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INVESTING INSIGHTS

WITH TONY ALEXANDER Independent Economist

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Sharesies

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Investors moving back to shares

Tuesday 28 February 2023

Each quarter I invite the 30,000 people who subscribe to the weekly Tony's View publication to give their thoughts regarding management of their personal wealth.

The aim is primarily to track shifts in asset preference over time. But we can also gain interesting insights into the way people plan to buy shares, the types of shares sought, use of an advisor compared with using an app, and what issues investors are most concerned about.

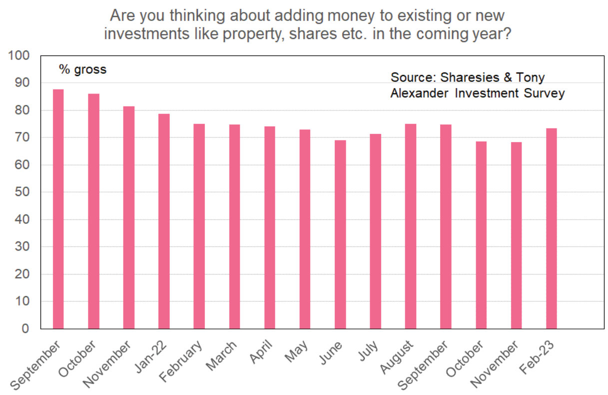
The key results from our latest survey which yielded 1,078 responses include the following.

- The three biggest concerns investors have are inflation, recession, and high interest rates.
- Investors are increasingly planning to buy shares.
- Net intentions of investing in residential property are the lowest since our survey started.
- Banks are likely to have no trouble securing retail investor deposits, with investor intentions to build savings account balances at high levels.

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?

As has been observed in other measures of people's sentiment and intentions over the past three months, our survey has revealed an improvement in investment plans after an initial dip. The dip came after the October 18 inflation number for New Zealand which was 0.6% higher than expected at 7.2%, then the Reserve Bank's strong reaction on November 23 (0.75 rate hike). Now, with evidence of some easing in inflationary pressures, investors are becoming more willing again to consider the buying of more assets.



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. Kiwis like shares, residential property, managed funds and exchange traded funds. But note the high levels for savings accounts and debt reduction discussed further below.

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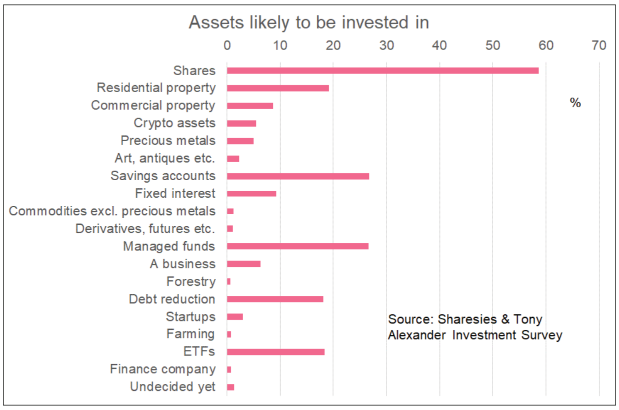
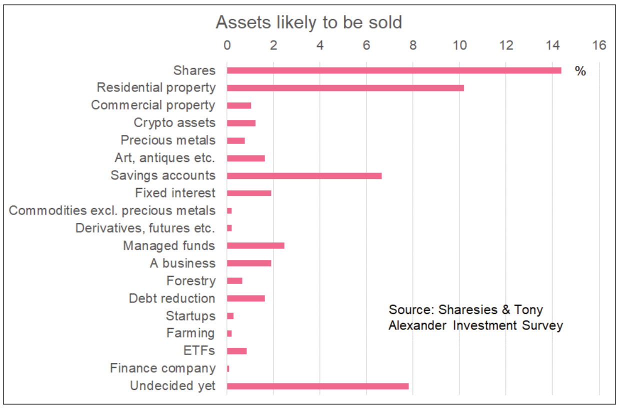
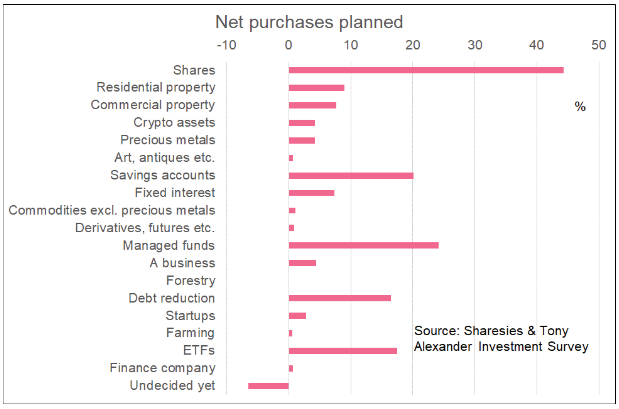


