ISSN 2815-8105

INVESTING INSIGHTS

WITH TONY ALEXANDER Independent Economist

MAY 2023

Sharesies

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Worried investors keep focused

Monday 29 May 2023

Each quarter I invite 30,000+ people who subscribe to the weekly Tony's View publication to give their thoughts about the management of 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 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 972 responses, include the following:

- Interest in purchasing shares has firmed despite recent ructions offshore associated with the US banking sector and Federal debt.
- Worries about the high level of interest rates have become the major concern.
- Intentions to put money in a savings account reaches a record high.

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?

The proportion of our survey respondents who intend adding to their investments over the coming year has edged down slightly this past quarter to 72.8% from 73.3% three months ago. Essentially, thoughts of investing have not changed. This is in spite of the surprise 0.5% tightening of monetary policy on April 5, but perhaps encouraged by the lower than expected inflation number released just two weeks after.

Investors have seen some large but not extreme fluctuations in offshore and local share markets in response to some specific issues with the banking sector in the United States, and more recently concerns about the debt ceiling there as well. Yet despite these worrying events, thoughts of investing have held up at levels higher than the latter part of last year.

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. In contrast to the media's narrative, the investment favoured by Kiwis right now is shares, not residential property. Shares are preferred with 60% of investors looking to buy more as compared with 25% opting for more residential property. This is less than the 29% looking at

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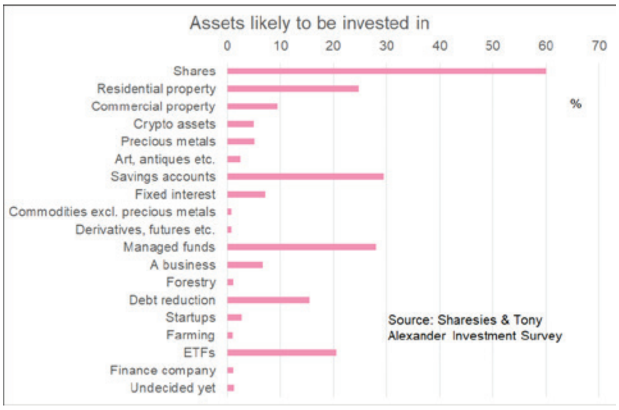
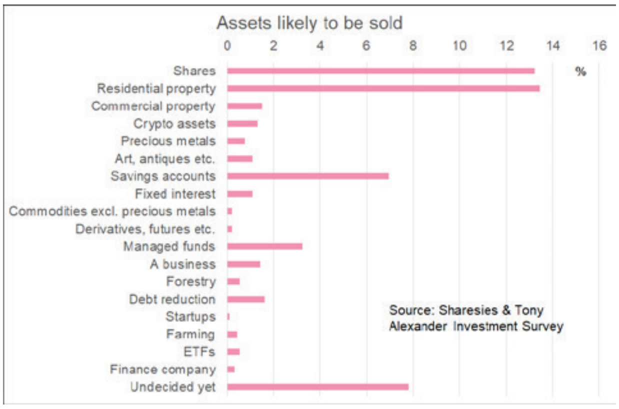
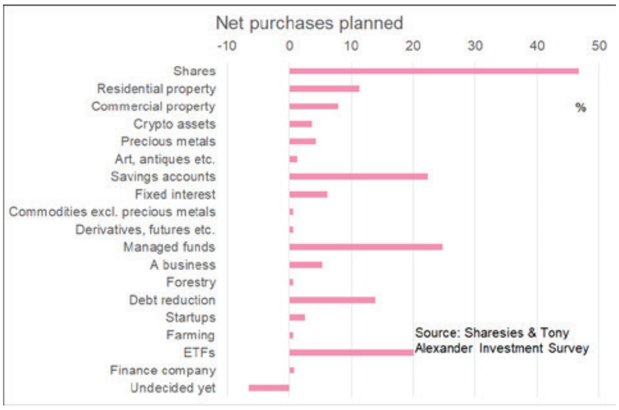
building up their savings account deposits and the 28% looking at managed funds.



We ask which assets investors are thinking of selling. Residential property is the first choice followed very closely by shares. There is perhaps more to this comparison than meets the eye. Selling shares can be accomplished in a few seconds. Selling an investment property on average may take over a month and a half at the moment.

