## Major Market Performances 2012

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As 2012 now is history and we are looking forward to a new fantastic year, why not start by summarizing the 2012 market performances. Do you know what major stock market that performed best? What currency performed best? What were the end results for 2012?

## Major stock markets

Let us have a look at the following table, where stock markets are ranked according to local currencies for 2012:

		Local	USD	GBP	EUR	Gold
1	FTSE/Thailand	35.7%	40.8%	36.4%	37.1%	32.0%
2	DAX	29.1%	31.2%	27.2%	27.8%	23.1%
3	Bombay SE	25.7%	21.1%	17.4%	18.0%	13.6%
4	Nikkei 225	22.9%	10.1%	6.7%	7.2%	3.3%
5	Hong-Kong	22.9%	23.2%	19.4%	20.0%	15.6%
6	Nasdaq	15.9%	15.9%	12.3%	12.9%	8.7%
7	Swiss MI	14.9%	18.0%	14.4%	15.0%	10.7%
8	Euronext100	14.8%	16.7%	13.2%	13.7%	9.5%
9	All Ordinaries	13.5%	16.8%	13.2%	13.7%	9.5%
10	S&P500	13.4%	13.4%	9.9%	10.5%	6.4%
11	Stockholm	12.0%	18.7%	15.0%	15.6%	11.3%
12	Russia TSI	10.5%	15.6%	12.1%	12.6%	8.4%
13	Korea Exchange	9.3%	18.7%	15.0%	15.6%	11.3%
14	Bovespa	7.4%	-2.1%	-5.1%	-4.7%	-8.2%
15	FTSE 100	5.8%	11.8%	8.3%	8.9%	4.8%
16	FTSE/JSE	4.8%	0.9%	-2.2%	-1.7%	-5.3%
17	Toronto SE	4.0%	6.9%	3.6%	4.1%	0.3%
18	Shanghai	3.2%	4.5%	1.3%	1.8%	-2.0%
19	Shenzen	1.7%	3.0%	-0.2%	0.3%	-3.4%
20	Madrid	-7.2%	-5.7%	-8.6%	-8.2%	-11.6%

It appears Thailand was the winner at +35.7%, followed by DAX and Bombay at +29.1% and 25.7%. However, if we put the market performances on a common denominator the story looks different.

Let us have a look at the next table, where stock markets are ranked according to performance in USD for 2012:

		Local	USD	GBP	EUR	Gold
1	FTSE/Thailand	35.7%	40.8%	36.4%	37.1%	32.0%
2	DAX	29.1%	31.2%	27.2%	27.8%	23.1%
3	Hong-Kong	22.9%	23.2%	19.4%	20.0%	15.6%
4	Bombay SE	25.7%	21.1%	17.4%	18.0%	13.6%
5	Korea Exchange	9.3%	18.7%	15.0%	15.6%	11.3%
6	Stockholm	12.0%	18.7%	15.0%	15.6%	11.3%
7	Swiss MI	14.9%	18.0%	14.4%	15.0%	10.7%
8	All Ordinaries	13.5%	16.8%	13.2%	13.7%	9.5%
9	Euronext100	14.8%	16.7%	13.2%	13.7%	9.5%
10	Nasdaq	15.9%	15.9%	12.3%	12.9%	8.7%
11	Russia TSI	10.5%	15.6%	12.1%	12.6%	8.4%
12	S&P500	13.4%	13.4%	9.9%	10.5%	6.4%
13	FTSE 100	5.8%	11.8%	8.3%	8.9%	4.8%
14	Nikkei 225	22.9%	10.1%	6.7%	7.2%	3.3%
15	Toronto SE	4.0%	6.9%	3.6%	4.1%	0.3%
16	Shanghai	3.2%	4.5%	1.3%	1.8%	-2.0%
17	Shenzen	1.7%	3.0%	-0.2%	0.3%	-3.4%
18	FTSE/JSE	4.8%	0.9%	-2.2%	-1.7%	-5.3%
19	Bovespa	7.4%	-2.1%	-5.1%	-4.7%	-8.2%
20	Madrid	-7.2%	-5.7%	-8.6%	-8.2%	-11.6%

Now suddenly Hong-Kong jumped up two spots to become second runner up. We also see large swings in several other performances and rankings, both up- and downwards. The same basically holds true if we look at GBP or Euro as denominator, only now the performance levels are different.

There is another more point I would like to make before we move into currencies. Most people are used to evaluating their businesses and portfolios in the local fiat monopolist currency where they live. International businesses and portfolios are on the other hand often consolidated into one or sometimes several fiat monopolist currencies.

However, the inherent tendency towards inflation for all these fiat monopolist currencies (in fact, it is openly stated official policy) make them very poor choices as yardsticks or unit-of-accounts. Of course, old fashion money printing is today replaced by pushing buttons and is named things like Quantitative Easing, bold monetary policy, or something similarly silly. But this inflation still affects the stock market performance and gives rise to index inflation. The performances simply look better than they are compared to the real world.

