a number of reasons. First, it gives currency to scepticism about statistical data published by government agencies at precisely the time when such agencies need to increase, not suffer further erosion of their credibility. Secondly, it invites suspicion as to the causes of the inflation in food prices. And thirdly, it rekindles some hope that inflation, after all, may still be on the way down, although that certainly was not the impression encouraged by the CPI figures for July. These showed a month-on-month gain of 1,3 per cent, taking the twelve-month increase from 15,2 per cent to 15,8 per cent. This is the rate with which it is necessary to face the momentous political changes that seem bound to take place between now and the budget still set for delivery in March 1992.

Anyone fimiliar with economic statistics will know their limitations. These, or at least the great majority of them, including the statistics most important to thinking about the economy and the direction it is taking, are at best rough estimates of what is happening at any time. They are, and they should be, subject to regular revision. At worst they are not just bad estimates, but are rooted in ideology or theory and so lack the objectivity the man in the street expects of them. However, these limitations notwithstanding, they are the best quantitative measure we have of economic change, and they therefore need to be taken seriously. All the more reason, therefore, for the powers that be to ensure that the greatest care be taken in their compilation and that regualr revision does in fact take place. A revision of a food price change from over 40 per cent to under 8 per cent can only be explained by gross negligence on the part of the compilers and cannot be dispensed with by mere apology. Some people have lost money because of this carelessness.

The downward revision of the PPI food price increase contrasts uncomfortably with the much higher most recent food price increase of the CPI. How can this difference be explained? It suggests that food price inflation is not the fault of the primary producer but is the result of others in the distributive chain widening their margins at the expense of the public. If this is not the case, the public needs to be told. At best a thorough investigation of the matter is appropriate. Too many accusations of monopolistic practice are being made, and these need to be countered or the culprits revealed for all to see, expecially ahead of the introduction of VAT.

It is nice to have one's hopes of lower inflation by the end of the year revived, but a measure of scepticism about this should be retained notwithstanding the PPI revision. There is, of course, no assurance that the lower PPI rate of change will feed through to the retail level by then. Higher fuel prices and VAT are complicating factors. So are current monetary and fiscal policy. While monetary policy appears to be tight, it is not as tight as it should be given the current level of government spending. The Governor of the Reserve Bank, Dr Chris Stals, has admitted that over the first six months of the year the Bank added some R2,4 billion to money market liquidity in order to accommodate the continuing high demand for credit. On the other hand, government spending is running well ahead of budget. While wage and salary increases in the private sector are around 16 per cent, in the public sector they exceed 22 per cent. From the point of view of bringing inflation down to single digit levels before a transitional government takes office, this is a prescription for disaster. If the hoped for multi-party conference takes place in October or November this year, such a government could be instituted before March 1992 when the next budget is due to be delivered. Even if Barend du Plessis is still the Minister of Finance, the emphasis placed on social spending by a transitional government is bound to be a lot higher and the upward pressure on prices a lot greater. Where will inflation be by end 1992?

Die algehele hersiening van die PPI syfers vir Februarie 1990 tot Junie 1991 verdien om 'n aantal redes publieke belangstelling en baar kommer. Eerstens verklaar die hersiening juis waarom daar skeptisisme is oor statistiese data wat deur regeringsagentskappe gepubliseer word – en dit juis op 'n tydstip waarop sodanige agentskappe 'n behoefte daaraan het om hul geloofwaardigheid te verhoog eerder as om toe te laat dat dit verder weggekalwe word. Tweedens laat dit suspisie ontstaan oor wat die oorsake vir inflasie in voedselpryse is. En derdens laat dit weer 'n bietjie hoop opvlam dat inflasie per slot van rekening steeds verder daal, alhoewel dit sekerlik nie die indruk was wat deur die VPI syfers vir Julie gewek is nie. Dit het 'n maand-op-maand styging van 1,3 persent getoon, wat die persentasiesyfer vir die twaalf maande van 15,2 persent tot 15,8 persent laat klim het. Dit is die koers waarteen die geweldige politieke veranderinge tegemoet gegaan moet word wat na verwagting ons voorland gaan wees in die tydperk van nou af tot en met die begroting wat volgens huidige verwagtinge in Maart 1992 voorgelê gaan word.

