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INVESTING INSIGHTS

WITH TONY ALEXANDER Independent Economist

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Sharesies

Investors are more cautious

Thursday 30 June 2022

Each month I invite more than 28,000 people to give their thoughts on managing their personal wealth. The aim is primarily to track changes in asset preference shifts over time. But we can also gain interesting insights into the way people plan to purchase shares, types of property and shares sought, use of an advisor compared with using an app, active versus passive funds management, and a preference for which countries to invest in.

The key results from the June survey yielding 1,022 responses include:

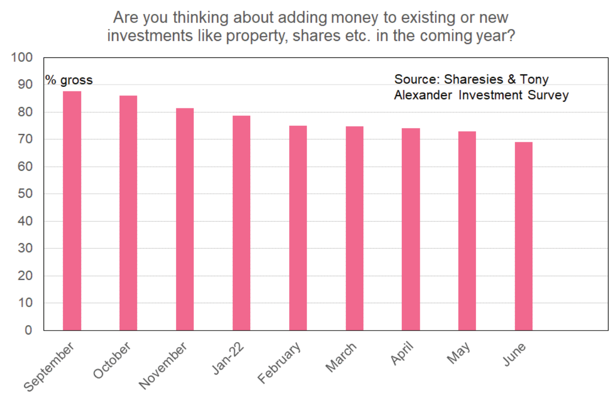
- The willingness to add to portfolios is decreasing among investors, but at a net 69%, the proportion planning to do so is still very high.
- Crypto asset investment intentions have not been dented by recent price weakness.
- Rising interest rates are not leading to a lift in plans to reduce debt levels.
- Interest in buying shares in the energy sector continues to grow.
- Increasing pressures in the residential construction sector are leading to reduced interest in adding to holdings of shares exposed to the sector.

I am not a financial advisor, and nothing written here is intended as advice for any individual or group.

Are you thinking about adding money to existing or new investments like property, shares etc. in the coming year?

We've seen a deep weakness in the prices for some assets such as shares and crypto currencies. So have the large price declines caused people to back away from purchasing such assets? And have they been encouraged to buy more because purchase prices are lower, or have people's long-term portfolio plans been largely unaffected?

Our first graph shows that there is a downward trend in the intent to invest in more portfolio assets. At 69% this proportion is down only slightly from 73% last month but has retreated from 79% in February and 88% in September.

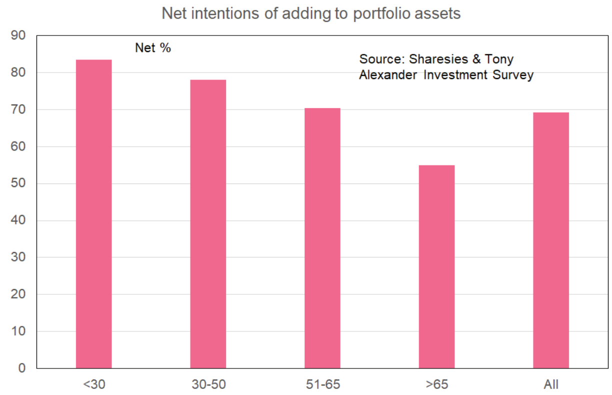


Market weakness is likely affecting investment planning. However, there are other reasons people may be pulling back. These include the 6.9% hike in the cost of living over the past year, rising interest rates diverting income toward debt servicing payments, and uncertainty about the New Zealand and world economies.

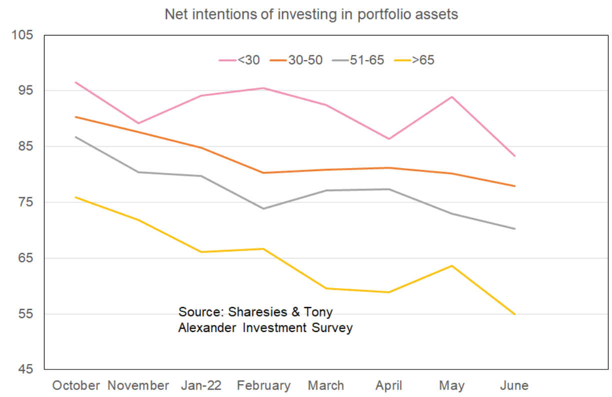
Does age make a difference?

