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MEDIA RELEASE

- FOR IMMEDIATE RELEASE -

Share Market Weakness Tempers Investors' Enthusiasm

Two months ago, everything seemed set for the return of the retail investor in the Australian share market. Optimism was high. There was a willingness to allocate more cash. The most oft used expression was "if only shares would suffer a correction".

September has delivered share price weakness, but also a rude reality check, so it appears. Many a retail investor is still looking to allocate more cash into equities, but the swift change in market direction, against a background of more challenging geopolitical and global economic contexts, has made more investors just a tad more cautious.

At face value, the **Australian Investors' Sentiment Survey** for September, organised by Australian Investors' Association (AIA) and FNARENA, suggests little has changed in portfolio allocations since July. The share market's drop in September can easily explain the small percentage changes in favour of property, bonds and cash.

However, this belies the fact many respondents indicated they have been putting extra cash into the share market, while others pulled some out as the market retreated.

According to the **Survey**, the average cash level peaked in September 2011 at 26%. It dropped towards 20% as the bull market for equities in Australia started in 2012, but cash, on average, has since remained inside the 18-20% range.

Average Investment Portfolio Allocations:

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

In what looks like a case of "always be careful what you wish for", the increase in market volatility and subsequent market losses have had a noticeable impact on overall investor sentiment.

The level of optimism has fallen, both for the short term as well as on a 6-12 months horizon.

The switch from increased optimism towards more bearishness is most pronounced in short term views where a clear spike in bullishness in July has been swiftly reversed in September.

Only 15% of respondents retained a bullish view on the share market's short term outlook, the lowest score since late 2012. On the other side, 27% is now bearish, a level not seen earlier this year or in 2013.

Current Sentiment:

	Sep-14	July	May	Mar	Nov-13	Sept	July	May	Nov-12
Bullish	15%	30%	17.5%	27%	38%	43%	23%	32%	14%
Neutral	58%	60%	64.5%	60%	50%	46%	64%	57%	56%
Bearish	27%	10%	18%	13%	12%	11%	13%	11%	30%

When asked about the share market's outlook on a 6-12 months horizon, the switch from bullish to bearish is much smaller.

The largest group of respondents remains those with a positive outlook, and while still twice as large in number as the bears, at 44% the percentage of market bulls is the lowest registered since November 2012.

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

Markets Higher in 6-12 Months Time?

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

General commentary provided by Survey respondents suggests investors have become more cautious on the share market, but they also remain on the lookout to allocate extra cash.

One AIA member stated: "Waiting for a decent correction". Another chimed in: "I feel any correction will be mild and there will be ample opportunity to ride the market as it rises higher."

A third explained: "Just reduced equities by 50% to lock in some profit. However will gradually reinvest in equities as appropriate".

Another reported: *"We are currently holding too much in cash; we plan to increase our holdings in equities within the next two months"*.

There remains a plethora of alternative views, with one FNArena respondent commenting: *"Keep cash in your pocket. Aust market fully priced. Overseas events may influence"* while another one declared: *"There's nothing in particular to be bullish about!"*

In line with the above, the FNArena/AIA Confidence Index dropped somewhat in September. While values have been mostly higher throughout 2013 and 2014, a reading of 55% remains comfortably above the 51% registered in November 2012.

FNArena/AIA Investor Confidence Index

<u>Sep-14</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>Jan</u>	<u>Nov-12</u>
55%	59.1%	55.5%	60.2%	56%	61%	57.3%	58.4%	60.7%	61.4%	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 (November 2014).

251 respondents participated through the AIA and 277 through FNArena.

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