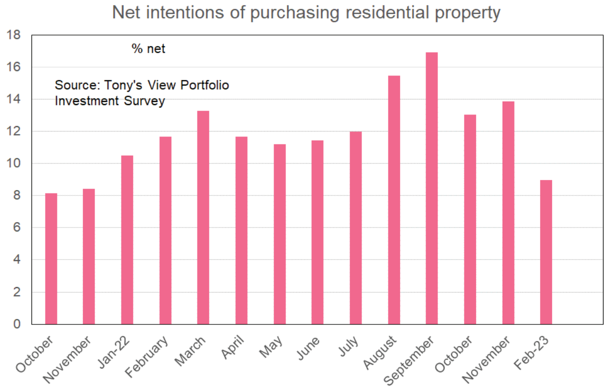
We ask which assets investors are thinking of selling. Shares rank highest followed by residential property.



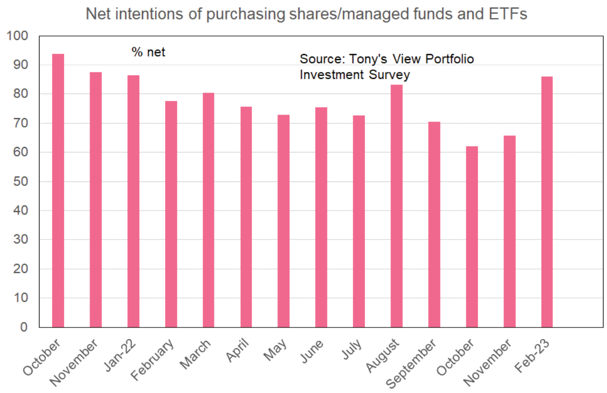
Putting the two sets of responses together we can generate net asset purchase measures then track changes over time to see if there are any interesting trends.



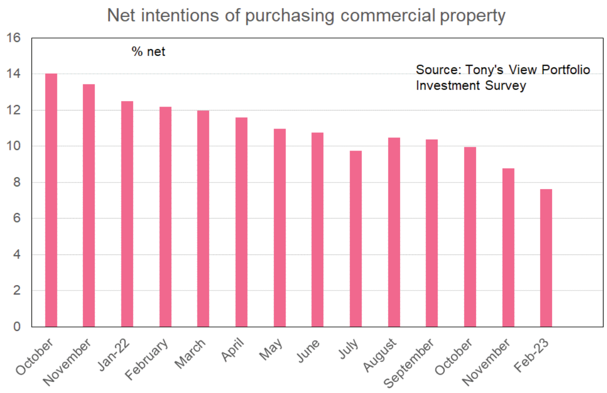
Net intentions of purchasing residential property are low compared with other assets and this is best seen in the following graph. Net house buying intentions are at their lowest since our survey started late in 2021. This result gels with other measures which gauge the presence of investors in the marketplace for residential property. Those measures all show that investor demand is weak.



