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**MEDIA RELEASE
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Investor Sentiment at a Low and Politicians Get The Blame

Where are the politicians when you need them?

The outlook for the Australian share market is bleak and politicians are to blame. This is the verdict put forward by participants in the **July 2011 Investor Sentiment Survey** conducted by the Australian Investors' Association and FNArena.

Apart from long-winded bureaucratic processes to deal with sovereign debt issues in Europe and games of high stakes poker between Republicans and the US President in the US, investors in Australia are increasingly turning their frustration towards both the Federal Government and Opposition in Canberra.

Of vented complaints are "nobody seems to be in control" and "everybody's just focused on getting re-elected". Views are divided about ultimate pros and cons of the proposed carbon tax.

Reports Warwick from Tamworth: "Just sick of hearing about the carbon tax from both parties. Who is running the country?"

Jonathan Rothfield from Greythorn, Victoria chips in: "Tony Abbott is scaring everyone. He wants to be PM and doesn't care about the cost".

Marilyn D from Adelaide firmly points into the direction of PM Julia Gillard and her minority government: "I blame the current slump in Australia to the situation in Canberra and I don't think things will improve until we have another election. People are extremely worried about what this Government is doing and have closed their wallets. People don't like uncertainty and this government is seen to be handling things badly."

According to the **July Investor Sentiment Survey**, investor sentiment regarding the immediate outlook for the Australian share market continues to deteriorate, probably best illustrated by the fact that only 6% of respondents at AIA indicated they remain "bullish" towards the Australian share market, against 48% who stated they are "bearish". Both percentages are respectively the lowest and the highest since January this year.

According to Rudi Filapek-Vandyck, Editor at FNArena, the low percentage of bulls in the July Survey suggests overall investor sentiment might be near a bottom. "In the US, where weekly surveys are being published by the AAll, it is widely accepted the more extreme readings can be used as a relatively reliable, contrarian indicator. So when the number of bulls sinks to a new low and the number of bears is at a high, it's probably time to start preparing for a turn in market sentiment".

Filapek-Vandyck points out the Australian share market is currently trading near the lows for the year.

The table below shows the gradual shift towards an increasingly bearish sentiment in AIA surveys since the beginning of the calendar year:

	Bullish	Neutral	Bearish
January	31%	54%	15%
March	21%	52%	27%
May	11%	55%	35%
July	6%	46%	48%

At FNArena, the gap between bears and bulls is not as wide, but the bears are nevertheless equally firmly in control with 14% "bullish" against 40% "bearish".

When asked about the prospects for the Australian share market on a 6 to 12 months horizon, the overall mood turns more balanced with "bullish" and "neutral" on par at both AIA and FNArena. This also marks deterioration from the Survey in May when positive views on a 6-12 months horizon still dominated.

The overall slump in sentiment also shows up in the AIA Confidence Index which retreated to 45 in July, down from 49 in May and from 51 in March. At FNArena, Confidence had already sunk to 46 in May and it has remained at this low level in July.

Meanwhile, the reshuffling of investment portfolios in favour of cash seems to have run its course, with many respondents signalling their intention is to put some of that cash into share market bargains -- not right now but when the time is ripe.

The July Survey revealed no big movements in portfolio allocations between equities, property, fixed income and cash compared with two months ago. The average 21% cash component seems high and reflective of a persistently cautious, if not negative view towards equities. Property takes up an average of 19% in investment portfolios, fixed income 10% and equities less than half at 49%.

(Average portfolio allocations as indicated in Surveys by AIA and FNArena are pretty similar this month with one key difference in that fixed interest enjoys a larger 14% allocation at AIA.)

Not everybody is convinced the share market will see better times ahead. A noticeable number of respondents remain intent to continue gradually reducing exposure.

Says one AIA member: "I'm about to reduce equities further. Don't care how good Australian companies are, we get sucked into the disasters overseas and they aren't going to get fixed in the short term."

David Wilson from Perth has an equally bearish view: "Debt problems in Western

countries are not being resolved. The market will adjust accordingly. Japan is in big trouble with power restrictions for the next 12 months at least. China will continue growing but more slowly as exports slow. I expect the markets to be very volatile but generally track sideways to slowly down."

Other investors, however, continue to see opportunity: "Share markets are being driven by negative sentiment and uncertainty. Confidence is low and investors are taking a much more conservative approach to investing. Now is a great opportunity to be buying good quality companies at rock bottom prices", assures one investor.

MJ Christensen from Roseville, NSW has a similar, longer term positive view: "Significant changes in investor expectations and risk-tolerance will serve to delay the rebound in equities for the remainder of 2011-12, but will likely make the next bull market both sharper and larger than the average of bull markets past."

The Investor Sentiment Survey asked members at AIA and FNArena how they felt about the market and how they were invested. Surveys were conducted last week over four days and will be repeated in two months. 417 respondents participated through the AIA and 473 through FNArena.

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The AIA is an independent, non-profit organisation aimed at helping its members become more successful long-term investors. More information can be found at www.investors.asn.au.

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