Is the downward trend in net asset purchasing intentions more intense for one age group over another?

By age we see declining intentions of purchasing more portfolio assets.



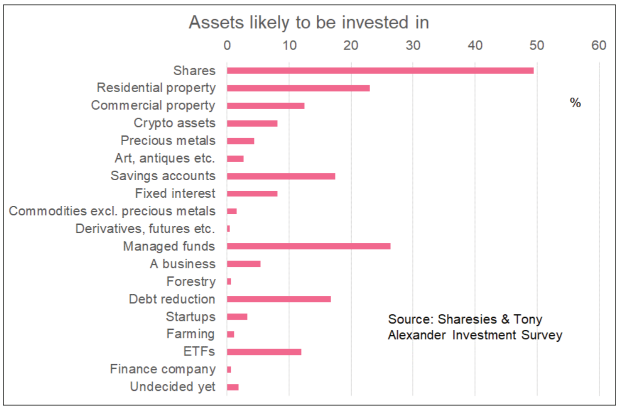
The trend is down across all age groups in recent months but with extra weakness in this latest month for the youngest and the oldest age groups.



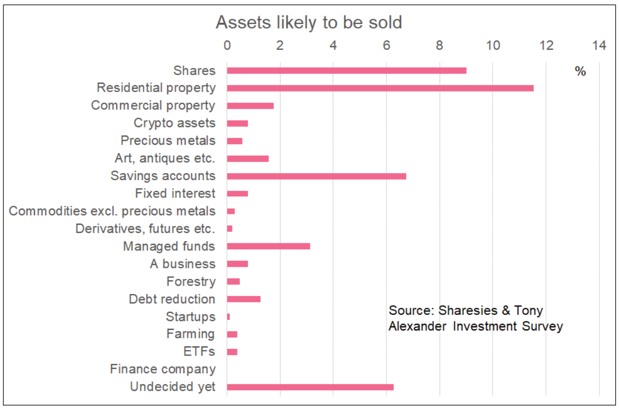
If so, which assets are you likely to invest more in?

We ask people about the assets they plan to buy more of and those they plan to sell some of. The first graph here covers the former, the second the latter.

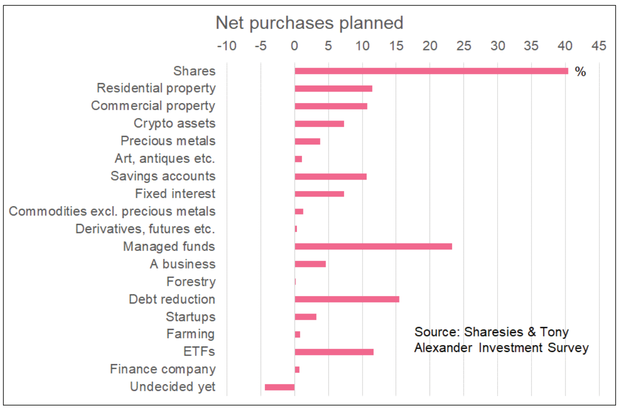
Shares purchased directly or through a managed fund or ETF remain the favourite portfolio investment choice.



But as has been the case for some time now, when it comes to selling an asset, it is residential property which ranks in first place. However, it takes second place when we add direct sales of shares, managed funds and ETFs together.

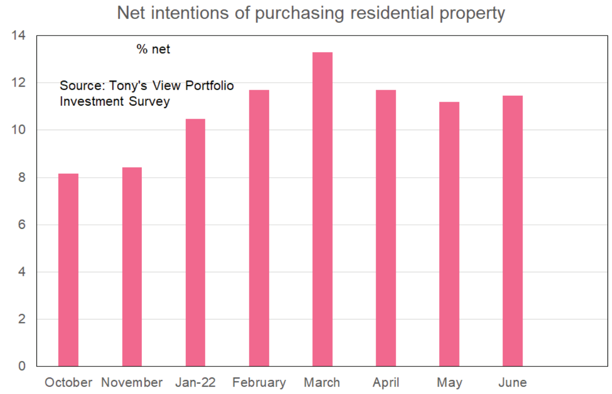


Offsetting the two sets of responses against each other we can create a broad measure of net purchasing intentions for each of the assets we list. Net purchasing intentions are positive for all the categories we cover.

