Bad year for African bourses prompts investor exit

By Malcom Sharara

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Foreign investors suffered huge losses in most African stock markets in 2015, as the continent faced foreign exchange pressures and low commodity prices.

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While investors in Botswana and South Africa recorded some gains in local currencies, weakening currencies against a strengthening US dollar resulted in heavy losses for foreign investors.

In rand terms, the JSE All-share Index was up 1.86% in the year 2015 but in US dollar terms, it suffered a 22.55% loss.

On 9 December 2015 the rand hit a record low of R15.30 against the greenback after President Jacob Zuma surprised markets by removing finance minister Nhlanhla Nene from his post, replacing him with the relatively unknown backbencher David van Rooyen. Before #NeneGate the rand had already depreciated by 23% versus the dollar.

In pula terms, the Botswana Stock Exchange Domestic Company Index was up 11.59% but suffered losses of 3.89% in US dollar terms.

Zambia's LuSE All Share Index was 2015's biggest loser in dollar terms after dropping a massive 45.80%. In kwacha terms the loss was about 6.91%.

Copper slide hits kwacha hard

The kwacha fell by about 48% in 2015 against the dollar as plunging copper prices, a power crisis and the widening budget deficit weighed on the economy. Other African markets to fall in dollar terms were the Nigerian Stock Exchange All Share Index which lost 23.43%, Kenya's FTSE NSE index down 23.58% and Ghana's GSE ALSI which tumbled 25.44%.

The Zimbabwean stock exchange, which trades in US dollar, was 29.45% weaker as most blue chip companies were weighed down by negative economic performance as well as policy and political uncertainty.

In recent years African markets have been one of the preferred destinations for funds shunning lower interest rates in the US, but all that has changed since the US Federal Reserve hiked interest rates.

Analysts say foreign investors - who are the biggest participants on most African markets - are seeking exit points due to developments at the foreign exchange market, low commodity prices and negative sentiments over poor corporate results.

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