2015 on the markets – a very mixed year

The FTSE 100 ended 2015 almost 5% down from where it started as this year's late Christmas rally stuttered in the approach to 2016. Add back in dividends (the FTSE 100 now has a historic yield of about 4%) and the total Index return was a loss of about 1.3% over the year.

However, in 2015 more than ever the Footsie's bias towards energy and other commodity companies had a marked impact on its performance. This shows up when other UK market indices are examined, as the table below shows.

Index	2015 Change	Comment
FTSE 100	-4.9%	Index's global commodity bias takes its toll
FTSE 250	+8.4%	UK-focussed companies outperform Footsie yet again
FTSE Small Cap	+6.2%	Small caps outperform big cap, not mid-cap
FTSE 350 Higher Yield	-10.1%	Value-investing lagged – commodities again
FTSE 350 Lower Yield	+5.3%	More UK, non-commodity focus helps
FTSE All-Share	-2.5%	Outperformed Footsie due to mid/small caps
FTSE Household Goods & Construction	+29.1%	Top sector: housebuilders rose on the back of Help to Buy and increasing house prices
FTSE Industrials Metals & Mining	-53.0%	Bottom sector: the commodity effect again

Over the year the dividend yield on the FTSE All-Share rose from 3.37% to 3.70%, implying dividend growth of 7.0%. However, this figure needs to be treated with caution. Part of the dividend rise (in sterling terms) is down to the strength of the dollar, the accounting currency for many multinationals, which rose over 5% against sterling in 2015. Dividend cover (the ratio of profits to dividends) has fallen sharply from 1.88 to just 1.52 and there are 2016 dividend cuts due, both announced and expected, from the commodity behemoths, such as Glencore.

The rise in the equity dividend yield parallels a smaller upward movement in yields on gilts – 10 year gilts reversed their 2014 yield drop and ended the year offering 1.96% (from a 1.76% starting point). Two-year gilt yields, more sensitive to that ever-deferred base rate rise than their longer brethren, moved from 0.50% to 0.87%.

The performance of the UK equity market was similar to most other major stock markets. For example, the Euro Stoxx 50 rose by 3.9%, but for UK investors there was a 5.2% decline in the euro against sterling, turning a euro profit into a sterling loss of 1.5%. Currency worked the opposite way for Japan: the Nikkei 225 rose by 9.1% and the yen added 4.5% against sterling. As mentioned above, sterling fell against the all-conquering US dollar, which more than countered a small drop in the S&P 500 of 0.7%.

In the emerging markets, which had their own commodity and political excitement during the year, investors were given a lesson in divergence between countries. For all the frights in August, the Shanghai Composite ended up 9.4% over the year (mostly wiped off in the first trading day of 2016). Brazil's main index, the Bovespa, dropped 13.3%, but to that must be added a near 30% decline in the Brazilian Real against sterling. The MSCI Emerging Markets index, combining all the ups and downs of the different markets, fell 12.2% in sterling terms.

The Footsie reached 7,103.98 in late April 2015, having finally passed through its previous (end 1999) peak in February. Look at a long-term chart and, with the exceptions of a few brief flurries either side of the round 000's, the index has been bouncing about in a range of 500 points either side of 6,500 since January 2013.

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