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MEDIA RELEASE

- FOR IMMEDIATE RELEASE –

Less Cash, More Equities

A spell has been broken. Some 7.5 years after the Global Financial Crisis cash is moving from the sidelines into Australian equities.

The Australian Investors Sentiment Survey for July, organised by the Australian Investors Association (AIA) and FNAREna, shows the average portfolio allocation to cash has steadily dropped this year from a peak at 21% during the turbulent weeks of January.

Since then the average cash allocation has gradually fallen in each subsequent Survey with the July results indicating cash in the average portfolio is now down to 16%; the lowest level recorded since the first Survey was held in January 2011.

Average cash levels have trended in between 18-21% for nearly four years (since late 2012) with one exception; in July last year respondents indicated they were looking at shifting more towards equities, pushing average cash down to 17%, but this intention was quickly reversed as volatility picked up soon after and the share market trended south.

Average Investment Portfolio Allocations:

	2015				2016			
	May	July	Sep	Nov	Jan	Mar	May	July
Equities:	54.5%	52.5%	51.5%	54.0%	51%	55.5%	56.5%	58.5%
Property:	17%	18%	17.5%	16.5%	17.5%	16%	15.5%	15%
Fixed Income:	10%	12.5%	11.5%	11.0%	10.5%	7.5%	8.5%	9%
Cash:	18.5%	17%	19.5%	18.5%	21%	19%	18%	16%
Alternatives:						2%	1%	1.5%

Equities now make up 58.5% of the average investment portfolio; the highest level since early 2011. The previous highest level was recorded two months ago.

The Australian share market has not been the only beneficiary, with respondents indicating some cash has gone into foreign equities, as well as alternative investments including gold and foreign currencies.

Fixed income saw a small increase to average 9%, the highest level since the opening Survey for the year, but well below the double digit numbers recorded throughout 2015.

Overall, the mood amongst Survey respondents is best described as "guarded optimism".

There is general awareness of multiple threats and dangers, including geopolitical tensions, terrorism and electoral populism. Central bank actions and further falling bond yields are observed with caution. The lack of economic momentum, globally, too much debt, everywhere, and tepid growth in profits from local large caps receive regular mention in respondents' commentary.

For the first time this year, short term opinion about the share market sees more optimists (24%) than pessimists (16%) though 'neutral' continues to outweigh both opposites combined (58%).

Current Sentiment:

	2015				2016			
	May	July	Sep	Nov	Jan	Mar	May	July
Bullish	15%	21.5%	14%	17%	8%	19%	14%	26%
Neutral	64%	60%	51%	61%	43%	61%	62%	58%
Bearish	21%	18.5%	33%	22%	49%	20%	24%	16%

Medium term (6-12 months) the optimists are back in charge, having temporarily acceded the number one position to the neutral camp in May. The percentage of respondents with a negative outlook for the share market has remained remarkably stable around 25% in the past twelve months.

Markets Higher in 6-12 Months' Time?

	2015				2016			
	May-	July	Sep	Nov	Jan	Mar	May	July
Yes	43%	47%	46%	44.5%	38.5%	40.5%	36.5%	39.5%
No	25%	24%	24%	22%	26%	24%	25.5%	25%
Same	32%	29%	30%	33.5%	35.5%	35.5%	38%	36.5%

One subscriber to FNArena caught the general mood when he wrote: *"Difficult to be outright bullish when there are so many geopolitical trouble spots that could explode at any time."*

A member of AIA would not disagree: *"Have a more defensive bias than usual due to lack of earnings growth on the domestic market and stretched values on O/S markets. But accept that QE/easy money may well continue to support a re-rating of equity markets."*

Another investor opined: *"I believe overall the market is challenged and will not be showing major signs of growth as there is a great deal of uncertainty (eg US election, brexit fall out, AU super changes to go through) however I do believe there are pockets [of] opportunity (eg small caps, consistency of dividends) and this is where I plan to focus."*

Other responses suggest more money has flowed into equities because of low returns elsewhere: "*With interest rates low worldwide and no hint of rising in the short to medium term, coupled with QE activities continuing to be rolled out, shares are looking attractive places to invest for the next few years. Constant monitoring of the situation is essential.*"

The **Australian Investors Sentiment Survey** has been conducted every two months since early 2011. Throughout this period the highest level of cash held peaked at 26% in September 2011. The July Survey has revealed the lowest cash reading at 16%.

Since the Survey in March this year respondents can indicate allocations to precious metals and alternative investments, but both continue to represent a tiny slice of portfolios overall.

At a value above 50% the Confidence Index continues to indicate a general optimistic investor bias. Throughout its history of more than five years the Index values have ranged between 41% and 61%. The current value of 56.5 appears to be consistent with an expectation of modest and steady returns ahead from the investment markets.

FNArena/AIA Investor Confidence Index

2015						2016			
Jan	Mar	May	July	Sep	Nov	Jan	Mar	May	July
55.5%	58%	55%	59%	53%	55%	49%	55%	53.5%	56.5%

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 (September 2016).

213 respondents participated through AIA and 245 through FNArena.

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