For this reason, I have included gold as a yardstick or unit-of-account as well.

So let us have a look at the next table, where stock markets are ranked according to performance in gold for 2012:

	Local	USD	GBP	EUR	Gold
FTSE/Thailand	35.7%	40.8%	36.4%	37.1%	32.0%
DAX	29.1%	31.2%	27.2%	27.8%	23.1%
Hong-Kong	22.9%	23.2%	19.4%	20.0%	15.6%
Bombay SE	25.7%	21.1%	17.4%	18.0%	13.6%
Korea Exchange	9.3%	18.7%	15.0%	15.6%	11.3%
Stockholm	12.0%	18.7%	15.0%	15.6%	11.3%
Swiss MI	14.9%	18.0%	14.4%	15.0%	10.7%
All Ordinaries	13.5%	16.8%	13.2%	13.7%	9.5%
Euronext100	14.8%	16.7%	13.2%	13.7%	9.5%
Nasdaq	15.9%	15.9%	12.3%	12.9%	8.7%
Russia TSI	10.5%	15.6%	12.1%	12.6%	8.4%
S&P500	13.4%	13.4%	9.9%	10.5%	6.4%
FTSE 100	5.8%	11.8%	8.3%	8.9%	4.8%
Nikkei 225	22.9%	10.1%	6.7%	7.2%	3.3%
Toronto SE	4.0%	6.9%	3.6%	4.1%	0.3%
Shanghai	3.2%	4.5%	1.3%	1.8%	-2.0%
Shenzen	1.7%	3.0%	-0.2%	0.3%	-3.4%
FTSE/JSE	4.8%	0.9%	-2.2%	-1.7%	-5.3%
Bovespa	7.4%	-2.1%	-5.1%	-4.7%	-8.2%
Madrid	-7.2%	-5.7%	-8.6%	-8.2%	-11.6%
	DAX Hong-Kong Bombay SE Korea Exchange Stockholm Swiss MI All Ordinaries Euronext100 Nasdaq Russia TSI S&P500 FTSE 100 Nikkei 225 Toronto SE Shanghai Shenzen FTSE/JSE Bovespa	FTSE/Thailand       35.7%         DAX       29.1%         Hong-Kong       22.9%         Bombay SE       25.7%         Korea Exchange       9.3%         Stockholm       12.0%         Swiss MI       14.9%         All Ordinaries       13.5%         Euronext100       14.8%         Nasdaq       15.9%         Russia TSI       10.5%         S&P500       13.4%         FTSE 100       5.8%         Nikkei 225       22.9%         Toronto SE       4.0%         Shanghai       3.2%         Shenzen       1.7%         FTSE/JSE       4.8%         Bovespa       7.4%	FTSE/Thailand         35.7%         40.8%           DAX         29.1%         31.2%           Hong-Kong         22.9%         23.2%           Bombay SE         25.7%         21.1%           Korea Exchange         9.3%         18.7%           Stockholm         12.0%         18.7%           Swiss MI         14.9%         18.0%           All Ordinaries         13.5%         16.8%           Euronext100         14.8%         16.7%           Nasdaq         15.9%         15.6%           S&P500         13.4%         13.4%           FTSE 100         5.8%         11.8%           Nikkei 225         22.9%         10.1%           Toronto SE         4.0%         6.9%           Shanghai         3.2%         4.5%           Shenzen         1.7%         3.0%           FTSE/JSE         4.8%         0.9%           Bovespa         7.4%         -2.1%	FTSE/Thailand         35.7%         40.8%         36.4%           DAX         29.1%         31.2%         27.2%           Hong-Kong         22.9%         23.2%         19.4%           Bombay SE         25.7%         21.1%         17.4%           Korea Exchange         9.3%         18.7%         15.0%           Stockholm         12.0%         18.7%         15.0%           Swiss MI         14.9%         18.0%         14.4%           All Ordinaries         13.5%         16.8%         13.2%           Euronext100         14.8%         16.7%         13.2%           Nasdaq         15.9%         15.9%         12.3%           Russia TSI         10.5%         15.6%         12.1%           S&P500         13.4%         13.4%         9.9%           FTSE 100         5.8%         11.8%         8.3%           Nikkei 225         22.9%         10.1%         6.7%           Toronto SE         4.0%         6.9%         3.6%           Shanghai         3.2%         4.5%         1.3%           Shenzen         1.7%         3.0%         -0.2%           FTSE/JSE         4.8%         0.9%         -2.2% <td>FTSE/Thailand         35.7%         40.8%         36.4%         37.1%           DAX         29.1%         31.2%         27.2%         27.8%           Hong-Kong         22.9%         23.2%         19.4%         20.0%           Bombay SE         25.7%         21.1%         17.4%         18.0%           Korea Exchange         9.3%         18.7%         15.0%         15.6%           Stockholm         12.0%         18.7%         15.0%         15.6%           Swiss MI         14.9%         18.0%         14.4%         15.0%           All Ordinaries         13.5%         16.8%         13.2%         13.7%           Euronext100         14.8%         16.7%         13.2%         13.7%           Nasdaq         15.9%         15.9%         12.3%         12.9%           Russia TSI         10.5%         15.6%         12.1%         12.6%           S&amp;P500         13.4%         13.4%         9.9%         10.5%           FTSE 100         5.8%         11.8%         8.3%         8.9%           Nikkei 225         22.9%         10.1%         6.7%         7.2%           Toronto SE         4.0%         6.9%         3.6%</td>	FTSE/Thailand         35.7%         40.8%         36.4%         37.1%           DAX         29.1%         31.2%         27.2%         27.8%           Hong-Kong         22.9%         23.2%         19.4%         20.0%           Bombay SE         25.7%         21.1%         17.4%         18.0%           Korea Exchange         9.3%         18.7%         15.0%         15.6%           Stockholm         12.0%         18.7%         15.0%         15.6%           Swiss MI         14.9%         18.0%         14.4%         15.0%           All Ordinaries         13.5%         16.8%         13.2%         13.7%           Euronext100         14.8%         16.7%         13.2%         13.7%           Nasdaq         15.9%         15.9%         12.3%         12.9%           Russia TSI         10.5%         15.6%         12.1%         12.6%           S&P500         13.4%         13.4%         9.9%         10.5%           FTSE 100         5.8%         11.8%         8.3%         8.9%           Nikkei 225         22.9%         10.1%         6.7%         7.2%           Toronto SE         4.0%         6.9%         3.6%