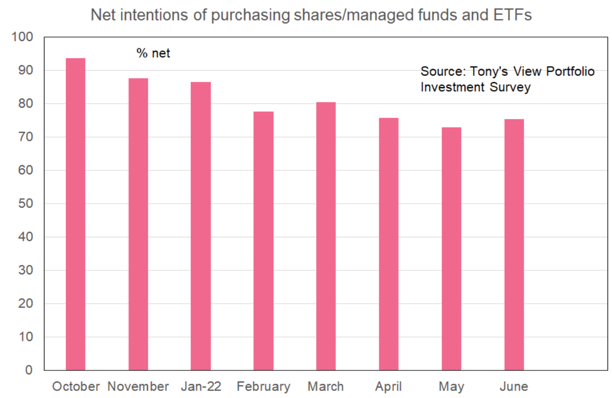


We can track changes in net purchasing intentions over time to see which asset types might be getting relatively more or less favoured than others.

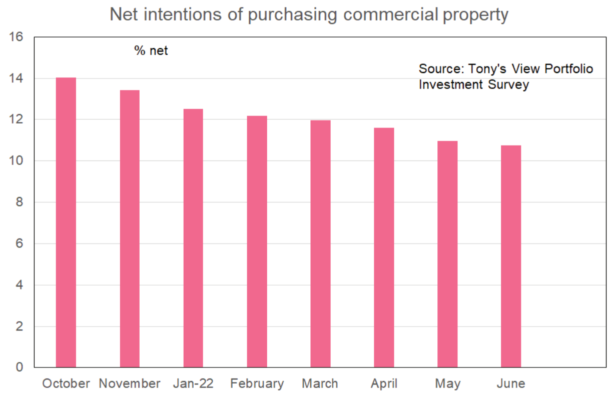
Net intentions of investing in residential property are trending downward, but not at a consistent pace.



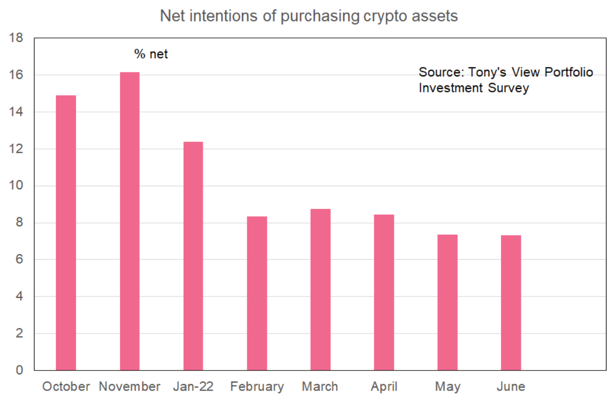
Net purchasing intentions for shares (including managed funds and ETFs) have actually firmed in the month. This tells us something important. Market turbulence is mainly causing some portfolio reshuffling of equities rather than outright net selling.



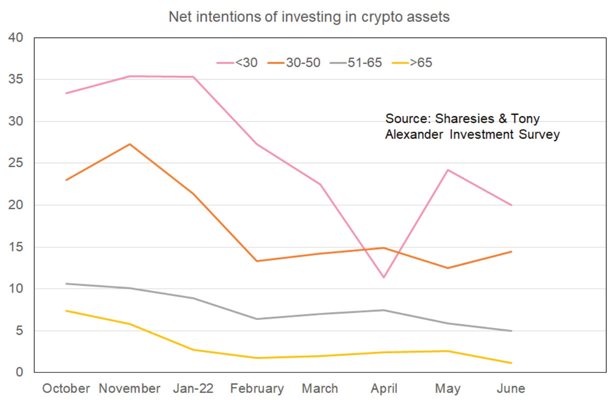
Intentions of purchasing commercial property continue to slowly ease. Rising interest rates and anticipation of weaker economic growth, if not recession, are likely to be driving forces.



Despite the extreme decline in prices for crypto assets, net purchasing intentions have weakened only slightly following the step down earlier this year. People are not bailing out of crypto.

