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MEDIA RELEASE

- FOR IMMEDIATE RELEASE –

Share Market Rally Making Investors Cautious

Australian investors do not expect the Australian share market to break-out of its sideways trading pattern anytime soon.

The combination of elections both local and overseas, potential retrospective changes to retirement planning and the prospect for higher interest rates in the USA is being offset by resilient domestic and global economies and the expectation of further rate cuts by the RBA.

The **Australian Investors' Sentiment Survey for May**, organised by the Australian Investors' Association (AIA) and FNARENA, shows sentiment since March has become less bullish, more neutral regarding the outlook for domestic equities, both short term as well as 6-12 months out.

Despite ongoing concerns about global debt and elevated valuations for shares in Australia and in the USA, the general view seems to be there seems little impetus for Australian shares to rise substantially higher, but neither looks a return to market volatility of January feasible.

Current Sentiment:

	<u>Mar-15</u>	<u>May</u>	<u>July</u>	<u>Sep</u>	<u>Nov</u>	<u>Jan-16</u>	<u>Mar</u>	<u>May-16</u>
Bullish	31.5%	15%	21.5%	14%	17%	8%	19%	14%
Neutral	54.5%	64%	60%	51%	61%	43%	61%	62%
Bearish	14%	21%	18.5%	33%	22%	49%	20%	24%

All in all, it would appear Australian investors have resigned to the fact domestic equities are traveling sideways inside a trading range, and expectations are this is unlikely to change in the months ahead.

The underlying mood was probably best captured by one member of AIA who stated: *"Expecting a steady but smaller improvement in coming months."*

Many expressed their discomfort. Said one FNARENA respondent: *"Cautious."* Another one added: *"Very, very cautious."* A third member explained: *" more cautious allocation in view of uncertainty"*.

Respondents with a neutral outlook now represent the largest group for the short term and regarding the outlook for domestic equities on a 6-12 months horizon. This hasn't happened since January 2012.

Investor confidence overall took a step back compared with two months ago, with AIA members decisively more confident than FNArena respondents. But both groups signalled they've become more cautious, less confident since March.

A reading above 50 still indicates a mild positive bias.

FNArena/AIA Investor Confidence Index

<u>Jan-15</u>	<u>Mar</u>	<u>May</u>	<u>July</u>	<u>Sep</u>	<u>Nov</u>	<u>Jan-16</u>	<u>Mar</u>	<u>May-16</u>
55.5%	58%	55%	59%	53%	55%	49%	55%	53.5%

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 (July 2015).

203 respondents participated through AIA and 270 through FNArena.

Media contacts:

Graeme Bottrill
President
Australian Investors Association
Tel: 02 9979 1935
Mob: 0417 270 061
Email: bottrill@bigpond.com

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