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MEDIA RELEASE

- FOR IMMEDIATE RELEASE -

General Disappointment Weighs Down Investors' Enthusiasm

With the Australian share market little changed from the start of the year, except for income received from dividends, a general disappointment has grown among local investors.

Many have used the **Australian Investors' Sentiment Survey** for November, organised by Australian Investors' Association (AIA) and FNARENA, to express frustration, if not dismay, as international equities continue to outperform while Australian equities seem stuck between a rock and a hard place, domestic transition and commodity struggles.

Underlying sentiment was captured by commentary including:

"Seriously considering pulling all money out of equities. Sick of waiting for a turnaround"

"The Australian market is very immature compared to most overseas markets, nervous and jittery. It always takes leads on a falling market from Wall Street but doesn't follow their rises"

"I don't believe we have had a bull market as yet"

No surprise therefore, confidence and optimism have steadily fallen throughout the calendar year and are now below levels of twelve months ago. Portfolio allocation to equities has risen, but only slightly, while average cash levels remain stubbornly between 18-20%, where they have been since 2012.

All this is in sharp contrast with general sentiment in July when optimism seemed high and the most used expression was "if only shares would suffer a correction".

Average Investment Portfolio Allocations:

	Nov-14	<u>Sep</u>	<u>July</u>	<u>May</u>	<u>Mar</u>	<u>Nov-13</u>	<u>July</u>	<u>Sept-11</u>
Equities:	53.5%	52%	54%	50%	53.5%	51%	49%	45%
Property:	17%	18.5%	18%	18%	17.5%	18%	19%	17%
Fixed Income:	11%	10.5%	10%	12%	11%	12%	12%	12%
Cash:	18.5%	18.5%	18%	20%	18%	19%	20%	26%

All in all, portfolio allocations have changed little since September. The average allocation to equities, at 53.5%, is unchanged from March. Fixed interest is showing growing interest post July,

but the average allocation, at 11%, is also unchanged from March and slightly below the 12% recorded in 2013.

For the first time in the history of the Survey, first held in January 2011, there was noticeable divergence between the two groups that participated. Members of the Australian Investors' Association showed an increase in optimism and confidence 6 months out into the future, but the shift towards a more cautious stance by members of FNARENA was large enough to offset, plus some.

Shorter term, both groups of investors were in synch and this meant small change since September, but still a big retreat in bullishness from July and even from last year.

Current Sentiment:

	<u>Nov-14</u>	<u>Sep</u>	<u>July</u>	<u>May</u>	<u>Mar</u>	<u>Nov-13</u>	<u>Sept</u>	<u>July</u>	<u>Nov-12</u>
Bullish	16%	15%	30%	17.5%	27%	38%	43%	23%	14%
Neutral	58%	58%	60%	64.5%	60%	50%	46%	64%	56%
Bearish	26%	27%	10%	18%	13%	12%	11%	13%	30%

Share market bulls still make up the largest group of investors when queried about prospects 6-12 months out, but at only 40%, the gap with cautious/neutral views has now shortened to only 5%.

This is largely because of a noticeable shift among FNARENA members where bulls and bears are now pretty much equally weighted, while the majority sits cautiously in the middle.

Members of AIA expressed a jump in bullishness to 54% against 25% bears, leaving only 21% in neutral territory.

Last year, the percentage of bulls amongst all participants reached as high as 65% in the September Survey.

Markets Higher in 6-12 Months Time?

	<u>Nov-14</u>	<u>Sep</u>	<u>July</u>	<u>May</u>	<u>Mar</u>	<u>Nov-13</u>	<u>Sept</u>	<u>July</u>	<u>May</u>	<u>Nov-12</u>
Yes	40%	44%	46%	45.5%	56.5%	52%	65%	54%	46%	43%
No	25%	22%	20%	20%	18.5%	23%	13%	20%	24%	34%
Same	35%	34%	34%	34.5%	25%	25%	22%	26%	30%	23%

General commentary provided by Survey respondents suggests investors remain cautious on the share market, this month expressing noticeably less intention to allocate extra cash to stocks.

“I am mildly bullish for the next 12 months, but bearish right now.”

“I think the markets are going to move a bit sideways over the next year.”

“Selected international markets look better value than the Australian market, especially when you factor in potential AUD downside”

“Whilst somewhat bullish about markets I also believe we are going through a time where volatility will remain high, with significant corrections likely”

The response that probably captures the overall mood best:

“US yes, Aust no”

In line with the above, the FNArena/AIA Confidence Index dropped to its lowest level for the year in November, though it remains well above 50 and well above levels recorded pre-2013.

FNArena/AIA Investor Confidence Index

<u>Nov-14</u>	<u>Sep</u>	<u>July</u>	<u>May</u>	<u>Mar</u>	<u>Nov-13</u>	<u>Sept</u>	<u>July</u>	<u>May</u>	<u>Mar</u>	<u>Nov-12</u>
54%	55%	59.1%	55.5%	60.2%	56%	61%	57.3%	58.4%	60.7%	51.20%

The Investor Sentiment Survey asked members at Australian Investors’ Association (AIA) and FNArena how they felt about the market and how they were invested. The Survey will be repeated in two months (January 2015).

271 respondents participated through the AIA and 290 through FNArena.

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