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MEDIA RELEASE

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Australian Investors' Optimism Spikes, But Caution Remains

Investors in Australia are feeling significantly more optimistic about prospects and outlook for the local share market. The **September Australian Investors' Sentiment Survey** by the Australian Investors Association (AIA) and FNARENA, shows the general level of optimism on a medium term outlook has never been this high since January 2013, when the first Survey was held.

No less than 65% of all respondents believe the share market will post further gains on a 6-12 months horizon. Only 22% of respondents see lower share prices by late next year. Two months ago, these percentages stood at 54% and 26% respectively.

Markets Higher in 6-12 Months Time?

	<u>Sep-13</u>	<u>July</u>	<u>May</u>	<u>March</u>	<u>Jan-13</u>
Yes	65%	54%	46%	57%	57%
No	22%	26%	30%	25%	27%
Same	13%	20%	24%	18%	16%

Overall optimism for the short-term outlook has also improved, with 43% now adopting a positive view though the largest group (46%) remains neutral short-term.

Current Sentiment:

	<u>Sep-13</u>	<u>July</u>	<u>May</u>	<u>March</u>	<u>Jan-13</u>
Bullish	43%	23%	32%	35%	45%
Neutral	46%	64%	57%	51%	49%
Bearish	11%	13%	11%	14%	6%

Portfolio compositions suggest cash positions are slowly being reduced in favour of equities, but with the emphasis on "slowly".

According to the latest Survey, on average investment portfolios still hold 18% in cash, which implies a return to the same level as in March this year, which marked the lowest level since January 2013. All other Surveys held in 2013 showed cash levels at 20%.

Average cash levels peaked at 26% in September 2011.

Average Investment Portfolio Allocations:

	<u>Sep-13</u>	<u>July</u>	<u>May</u>	<u>March</u>	<u>Jan-13</u>	<u>Sep-11</u>
Equities:	51%	49%	51%	53%	50%	45%
Property:	19%	19%	16%	17%	18%	17%
Fixed Income:	12%	12%	12%	12%	12%	12%
Cash:	18%	20%	20%	18%	20%	26%

According to Russel from Melbourne, "Low interest rates, rising consumer confidence, the election bedded down and an increased volume of new IPOs will continue to support this market."

Another respondent offered: "I am confident we are entering a Howard confidence like era such as we witnessed in 2003 on to 2007."

Simon from Sydney is "Looking forward to another Santa Claus rally later this year".

Others see plenty of reasons to remain cautious as Quantitative Easing by the Federal Reserve is still in place and central bankers in Europe and in Japan stick to money printing and ultra-loose policies, while the Australian domestic economy is weak.

Says Jane from Maroochydore: "I am greatly concerned that America keeps pumping money into the economy. It seems to be creating a false sense of optimism in the share market. I don't think it is a matter of "will the market" pull back, I think it is a matter of 'when'".

While another respondent offers: "Not convinced about politicians' ability to manage economies – worldwide"

Overall, confidence seems to have risen to levels last seen at the start of the calendar year when expectations were for a much better outlook on reduced global risks.

FNArena/AIA Investor Confidence Index

<u>Sep-13</u>	<u>July</u>	<u>May</u>	<u>March</u>	<u>January</u>
61%	57.3%	58.4%	60.7%	61.4%

The Investor Sentiment Survey asked members at AIA and FNArena how they felt about the market and how they were invested. The Survey will be repeated in two months (November 2013).

249 respondents participated through the AIA and 247 through FNArena.

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