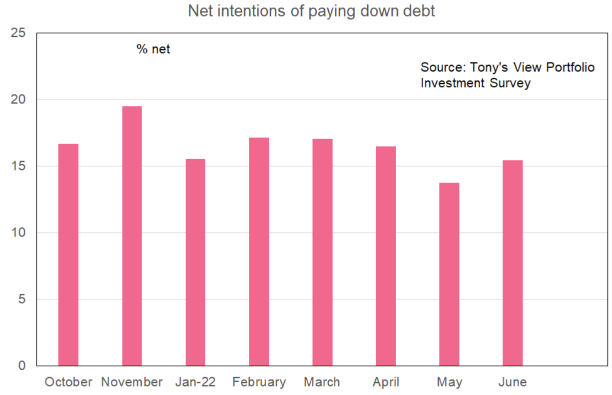


By age group we can see the greatest decline in net intentions of buying crypto assets in recent months has been for the youngest age group. Though the past month has brought only slight weakness, despite large price falls.



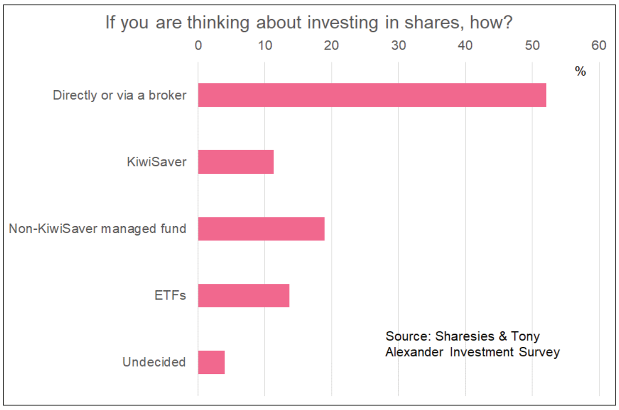
Sharesies

Rising interest rates may be contributing to weakness in consumer spending. But these are not driving more intent to reduce debt levels.

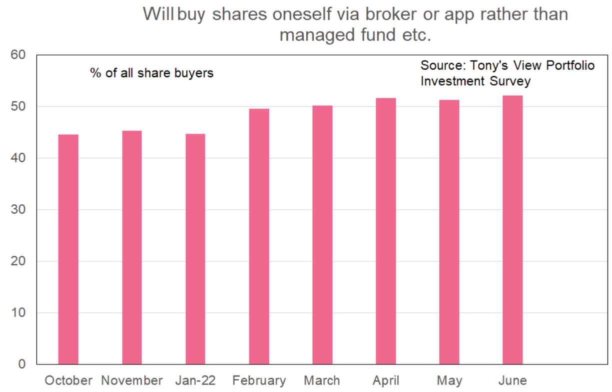


If you are thinking about investing in shares, how?

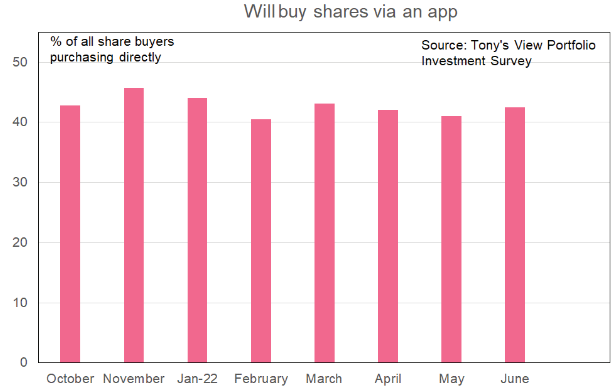
For investors contemplating purchasing shares, the most favoured means for doing so remains self-selection using a broker or app.



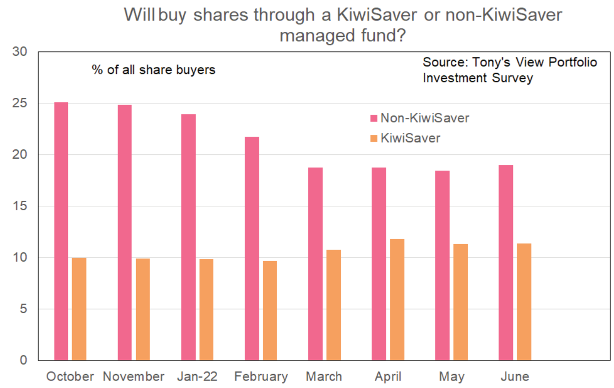
There is an upward trend in the self-service option.



