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MEDIA RELEASE

- FOR IMMEDIATE RELEASE –

Investor Mood Hit By Falling Prices, High Volatility

The sharp increase in share market volatility over the past two months has had a noticeable impact on investor sentiment in Australia.

The **Australian Investors' Sentiment Survey** for September, conducted by Australian Investors' Association (AIA) and FNARENA, shows a decisive drop in confidence, a growing cautious if not negative view on the outlook for equities plus a rise in cash levels in the average portfolio.

In July the Survey had shown a drop in average cash levels to 17%, but two months later the percentage has again risen to 19.5%, the highest level recorded since May last year.

The Australian Investors' Sentiment Survey has been conducted every two months since early 2011. Throughout this period the highest level of cash held was revealed at 26% in September 2011. The lowest level was recorded two months ago, at 17%, when respondents indicated more cash had been allocated towards property and fixed interest.

At 51.5%, the average portfolio exposure to equities equally has now dropped to its lowest level since the 50% recorded in May 2014. The last time the percentage dropped below 50% was in July 2013 (49%).

Average Investment Portfolio Allocations:

	Sep-15	July	May	Mar	Jan	Nov-14	May	Sep-13	Sep-11
Equities:	51.5%	52.5%	54.5%	55%	53.5%	53.5%	50%	50%	45%
Property:	17.5%	18%	17%	17%	17%	17%	18%	19%	17%
Fixed Income:	11.5%	12.5%	10%	9%	11%	11%	12%	13%	12%
Cash:	19.5%	17%	18.5%	18.5%	18.5%	18.5%	20%	24%	26%

Most commentary provided by respondents retains a hopeful undertone, such as “*Awaiting China to start spending again before resuming a bull market*”, “*Market should have a good run from November to May*” and “*The bias is up*”.

Many comments left point at the overwhelming uncertainty that currently holds global risk assets in a firm bind.

Optimism regarding the immediate outlook for the local share market has now fallen to its lowest level post November 2012, on equal footing with January this year, at 14%. Prior to November 2012 short-term optimism fell regularly into single digit percentages.

Current Sentiment:

	<u>Sep-15</u>	<u>July</u>	<u>May</u>	<u>Mar</u>	<u>Jan</u>	<u>Nov-14</u>	<u>Sep</u>	<u>May</u>	<u>Nov-12</u>
Bullish	14%	21.5%	15%	31.5%	14%	16%	15%	27%	14%
Neutral	53%	60%	64%	54.5%	61%	58%	58%	60%	56%
Bearish	33%	18.5%	21%	14%	25%	26%	27%	13%	30%

On a six-to-twelve months' horizon, investors views have remained remarkably stable, indicating most remain sanguine about the medium to longer term outlook for equities, prepared to look through short-term uncertainties and volatility.

Said one AIA member: *“Dividend yields are better on stock markets than cash and fixed interest. Also capital value of my investments has decreased - but not nearly as much as the market. I'm still ahead by investment in the stock-market - in spite of the recent downturn”.*

One FNArena member opined: *“Equities always have delivered over the long term”*, while another added: *“As soon as I get my franking credits, at these prices, I shall be re-investing in spades”.*

Markets Higher in 6-12 Months Time?

	<u>Sep-15</u>	<u>July</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	46%	47%	43%	40%	39%	40%	44%	46%	45.5%	56.5%	43%
No	24%	24%	25%	23.5%	25.5%	25%	22%	20%	20%	18.5%	34%
Same	30%	29%	32%	36.5%	35.5%	35%	34%	34%	34.5%	25%	23%

As per previous Surveys, respondents also expressed their concerns about government debt levels, slowing growth globally, falling energy and commodity prices and the outlook for the Australian economy domestically.

One thing that has changed is there were –remarkable- only few complaints about local politicians and the Federal Government in Canberra.

Said one respondent: *“Personally I think Turnbull was somebody Australia needed now. A man in the mould of Hawke & Keating”*, but another respondent countered *“Not happy with the change of PM”*.

The FNArena/AIA Confidence Index made a dramatic fall after jumping to its highest level in twelve months in July. At 53% it remains above the neutral 50 mark and well above levels recorded pre-2013, but it is also well down from the 59% recorded two months ago.

The index has been as high as 61.50% in January 2013 and as low as 40.5% in May 2012.

FNArena/AIA Investor Confidence Index

<u>Sep-15</u>	<u>July</u>	<u>May</u>	<u>Mar</u>	<u>Jan</u>	<u>Nov-14</u>	<u>Sep</u>	<u>July</u>	<u>May</u>	<u>Jan-13</u>	<u>May-12</u>
53%	59%	55%	58%	55.5%	54%	55%	59.1%	55.5%	61.50%	40.5%

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 (December 2015).

228 respondents participated through AIA and 261 through FNArena.

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