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MEDIA RELEASE

- FOR IMMEDIATE RELEASE -

Australian Investors Lose Their Optimism

Australian investors seem to have all but given up on prospects for a better environment for the local share market.

The **Australian Investors' Sentiment Survey** for January, organised by Australian Investors' Association (AIA) and FNARENA, shows general optimism regarding the outlook for equities, both short term and longer term, has continued to deteriorate into 2015.

After steady erosion throughout 2014, investor optimism has now fallen to the lowest levels since the first half of 2012, when volatility and uncertainty were high and the local index had merely gone sideways for more than two years.

No surprise thus, average asset allocations in investment portfolios has, on balance, remained the same as in November with survey respondents indicating the average percentage held in cash is still at an historically high 18.5%.

There is divergence in the detail with AIA members signalling they invested some of their cash outside the share market, in property and fixed interest, while FNARENA members sold some of their investments.

Both moves offset each other, which is why asset allocations in January haven't changed from November.

Average Investment Portfolio Allocations:

	Jan-15	<u>Nov-14</u>	<u>Sep</u>	<u>July</u>	<u>May</u>	<u>Mar</u>	<u>Nov-13</u>	<u>Sep-11</u>
Equities:	53.5%	53.5%	52%	54%	50%	53.5%	51%	45%
Property:	17%	17%	18.5%	18%	18%	17.5%	18%	17%
Fixed Income:	11%	11%	10.5%	10%	12%	11%	12%	12%
Cash:	18.5%	18.5%	18.5%	18%	20%	18%	19%	26%

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.

Short term optimism for local shares has taken yet another step back in January, following weak readings in both November and September last year.

2014 saw a temporary spike in optimism in the July Survey when large numbers of participants indicated they were ready to allocate additional funds to equities, but any sense of optimism pretty much went out of the window since then.

In sequence, the three Surveys since September last year mark the lowest readings in short term market optimism since 2012, but that's as far as any comparison goes. Back in 2011-12, the number of bulls declined to single digits while the number of bears rose above 50% in two Surveys.

Current Sentiment:

	Jan-15	Nov-14	Sep	July	May	Mar	Nov-13	Sep	Nov-12
Bullish	14%	16%	15%	30%	17.5%	27%	38%	43%	14%
Neutral	61%	58%	58%	60%	64.5%	60%	50%	46%	56%
Bearish	25%	26%	27%	10%	18%	13%	12%	11%	30%

Medium to longer term optimism is equally sliding with the number of bulls declining to 39% only. Here too the difference with 2011-12 is the larger number of respondents expressing a neutral view rather than an outright negative one.

Note also the gap between the optimists and those with a neutral view has this month narrowed to 3.5% only.

In November, AIA members had distanced themselves with a marked jump in bullishness to 54% against 25% bears, leaving only 21% in neutral territory but both groups of participants have now fallen back in-line with each other.

Markets Higher in 6-12 Months Time?

	Jan-15	Nov-14	Sep	July	May	Mar	Nov-13	Sep	July	Nov-12
Yes	39%	40%	44%	46%	45.5%	56.5%	52%	65%	54%	43%
No	25.5%	25%	22%	20%	20%	18.5%	23%	13%	20%	34%
Same	35.5%	35%	34%	34%	34.5%	25%	25%	22%	26%	23%

General commentary provided by Survey respondents confirms the overall loss in optimism as concerns have risen. Most mentioned sources for concern include:

- Unexpected central bank actions (e.i. Swiss Central Bank)
- Continued muddling through in China
- Too little action and show of leadership from the Abbott government
- Lack of sustainable momentum in Australian share market
- Everything "Europe"
- "Black Swan" events (mentioned numerous times)

Some quotes that are representative of the general mood:

“US market has had a strong run but not sure it is going to continue. There does not seem to be anything on the horizon in Australia that gives cause for optimism“

“Markets will tread water in 2015 because investors are reluctant to move in the face of continuing volatility“

“Resources and China a drag. Fed Gov no help. Could be nasty”

“The first part of 2015 will be volatile with market hopefully picking up in the second half”

The FNArena/AIA Confidence Index rose slightly in January to 55.5% from 54% in November and 55% in September last year. The Index remains well above 50 and well above levels recorded pre-2013.

FNArena/AIA Investor Confidence Index

<u>Jan-15</u>	<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>
55.5%	54%	55%	59.1%	55.5%	60.2%	56%	61%	57.3%	58.4%	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 (March 2015).

252 respondents participated through AIA and 313 through FNArena.

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