The option of using an app is held by 42% of respondents which is static over time—consistently strong above 40% of respondents since our survey started.



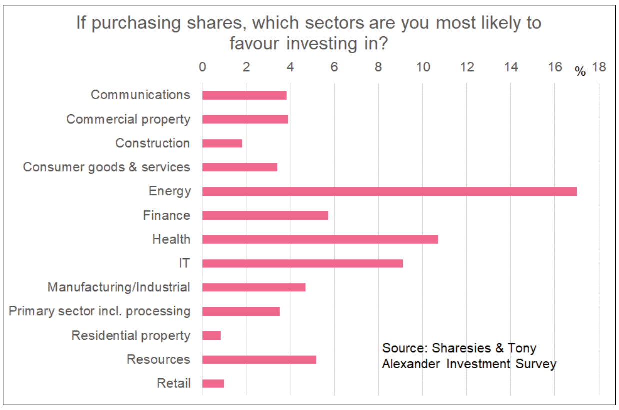
Interest in purchasing through KiwiSaver as opposed to a non-KiwiSaver managed fund is broadly moving upward, but at a slow pace.



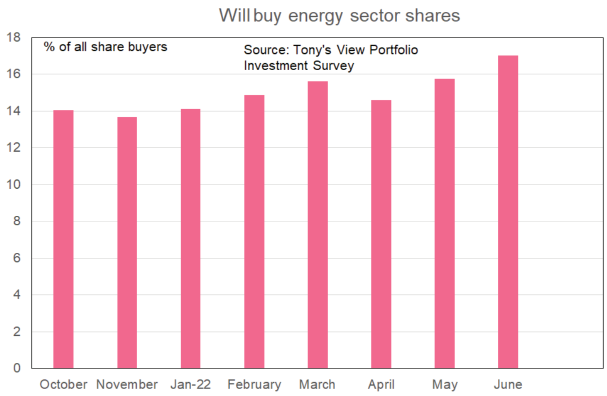
If purchasing shares, which sectors are you most likely to favour investing in?

With this question we are aiming to see change over time in the sectors which people prefer.

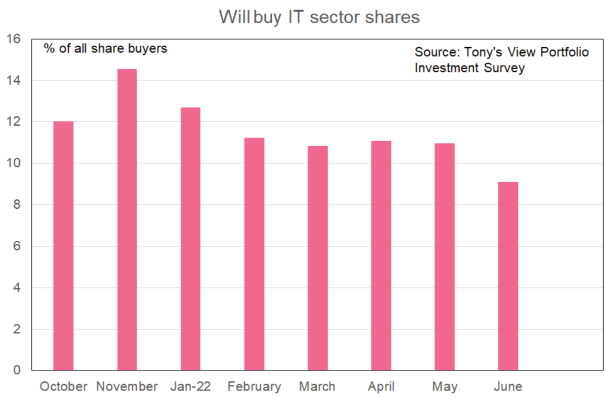
Energy, finance, and health have been the most favoured sectors for equity exposure in every month of our survey so far.



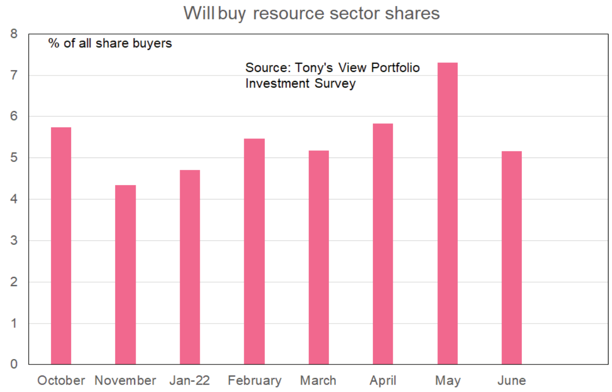
With international energy prices soaring the preference for shares in the sector has increased.



