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MEDIA RELEASE

- FOR IMMEDIATE RELEASE -

**Investor Optimism Deflates**

The noticeable spike in investor optimism registered in March has quickly evaporated since. Australian investors' general mood is back in "cautious" mode with comments suggesting there is plenty to worry about.

The **Australian Investors' Sentiment Survey** for May, organised by Australian Investors' Association (AIA) and FNARENA, shows most indicators for investor sentiment have fallen back to levels registered prior to the March Survey, when a surge in optimism had become apparent.

Regarding the immediate outlook for Australian equities, almost two-thirds of respondents expressed a "neutral" view and there are more bears out there than bulls (21% versus 15%).

These numbers are pretty close to those registered in January as well as in November and September last year.

**Current Sentiment:**

	<u>May-15</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>
<b>Bullish</b>	15%	31.5%	14%	16%	15%	30%	17.5%	27%	14%
<b>Neutral</b>	64%	54.5%	61%	58%	58%	60%	64.5%	60%	56%
<b>Bearish</b>	21%	14%	25%	26%	27%	10%	18%	13%	30%

Maybe in response to the less optimistic view short term, 6-12 months out the balance has shifted towards a more constructive view.

It has to be noted medium term views have become more polarised with 43% of respondents' views positive and 25% negative. The negative number has not been higher since late 2012, but, with exception of the Survey in March, it has now been at 25% since November last year.

**Markets Higher in 6-12 Months Time?**

	<u>May-15</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-13</u>	<u>Nov-12</u>
<b>Yes</b>	43%	40%	39%	40%	44%	46%	45.5%	56.5%	52%	43%
<b>No</b>	25%	23.5%	25.5%	25%	22%	20%	20%	18.5%	23%	34%
<b>Same</b>	32%	36.5%	35.5%	35%	34%	34%	34.5%	25%	25%	23%

General portfolio compositions have remained remarkably stable, in particular the average cash component which sits at 18.5% for the fifth consecutive Survey (since September last year).

What doesn't move at face value, however, represents noticeable shifts -and divergence- between the two groups of investors participating in the Survey. In March, members of FNArena had allocated more cash to equities while members of AIA had sold shares and added more cash.

The May Survey has revealed both groups have since reversed their actions. Divergence between the two groups of participants has become apparent since last year's November Survey. Prior to that, both groups had remained pretty much in lockstep with each other.

#### **Average Investment Portfolio Allocations:**

	<u>May-15</u>	<u>Mar</u>	<u>Jan</u>	<u>Nov-14</u>	<u>Sep</u>	<u>July</u>	<u>May</u>	<u>Sep-11</u>
Equities:	54.5%	55%	53.5%	53.5%	52%	54%	50%	45%
Property:	17%	17%	17%	17%	18.5%	18%	18%	17%
Fixed Income:	10%	9%	11%	11%	10.5%	10%	12%	12%
Cash:	18.5%	18.5%	18.5%	18.5%	18.5%	18%	20%	26%

Commentary provided by respondents mostly refers to potential threats and concerns, with share market valuations/need for correction, political impotency in Canberra and geopolitical events in the Middle East attracting most attention.

Said one AIA Member: *"I'm still very much in the market at present, but there are so many conflicting things going on in the world today - the debt crisis in Greece, the volatile bond market, the likelihood of US interest rates starting to rise soon, significant political disruption in the Middle East, etc. - that I can't juggle them all in my mind and make an informed judgment about whether markets are going to rise or fall in the near future."*

Another one opined: *The negative tone of the media to the banking sector and the likelihood of reduced earnings, the government's unwillingness to address nation building long term fiscal problems and the countries "entitlement" bias limits confidence in our markets growing stronger"*

One member of FNArena put it as follows: *"With all the Money Printing around (QE) cannot help but think that hard assets will see values inflated over time. However, I have absolutely no confidence in politicians of any colour in managing the economy efficiently."*

Another stated: *"Sentiment is stretched, particularly in US, valuation is weak and earnings growth is weak. I believe markets will be higher 12 months from now, but over the next 3 months we will get an opportunity to purchase at better valuations."*

The FNArena/AIA Confidence Index retreated back to levels registered prior to March; down to 55% from 58%. The Index remains well above 50 and well above levels recorded pre-2013. It has been as high as 61.40% in January 2013.

## **FNArena/AIA Investor Confidence Index**

<b><u>May-15</u></b>	<b><u>Mar</u></b>	<b><u>Jan</u></b>	<b><u>Nov-14</u></b>	<b><u>Sep</u></b>	<b><u>July</u></b>	<b><u>May</u></b>	<b><u>Mar</u></b>	<b><u>Nov-13</u></b>	<b><u>Sept</u></b>	<b><u>Nov-12</u></b>
55%	58%	55.5%	54%	55%	59.1%	55.5%	60.2%	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 (July 2015).

191 respondents participated through AIA and 201 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](mailto:info@fnarena.com)