Netherlands

Exchange pioneer

The Netherlands is a low-lying land, half of which is one meter or less above sea level and much of which has been reclaimed from the sea and lakes. The Dutch port of Rotterdam is the largest port in Europe. Constitutionally, the Netherlands has been a monarchy since 1815, and a parliamentary democracy since 1848. Dutch politics and governance are often driven by an effort to achieve consensus on important issues. The country has a market-based mixed economy.

Though some forms of stock trading occurred in Roman times and 14th century Toulouse mill companies' securities were traded, transferable securities appeared in the 17th century. The Amsterdam market, which started in 1611, was the world's main center of stock trading in the 17th and 18th centuries.

A book written in 1688 by a Spaniard living in Amsterdam (appropriately entitled Confusion de Confusiones) describes the amazingly diverse tactics used by investors. Even though only one stock was traded – the Dutch East India Company – they had bulls, bears, panics, bubbles and other features of modern exchanges.

The Amsterdam Exchange continues to prosper as part of Euronext. Over the years, Dutch equities have generated a mid-ranking real return of 5.0% per year. The Netherlands has traditionally been a low inflation country and, since 1900, has enjoyed the lowest inflation rate among the EU countries and the second-lowest (after Switzerland) from among all countries in the Yearbook.

The Netherlands has a heavy exposure to consumer goods and consumer services (each 29% of the stock market's capitalization). Although Royal Dutch Shell now has its primary listing in London, and a secondary listing in Amsterdam, the Amsterdam exchange still hosts more than its share of major multinationals, including Unilever, Koninklijke Philips, ING Group, ASML Holding, Heineken, Akzo Nobel, Heineken and Unibail-Rodamco.

Capital market returns for the Netherlands

Figure 1 shows that, over the last 116 years, the real value of equities, with income reinvested, grew by a factor of 288 compared to 7.0 for bonds and 1.9 for bills. Figure 2 displays the long-term real index levels as annualized returns, with equities giving 5.0%, bonds 1.7%, and bills 0.6%. Figure 3 expresses the annualized long-term real returns as premia. Since 1900, the annualized equity risk premium relative to bills has been 4.4%. For additional explanations of these figures, see page 37.

Figure 1
Cumulative real returns from 1900 to 2015

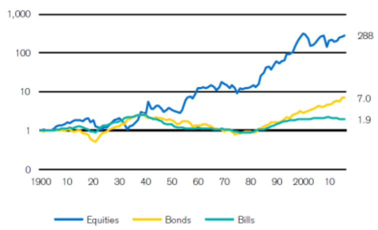


Figure 3
Annualized equity, bond, and currency premia (%)

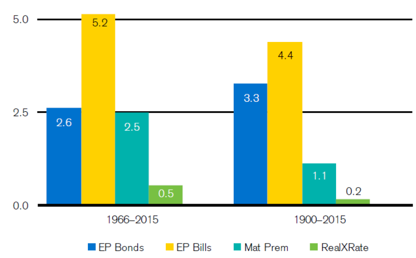
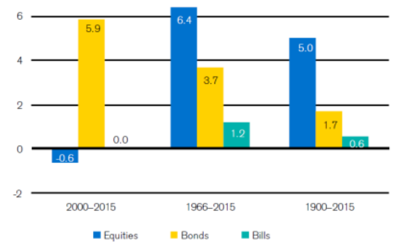


Figure 2
Annualized real returns on major asset classes (%)



Note: EP Bonds denotes the equity premium relative to long-term government bonds; EP Bills denotes the equity premium relative to Treasury bills; Mat Prem denotes the maturity premium for government bond returns relative to bill returns; and RealXRate denotes the real (inflation-adjusted) change in the exchange rate against the US dollar.

Source: Elroy Dimson, Paul Marsh and Mike Staunton, Credit Suisse Global Investment Returns Sourcebook 2016