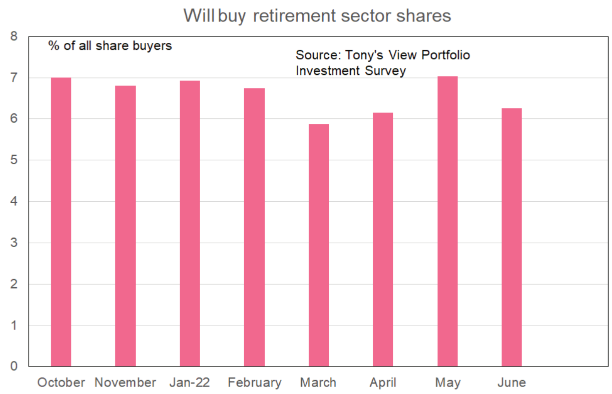
Conversely, perhaps with people returning to the office, regulatory changes offshore, and a binge on home technology spending easing, the trend for purchasing equities in the technology sector is downward.



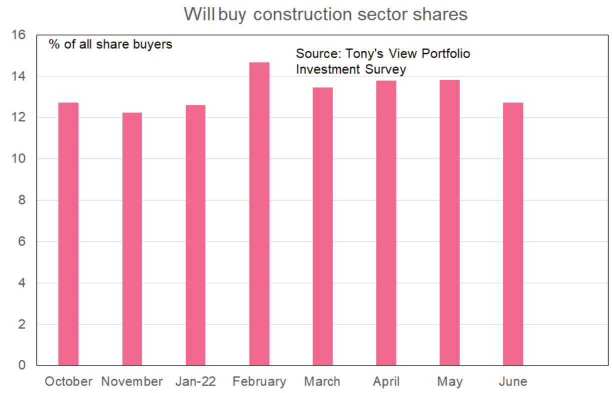
After soaring last month, this month we see a reduction in plans for buying shares in the resources sector. Perhaps as worries about global recession have deepened, investors are reacting more to this, unlike the earlier upward pressure associated with Russia's invasion of Ukraine.



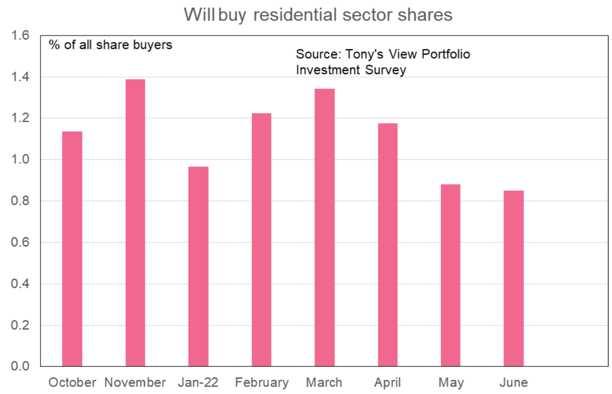
Interest in investing in the retirement sector appears to have a static trend, even with a high number of advertisements in newspapers for retirement villages.



As yet the problems affecting the construction sector including rising costs, staff and resource shortages, alongside development failures, are having only a small negative impact on demand for construction sector shares.

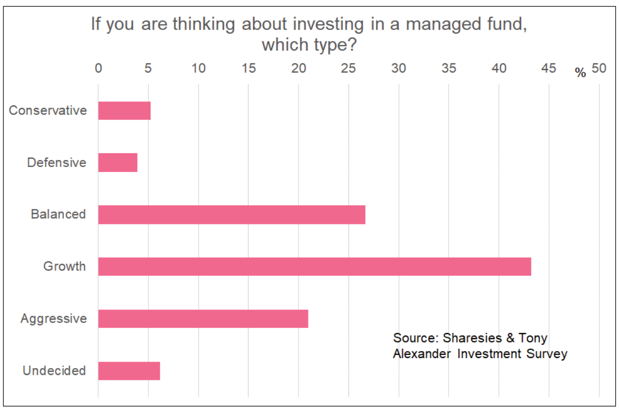


But spreading woe in residential construction is having an impact on demand for shares specifically exposed to the residential property sector.