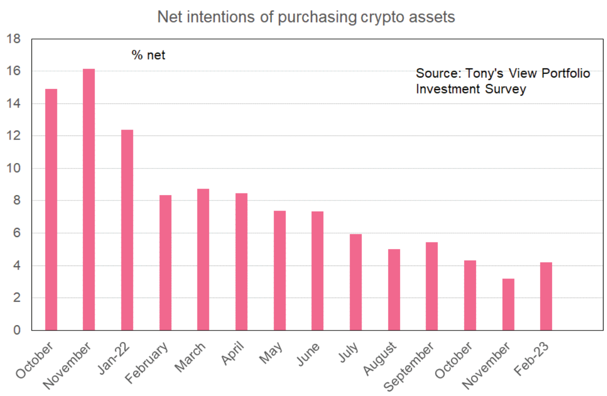
Net intentions of purchasing shares, managed funds, and ETFs have however risen firmly since our previous survey in November. The net proportion of investors planning such purchases is the second highest since our survey started.



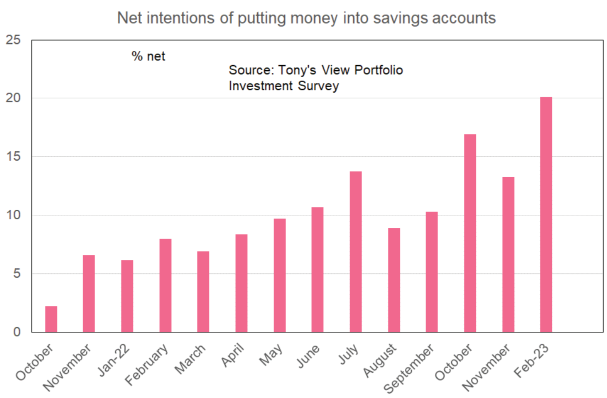
Commercial property net purchasing intentions have been trending down since our survey started and that trend has continued over the past three months. A key factor driving this is likely to be rising interest rates, but with fears of recession also having an impact.



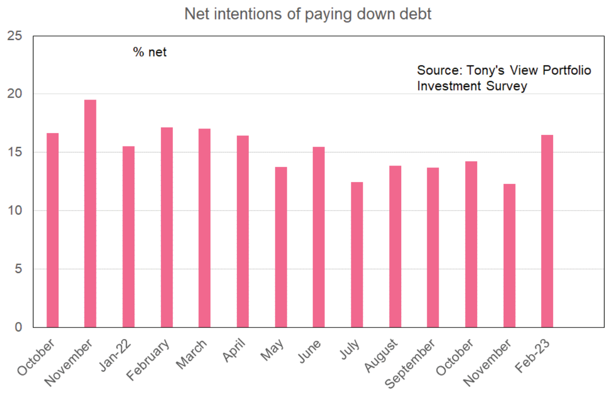
There has been a slight recovery in investor preference to hold crypto assets. But net purchase intentions are still the second lowest on record which may not be surprising considering substantial price declines last year and the price-momentum nature of crypto assets.



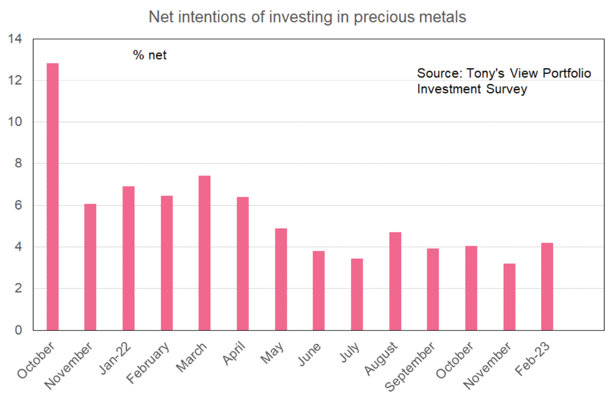
However, a reminder that these are very uncertain times and that interest rates on simple investments have risen from record low levels, we see net intentions of placing or leaving one's funds in a savings account have risen firmly to reach a record high.



Intentions of paying down debt are also at high levels.

