

31 March 2015

MEDIA RELEASE

- FOR IMMEDIATE RELEASE -

**Investors More Optimistic, But Cash Remains On The Sideline**

A shift in RBA policy stance and a stellar performance by Australian equities have significantly boosted Australian investors' optimism over the past two months. The number of investors who are bullish on the immediate outlook for local equities has more than doubled since January.

The **Australian Investors' Sentiment Survey** for March, organised by Australian Investors' Association (AIA) and FNARENA, shows 31.5% of respondents now have a positive view on the Australian share market compared with 14% only in January.

The percentage is the highest since 2013 when the number of bulls reached as high as 45% in January and 43% in September that year.

**Current Sentiment:**

	<b>Mar-15</b>	<b>Jan</b>	<b>Nov-14</b>	<b>Sep</b>	<b>July</b>	<b>May</b>	<b>Mar</b>	<b>Nov-12</b>
<b>Bullish</b>	31.5%	14%	16%	15%	30%	17.5%	27%	14%
<b>Neutral</b>	54.5%	61%	58%	58%	60%	64.5%	60%	56%
<b>Bearish</b>	14%	25%	26%	27%	10%	18%	13%	30%

The **Survey** also shows that while short term optimism has lifted, investors generally remain somewhat more cautious on the outlook for equities six months and beyond further out. The percentage of longer-term bulls remains stuck around 40%, with 36.5% on neutral and a clear minority (23.5%) bearish.

These numbers have remained fairly stable over the past six months. One year ago, in March 2014, no less than 56.5% declared they were bullish against only 18.5% being bearish at that time.

The generally cautious attitude beyond the short term outlook for Australian equities is also apparent in the comments provided by investors who participated in the **Survey**.

Only a minority of comments can be categorised as "positive". Instead the majority of views express concerns about high valuations, unsustainable policies by central bankers, inept politicians and governments, bubbles in property markets and a day of reckoning that surely must be around the corner, at some point.

One investor wrote “*Australian and US Markets feel expensive, especially with respect to anything yield based, e.g. AREITs. When people start thinking of BHP and RIO as income stocks, you know you have a bubble.*”

Another opined “*We have Political Paralysis in Australia and our business leaders don't know how to handle the current world economic status so everyone is marking time. Too risky to invest.*”

A third one predicted “*I feel the investment market is to remain very volatile for the foreseeable future with no direction.*”

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

	<b>Mar-15</b>	<b>Jan</b>	<b>Nov-14</b>	<b>Sep</b>	<b>July</b>	<b>May</b>	<b>Mar</b>	<b>Nov-13</b>	<b>Sep</b>	<b>Nov-12</b>
<b>Yes</b>	<b>40%</b>	39%	40%	44%	46%	45.5%	56.5%	52%	65%	43%
<b>No</b>	<b>23.5%</b>	25.5%	25%	22%	20%	20%	18.5%	23%	13%	34%
<b>Same</b>	<b>36.5%</b>	35.5%	35%	34%	34%	34.5%	25%	25%	22%	23%

Against this background, it is probably no surprise the average cash portion sitting on the sidelines has remained stuck between 18-20% since 2012 and now has remained unchanged at 18.5% for four consecutive Surveys (8 months).

However, this seemingly never ending cash inertia hides opposing attitudes by both groups of investors participating in the **Survey**. In January, members of AIA had been buying more shares while those at FN Arena had been selling.

Both groups have reversed their funds flow over the past two months.

Another point of note is the average percentage allocated to fixed interest has now fallen to 9%, its lowest point in the short history of the **Survey**, which started in January 2011.

This seems to indicate investors have sold some of their fixed interest in favour of dividend yielding stocks in the share market.

Commentary from Survey respondents supports this conclusion, with one investor indicating: “*Cash is not much use at present in generating income. As a retiree I am more interested in income than growth.*”

Another investor stated: “*Investments are based on income generation as we are retired with a small expectation of some capital growth.*”

A third respondent was more worried, but equally blunt about his options: “*Concerned about safety of equities but such low interest rates suggests I should keep them rather than cash.*”

### Average Investment Portfolio Allocations:

	<u>Mar-15</u>	<u>Jan</u>	<u>Nov-14</u>	<u>Sep</u>	<u>July</u>	<u>May</u>	<u>Mar</u>	<u>Sep-11</u>
Equities:	55%	53.5%	53.5%	52%	54%	50%	53.5%	45%
Property:	17%	17%	17%	18.5%	18%	18%	17.5%	17%
Fixed Income:	9%	11%	11%	10.5%	10%	12%	11%	12%
Cash:	18.5%	18.5%	18.5%	18.5%	18%	20%	18%	26%

The FNArena/AIA Confidence Index rose to 58% from 55.5% in January, which is near the top of its range which has been as high as 61.40% in January 2013. The Index remains well above 50 and well above levels recorded pre-2013.

### FNArena/AIA Investor Confidence Index

<u>Mar-15</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>Sept</u>	<u>July</u>	<u>Nov-12</u>
58%	55.5%	54%	55%	59.1%	55.5%	60.2%	56%	61%	57.3%	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 (May 2015).

211 respondents participated through AIA and 283 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)