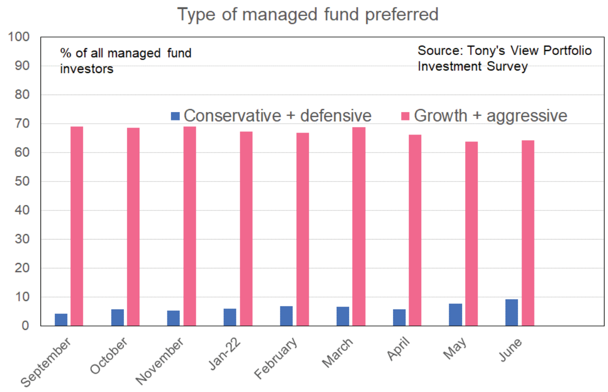


If you are thinking about investing in a managed fund, which type?

Balanced and growth-oriented portfolios remain the most strongly favoured by investors.



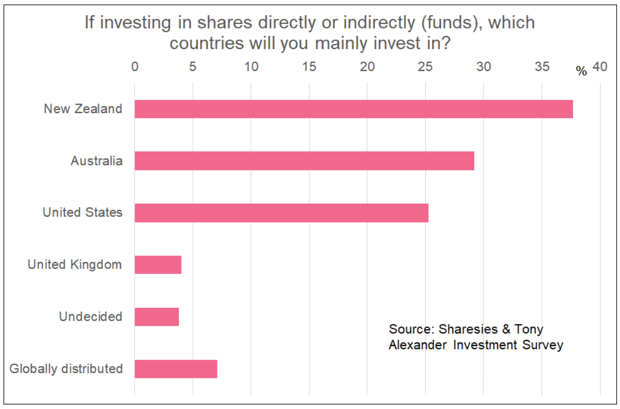
But undoubtedly because of the extra uncertainties and asset price weakness, we have seen recently a slight lift in preference for conservative and defensive type funds.



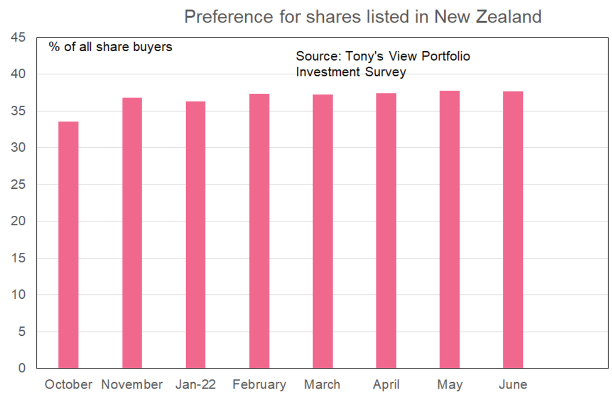
If investing in shares directly or indirectly (funds), which countries will you mainly invest in?

Just in case there should one day be a firm shift in the view people have of New Zealand's long-term prospects, we invite insight into share purchase preferences by country.

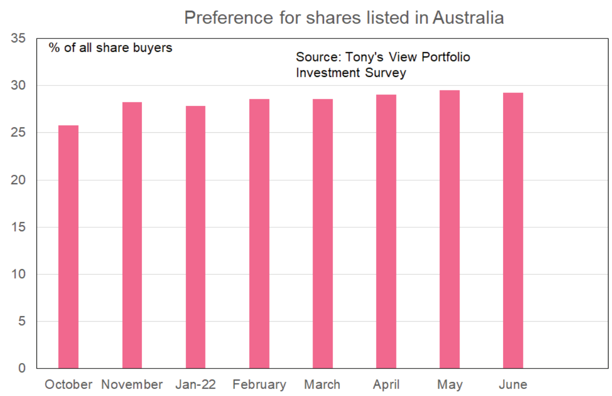
We Kiwis largely restrict ourselves to listed shares in New Zealand, Australia, and the United States.



Our preference for New Zealand shares shows no trend change.



But we are slightly more interested in Australian shares.



Respondents to the survey were distributed by age as follows.

< 30 years	2.9%
30 – 50 years	31%
51 – 65 years	41%
Over 65 years	26%

A breakdown of investment assets for survey respondents (including savings but excluding family home) are as follows:

Less than $500k	26%
$500k - $2mn	36%
$2mn - $5mn	23%
Over $5mn	15%

My aim in producing this publication is to help the growing number of average Kiwis looking to build an asset base over time for their retirement. If you want to discuss any particular product, business, or asset class then you'll need to do that with a Financial Advisor.

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