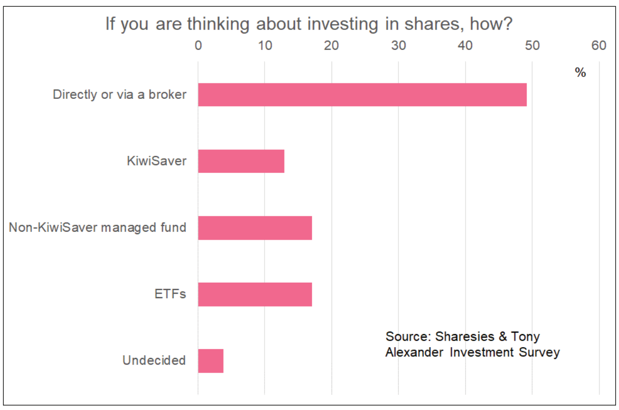


Demand for precious metals has recovered slightly but remains below levels early in our survey.

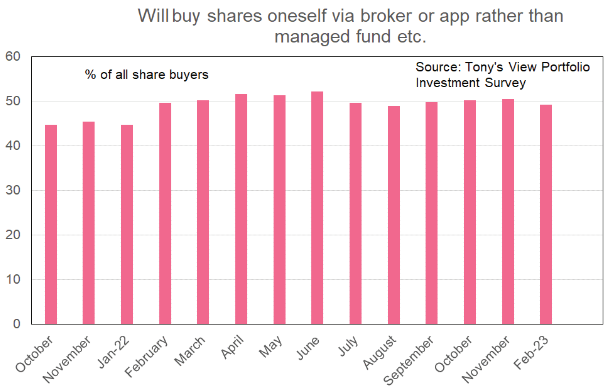


If you are thinking about investing in shares, how?

As ever, intentions of buying shares remain strong through a broker or directly.

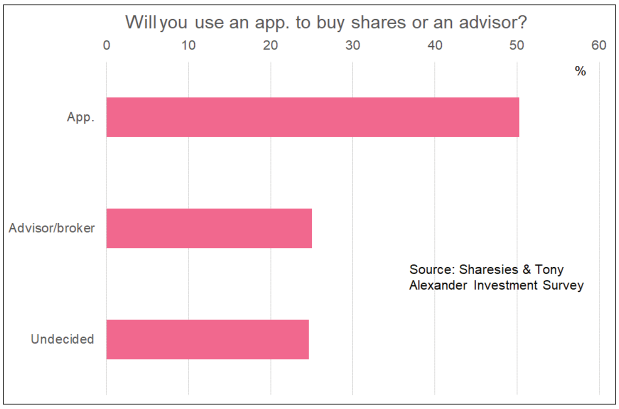


Intentions of making share purchases directly through an app or broker have remained firm at close to 50% since the start of our survey.

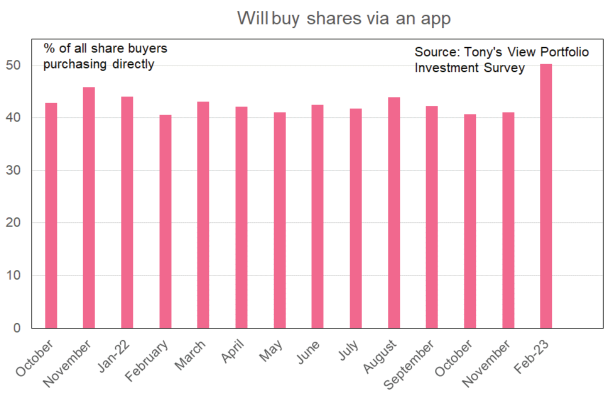


Will you use an app to buy shares or an advisor?

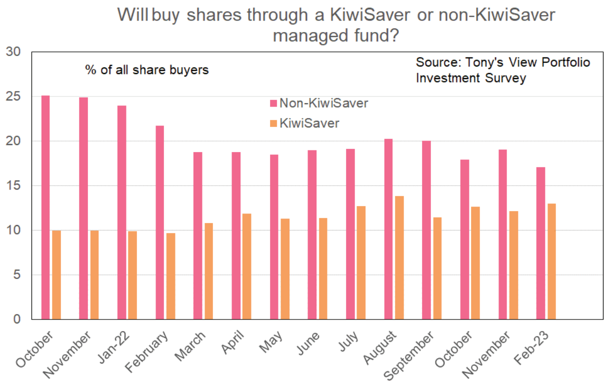
For those purchasing directly rather than through a managed fund vehicle, an app remains the preference.



