

30 September 2016

MEDIA RELEASE

- FOR IMMEDIATE RELEASE –

**More Concerns, More Caution**

Australian investors have become more cautious in the face of potentially higher US interest rates and a tight contest for the US presidency, while equities globally have recovered from their lows.

**The Australian Investors' Sentiment Survey for September**, organised by the Australian Investors' Association (AIA) and FNARENA, shows sentiment has soured in the short term, with bearish views outnumbering the bulls 23.5% versus 15%, though a clear majority of 61% of respondents prefers to sit on the sidelines (neutral).

Remarkable is that all Surveys in 2016 thus far, bar the one in July, have shown a larger percentage of bearish views on the share market short term than a bullish outlook. This has occurred despite equity markets post February showing low volatility and a relatively steady uptrend.

**Current Sentiment:**

	<u>July-15</u>	<u>Sep</u>	<u>Nov</u>	<u>Jan-16</u>	<u>Mar</u>	<u>May</u>	<u>July</u>	<u>Sep-16</u>
<b>Bullish</b>	21.5%	14%	17%	8%	19%	14%	26%	15%
<b>Neutral</b>	60%	51%	61%	43%	61%	62%	58%	61.5%
<b>Bearish</b>	18.5%	33%	22%	49%	20%	24%	16%	23.5%

Judging from respondents' comments, there remains a lot to be concerned about with issues raised ranging from weakness in dividend payers and rising bond yields, to high levels of global debt, extreme central bank policies and (annoyingly) impotent governments and politicians.

Most complaints were directed at the US Presidential election and the US Federal Reserve's inability to act thus far in 2016.

One AIA member said: *"No idea, everything depends on the actions of central bankers"*.

One FNARENA respondent focused on the positive: *"I anticipate that interest rates will remain low in the US and other major economies as well as in Australia whilst global growth will be fair. That's a pretty favourable environment for equities."*

Quite a number of respondents indicated they are waiting for a correction before looking to allocate more money into the share market.

The swing towards a more cautious approach is also reflected in views about the share market outlook 6 to 12 months out.

Here the "yes" votes tend to dominate the field, but the margin with "unchanged/same" has now narrowed to 1.5% only.

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

	<u>July-15</u>	<u>Sep</u>	<u>Nov</u>	<u>Jan-16</u>	<u>Mar</u>	<u>May</u>	<u>July</u>	<u>Sep-16</u>
<b>Yes</b>	47%	46%	44.5%	38.5%	40.5%	36.5%	39.5%	<b>38%</b>
<b>No</b>	24%	24%	22%	26%	24%	25.5%	25%	<b>25.5%</b>
<b>Same</b>	29%	30%	33.5%	35.5%	35.5%	38%	35.5%	<b>36.5%</b>

No surprise, the steady decline in average portfolio cash levels post the January Survey has now come to a halt.

Overall, changes since July are small with total allocation to domestic and international equities remaining close to the all-time high of 58.5%, recorded two months ago.

Average cash levels made a small step upwards to 17% from 16% in July. The latter remains the lowest level recorded in the history of the Survey as yet. The first Survey was held in January 2011.

#### Average Investment Portfolio Allocations:

	<u>July-15</u>	<u>Sep</u>	<u>Nov</u>	<u>Jan-16</u>	<u>Mar</u>	<u>May</u>	<u>July</u>	<u>Sep-16</u>
Equities:	52.5%	51.5%	54.0%	51%	55.5%	56.5%	58.5%	<b>58%</b>
Property:	18%	17.5%	16.5%	17.5%	16%	15.5%	15%	<b>15%</b>
Fixed Income:	12.5%	11.5%	11.0%	10.5%	7.5%	8.5%	9%	<b>8.5%</b>
Cash:	17%	19.5%	18.5%	21%	19%	18%	16%	<b>17%</b>
Alternatives:					2%	1%	1.5%	<b>1.5%</b>

One member of FNArena probably captured the general mood when he wrote: " Sick of hearing about the Fed. Interest rates had to move a year ago, not now."

A colleague at AIA chipped in: "*Markets are extremely fragile but will continue to rise as long as cheap money continues, and drop off a cliff as soon as credit tightens.*"

One financial advisor pointed out: "*Low interest rate, low growth environment to continue leading to lower returns. This makes investment stock selection key for performance focusing on long term sustainable earnings, cash flow, capital allocation and competitive advantage.*"

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 earlier this year revealed the lowest cash reading at 16%.

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

The Confidence Index made a noticeable step back in September, but at 53% it remains well above 50 suggesting investors have become more cautious, but they are still expecting moderately positive returns from the share market over time.

Since 2011, Index values have ranged between 41% and 61%. The last time a reading below 50 popped up was in January this year, in the midst of what at the time appeared a global markets' meltdown.

#### **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</u>	<u>July</u>	<u>Sep-16</u>
55.5%	58%	55%	59%	53%	55%	49%	55%	53.5%	56.5%	53%

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 (November 2016).

179 respondents participated through AIA and 197 through FNArena.

#### **Media contacts:**

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

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