The order of the ranking is of course the same, since we only have converted into another common denominator, the gold ounce. The top three are the same but the performances are significantly lower this time. Five stock market are in negative numbers and only 7 out of 20 ended above the +10% mark.

I hope you see the benefits of (1) consolidating into one yardstick, (2) using several yardsticks, and (3) using something less inflationary as well.

## Major currencies

Let us also have a quick look at the major currencies, where we have ranked them in terms of gold (the table below).

The first thing we see is that of the fiat monopolist currencies, only the Korean Won managed to appreciate against gold during 2012. It is eye opening that such a major currency as the Japanese Yen could lose more than 16% in a single year. That is an awful loss of aggregate value and is the real yen inflation the standard statistics is hiding. All this talk about Japanese deflation seems completely mistaken from this perspective (and this holds towards the other major fiat currencies as well).

We can also note that there are differences in the ranking order and size of the changes, just as with the stock markets.

		USD	GBP	EUR	Gold
1	Korean Won	8.5%	2.8%	6.8%	1.5%
2	Silver	8.2%	2.5%	6.5%	1.2%
3	Gold	7.0%	1.3%	5.3%	0.0%
4	Swedish Krona	5.9%	0.3%	4.2%	-1.0%
5	British Pound	5.6%	0.0%	3.9%	-1.3%
6	Russian Rouble	4.6%	-0.9%	2.9%	-2.2%
7	Thai Baht	3.7%	-1.8%	2.0%	-3.0%
8	Australian Dollar	2.9%	-2.5%	1.3%	-3.8%
9	Canadian Dollar	2.8%	-2.6%	1.1%	-3.9%
10	Swiss Franc	2.7%	-2.7%	1.0%	-4.0%
11	Euro	1.7%	-3.7%	0.0%	-5.0%
12	Chinese RMB	1.3%	-4.1%	-0.4%	-5.4%
13	Hong-Kong Dollar	0.3%	-5.1%	-1.4%	-6.3%
14	US Dollar	0.0%	-5.3%	-1.6%	-6.5%
15	Indian Rupee	-3.6%	-8.7%	-5.2%	-9.9%
16	S.A. Rand	-3.7%	-8.8%	-5.3%	-10.0%
17	Brazilian Real	-8.9%	-13.7%	-10.4%	-14.8%
18	Japanese Yen	-10.4%	-15.2%	-11.9%	-16.3%

I hope you see the benefits of (1) using several yardsticks, and (2) using something less inflationary as well in the case of currencies as well.

## Final comments

Many financial news outlets tend to report market development in local currency. This is a nuisance, but is understandable when it comes to quick market overview, but very low level when it comes to any kind of analysis.

If we want to compare and follow markets we need some kind of common denominator, yardstick or unit-of-account to take also currency effects into account. I have for years argued that you need a several good yardsticks or unit-of-accounts and, at least on paper, consolidate the investments for proper evaluation.

What if you do not use a common yardstick? How large can the difference be? What if we use poor yardsticks? How will this affect the performance? You should always ask yourself questions like these.

Hopefully this brief review has helped you not only to get an easy overview, but also added some new perspectives on how to evaluate the performance of stock markets and currencies.