Enigiemand wat vertroud is met ekonomiese statistiek sal weet wat die beperkinge daarvan is. Sulke statistiek, of minstens die meeste daarvan — insluitende dié wat denke oor die ekonomie en bepaalde neigings die meeste beïnvloed – is in die gunstigste geval ruwe skattings oor wat op enige tydstip aan die gang is. Dit is onderworpe, en behoort steeds onderworpe te bly, aan gereelde hersiening. In die ergste geval is sulke statistiek nie net swak skattings nie maar, boonop gewortel in ideologie en teorie en ontbreek objektiwiteit wat die breë publiek verwag. Nieteenstaande hierdie beperkinge, is hierdie syfers egter die beste kwantitatiewe maatstaf wat ons het van ekonomiese verandering en moet hulle ernstig opgeneem word. Des te meer rede, derhalwe, waarom die owerheid moet verseker dat dit met die grootste sorg saamgestel word en dat gereelde hersiening plaasvind. Daar is net een verklaring vir 'n hersiening van 'n voedselprysverandering van meer as 40 persent tot onder 8 persent – dis niks anders as growwe nalatigheid aan die kant van die opstellers nie en kan nie met 'n blote apologie agterweë gelaat word nie. Sommige mense het geld verloor weens hierdie agtelosigheid.

Die afwaartse hersiening van die PPI voedselprysstyging staan in 'n ongemaklike skerp teenstelling met die veel hoër mees onlangse voedselprystoename van die VPI. Hoe kan hierdie verskil verklaar word. Dit suggereer dat voedselprysinflasie nie die fout van die primêre produsent is nie, maar voortgebring word deur ander spelers in die verspreidingsketting wat hul marges verbreed het ten koste van die publiek . Indien dit nie die geval is nie, moet die publiek ingelig word. In die beste geval is 'n deeglike ondersoek van die aangeleentheid paslik. Te veel beskuldigings van monopolistiese praktyke word gemaak, en dié moet geneutraliseer word of anders moet bekend gemaak word wie die skuldiges is, sodat almal kan sien wie hulle is, veral voor die instelling van BTW.

Dit is verblydend om weer moed te kan skep dat ons so teen die einde van die jaar weer laer inflasiesyfers gaan sien, maar 'n mate van skeptisisme hieroor mag nie uitbly nie, ten spyte van die PPI hersiening. Daar is natuurlik geen versekering dat die laer PPI veranderingskoers teen daardie tyd sal deurwerk tot op kleinhandelsvlak nie. Hoër brandstofpryse en BTW is faktore wat hierdie dinge verder kompliseer. Dieselfde geld vir die huidige monetêre en fiskale beleid. Terwyl dit wil voorkom asof monetêre beleid stram is, is dit nie so streng soos dit behoort te wees gegewe die huidige vlak van staatsbesteding nie. Die president van die Reserwebank, dr Chris Stals, het erken dat oor die afgelope ses maande van die jaar die Bank sowat R2,4-miljard tot geldmarklikiditeit toegevoeg het ten einde die voortslepende hoë vraag na krediet te akkommodeer. Aan die ander kant het staatsbesteding bo die begrotingsyfers gestyg. Terwyl loon- en salarisverhogings in die privatesektor om en by 16 persent is, is dit moontlik dat dit in die openbare sektor reeds 22 persent oorskry. Indien dit benader word uit die oogpunt dat inflasie afgebring moet word na enkelsyfer-vlakke voor 'n oorgangsregering die bewind aanvaar, is dit 'n resep vir rampspoed. Indien die verwagte veelpartykonferensie in Oktober of November vanjaar plaasvind, kan so 'n regering voor Maart 1992 gevorm word wanneer die volgende begroting voorgelê gaan word. Selfs al sou Barend du Plessis steeds die Minister van Finansies wees, sal 'n oorgangsregering stellig heelwat meer klem op sosiale besteding plaas en die opwaartse druk op pryse heelwat groter wees. Wat gaan die inflasiesyfer teen die einde van 1992 wees?