

30 July 2015

MEDIA RELEASE

- FOR IMMEDIATE RELEASE -

Fixed Interest, Property Benefit From Share Market Volatility

Australian investors are reducing their cash holdings, but a too volatile local share market is not enjoying the benefits. Instead, investors' cash is flowing into fixed interest products and into property.

For the first time in the history of the **Australian Investors' Sentiment Survey**, conducted every two months since early 2011 by Australian Investors' Association (AIA) and FNARENA, the average cash position in respondents' portfolios has fallen below 18%.

The fall to 17% from 18.5% two months ago coincides with a step-up in portfolio allocations to property and fixed interest, according to the July Australian Investors' Sentiment Survey. The average weighting of equities -at 52.5%- has fallen to the lowest level since September last year.

The average portfolio weighting for fixed interest has seldom exceeded 12% in the history of this Survey. The July Survey results put the percentage for fixed interest on 12.5%. We have to travel back to September 2013 to find a higher portfolio percentage for fixed income, at 13%. The highest percentage is 15%, recorded both in May 2011 and May 2012.

Average Investment Portfolio Allocations:

	<u>July-15</u>	<u>May</u>	<u>Mar</u>	<u>Jan</u>	<u>Nov-14</u>	<u>Sep</u>	<u>July</u>	<u>Sep-13</u>	<u>Sep-11</u>
Equities:	52.5%	54.5%	55%	53.5%	53.5%	52%	54%	50%	45%
Property:	18%	17%	17%	17%	17%	18.5%	18%	19%	17%
Fixed Income:	12.5%	10%	9%	11%	11%	10.5%	10%	13%	12%
Cash:	17%	18.5%	18.5%	18.5%	18.5%	18.5%	18%	24%	26%

These findings seem at odds with a noticeable improvement in overall optimism towards the outlook for local equities, both short term and medium term, but comments left by respondents confirm a general unease with the sharp increase in share market volatility since the last Survey in May.

"Markets are too volatile to be bullish", opined one AIA respondent, while another offered: "Slightly bullish although plenty of volatility along the way".

One FNArena respondent described the Australian share market's behaviour to a "cat on a hot tin roof".

One of his peers left a comment that probably best describes overall sentiment amidst a sudden, sharp outburst in volatility:

"We believe in the long term equities will rise. But there will be short term dumping of shares when the world experiences shocks, disasters of one thing or another which we hope to be brave enough to convert to buying opportunities. So we are bullish long term but holding enough cash to get through any serious downturns."

The July Survey shows Australian investors have become more optimistic about short term prospects for local equities, though a 60% majority still prefers to remain "neutral".

Current Sentiment:

	<u>July-15</u>	<u>May</u>	<u>Mar</u>	<u>Jan</u>	<u>Nov-14</u>	<u>Sep</u>	<u>July</u>	<u>May</u>	<u>Nov-12</u>
Bullish	21.5%	15%	31.5%	14%	16%	15%	30%	27%	14%
Neutral	60%	64%	54.5%	61%	58%	58%	60%	60%	56%
Bearish	18.5%	21%	14%	25%	26%	27%	10%	13%	30%

On a six-to-twelve months' horizon, general optimism is as close to 50% as it has been since the percentage of market bulls rose to 56.5% in March 2014.

The 47% of bullish opinions is the highest percentage for the year, but the 24% in bearish views remains stubbornly high, indicating general opinion remains divided, albeit with a positive skew.

Markets Higher in 6-12 Months Time?

	<u>July-15</u>	<u>May</u>	<u>Mar</u>	<u>Jan</u>	<u>Nov-14</u>	<u>Sep</u>	<u>July</u>	<u>May</u>	<u>Mar</u>	<u>Nov-12</u>
Yes	47%	43%	40%	39%	40%	44%	46%	45.5%	56.5%	43%
No	24%	25%	23.5%	25.5%	25%	22%	20%	20%	18.5%	34%
Same	29%	32%	36.5%	35.5%	35%	34%	34%	34.5%	25%	23%

As per previous Surveys, many respondents criticise the RBA and politicians in Canberra for a disappointing performance of the Australian share market.

“Our present federal government does not have the guts to make the hard decisions that are required”, stated one AIA respondent. Another one concurred: “I am sick of Tony Abbott and the head Liberals and their inability to lead positive action for Australia.”

One FNArena respondent added: *“Looks like the govt has had a negative impact on the ASX, with only the RBA trying to aid the economy”.*

Other factors mentioned include weakness in the Chinese economy and the Chinese share market, the prospect of rising interest rates in the USA and Europe’s incapability to properly deal with its internal problems (Greece).

In general terms, more respondents described the local share market using terms such as “casino”, “speculators”, “volatility” and “instability” than in any other Survey since January 2011.

The FNArena/AIA Confidence Index has jumped to its highest level since July last year. At 58.9 it remains well above the neutral 50 mark and well above levels recorded pre-2013. It has been as high as 61.40% in January 2013.

FNArena/AIA Investor Confidence Index

<u>July-15</u>	<u>May</u>	<u>Mar</u>	<u>Jan</u>	<u>Nov-14</u>	<u>Sep</u>	<u>July</u>	<u>May</u>	<u>Nov-13</u>	<u>Sept</u>	<u>Nov-12</u>
58.9%	55%	58%	55.5%	54%	55%	59.1%	55.5%	56%	61%	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 (September 2015).

228 respondents participated through AIA and 202 through FNArena.

Media contacts:

Bill Shirley
President
Australian Investors Association
Tel: 03 9787 3045
Mob: 0409 945 701
Email: wshirley@hotmail.net.au

Rudi Filapek-Vandyck
Editor FNArena
Phone: (02) 9907 8482
Email: info@fnarena.com