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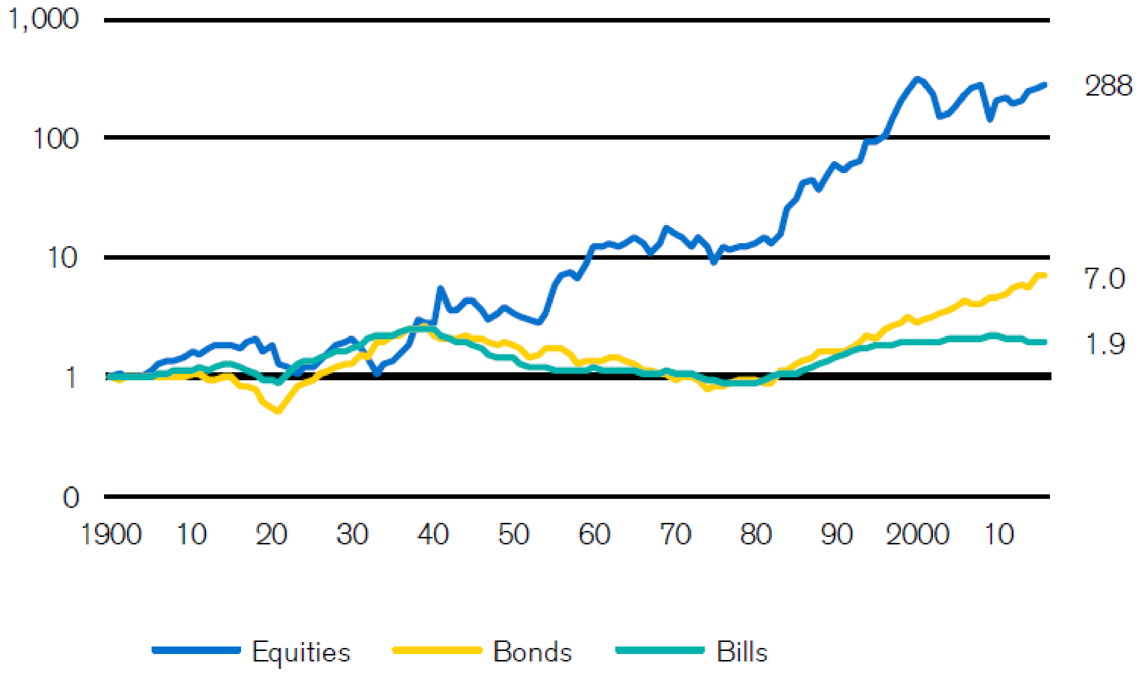

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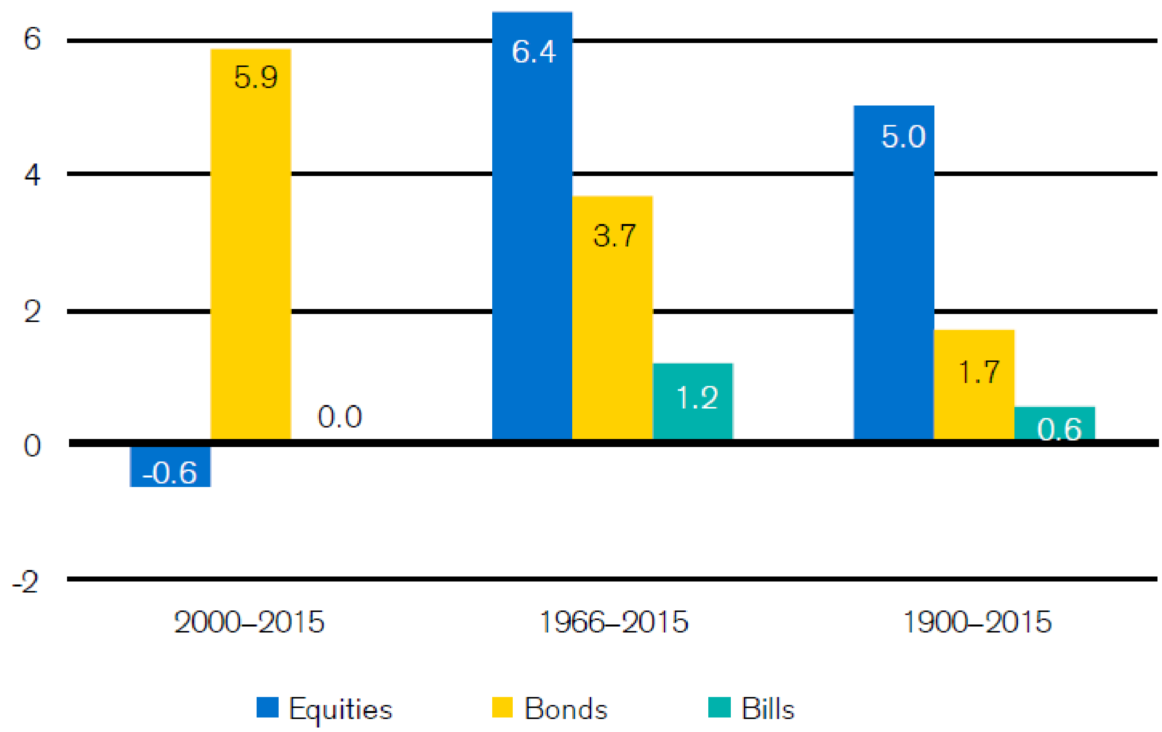

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