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Page: 19

SA's market rise built on gold

RETURNS: COMMODITY WINDFALL DRIVES HIGHS

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When investors point to the JSE All Share Index's eye-catching returns and ask why they should be investing offshore, it opens a more important conversation about what we're actually measuring and over which time horizon.

It's a fair observation. When you look at recent performance data and see the FTSE/JSE All Share Index (Alsi) posting a one-year return of 39.53% against the MSCI All Country World Index's 15.80%, the recommendation to diversify offshore can look, at best, counterintuitive – and at worst, like poor advice.

But the observation contains a subtle framing error. The question is not whether the JSE can outperform global markets in a given period. It can.

The real question is what a globally diversified portfolio is actually trying to achieve – and why comparing short-term index returns misses that entirely.

Global diversification was never about abandoning South Africa. It was about not being confined to it.

The dollar lens

Investment analyst and director of Brenthurst Wealth Magnus Heystek offers what is perhaps the most clarifying framework for this debate: stop measuring South African wealth in rands.

When you price South African wealth in dollars – the currency in which most global goods, services, travel, and education are ultimately denominated – a very different picture emerges.

Over the past 17 years, South African wealth measured in dollars has declined by about 30%-40% in purchasing power.

The rand has moved from rough parity with the dollar in the 1970s to more than 17:1 today.

Nominal rand returns, however impressive, must be viewed through that lens.

A commodity windfall

The JSE's recent outperformance deserves scrutiny, not uncritical celebration. The surge has been driven not by policy reform, improved infrastructure, or underlying economic health, but by a spike in commodity prices The market is booming; the economy is not.

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