Intentions of using an app have in fact risen firmly over the past three months to reach a record 50%.



For those investors looking at purchasing shares using a managed fund rather than direct individual purchase, there has been a slight recovery in plans to boost KiwiSaver contributions.



Have you become more or less concerned about 1-2 year returns on your investments compared with a month ago?

This is a new question we've introduced to our survey and there is no time series data as yet. But what we can say is that a net 12% of respondents have said they have become less concerned about their investment returns.

This reflects 18% saying they are more concerned, 30% less concerned, and 52% reporting no change in concern.

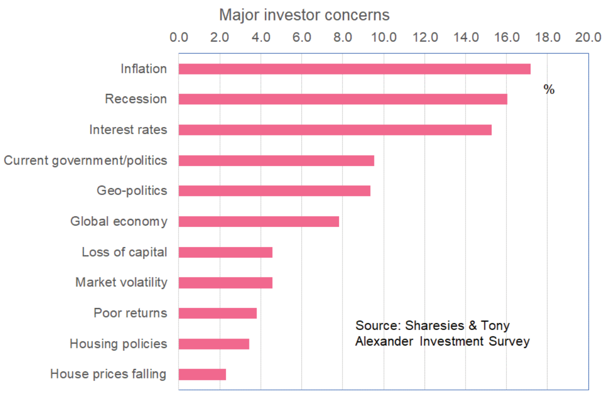
List the main things causing you concern (if any) for your investment returns in the next 1-2 years.

Each quarter we will ask investors to note the things which are causing them most concern. As this is the first time we've done this we've yet to see trends. But we can clearly show the areas which are largely causing concerns.

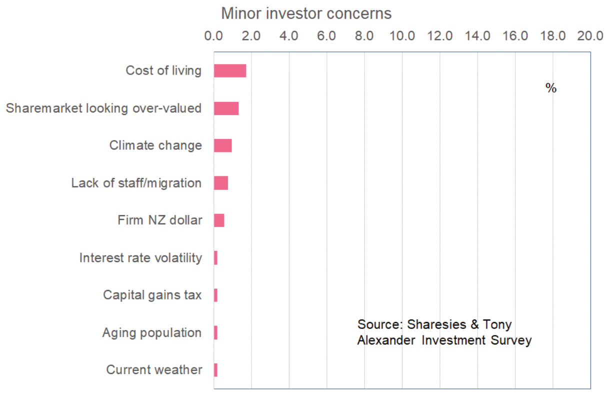
Note that the results here are presented as a percentage of those who expressed some concerns. Many people said that because their focus is on the long-term and not the next 1-2 years, they are not concerned about issues they expect to be short-lived such as inflation, high interest rates, and geo-political uncertainty.

Of the concerns expressed by investors who answered this question 17% were about inflation, followed closely by 16% who were concerned about an NZ recession and 15% were worried about high interest rates.

Among the intermediate concerns were the current government and its policies in general, geo-politics especially regarding the war in Ukraine, US-China relations, and the weak global economy.



At the low concern end of the spectrum are the areas noted in this second graph. For instance the Kiwi dollar is of little concern and this stands in contrast to past periods of recession-worry in the NZ economy when the NZD has often been pushed to high levels to fight inflation. This time, with the inflation fight underway other economies are also raising interest rates to fight inflation. So, the NZD is not being boosted by a strong interest rate differential.



Note the low mention of long-term factors such as climate change and the aging population.

The age of respondents to the survey were:

< 30 years	3.6%
30 – 50 years	34.7%
51 – 65 years	38.5%
Over 65 years	23.1%

What do your investment assets (including savings but excluding family home) add up to?

Less than $500k	23%
$500k - $2mn	34%
$2mn - $5mn	20%
Over $5mn	13%

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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