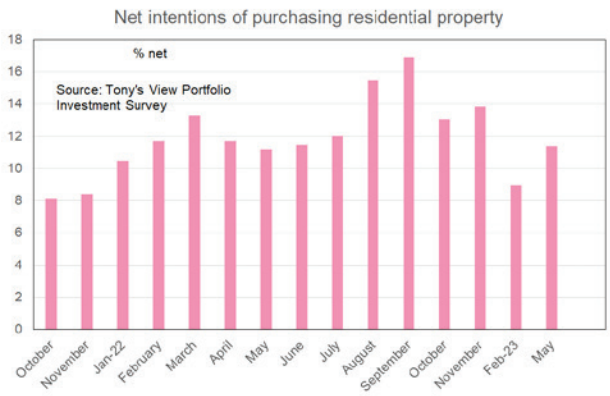


Putting the two sets of responses together we can generate net asset purchase measures, then track changes over time to see if there are any interesting trends.

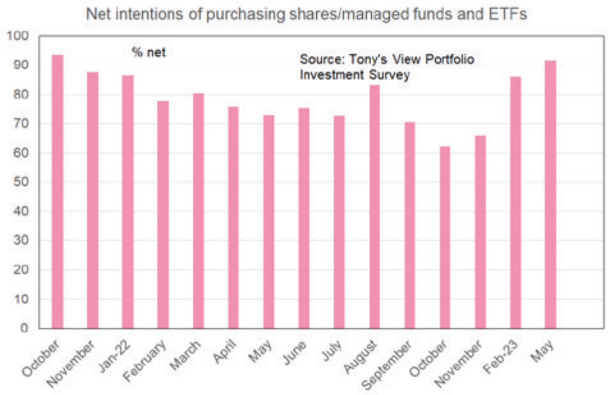


Balancing selling versus buying, we see shares are the preferred asset by far, followed by managed funds (more shares) exchange-traded- funds (shares again), then savings accounts and debt reduction.

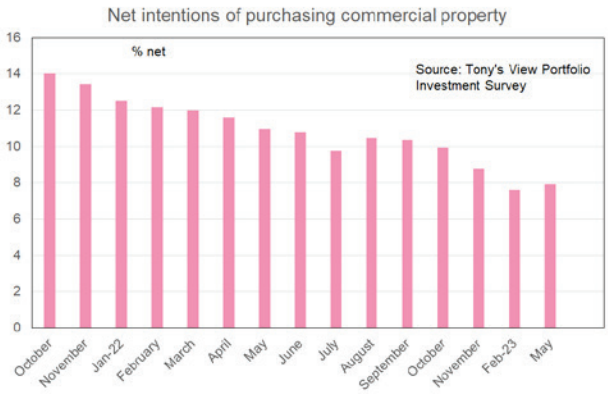
Net intentions of purchasing residential investment property have improved slightly this quarter though the reading is still relatively low– even when compared with the most rapid period of price decline through 2022. The slight recovery this quarter may reflect the migration boom encouraging talk that the housing market has almost bottomed out.



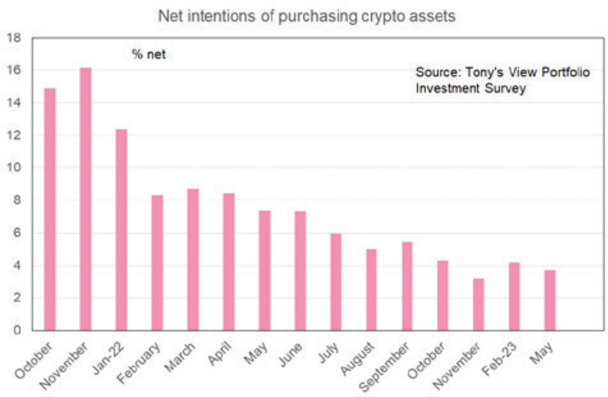
Net intentions of purchasing shares, managed funds, and ETFs have risen almost to a record high. Perhaps in spite of the uncertainty in the United States about Federal debt and the banking sector, there's a feeling that the worst of the monetary policy tightening impact post-pandemic is over and there's increased interest in shares generally.



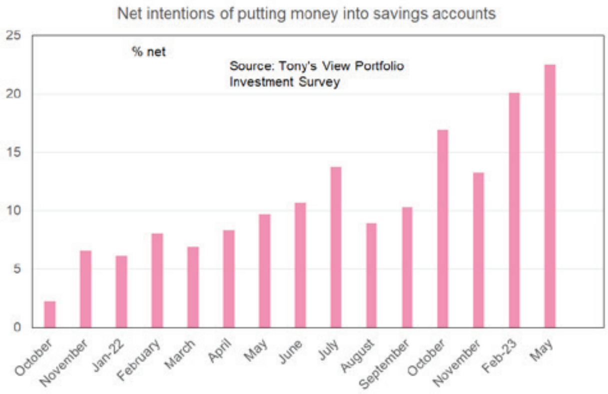
Intentions of purchasing commercial property have improved slightly. But note the downward trend from late-2021 which likely reflects the repricing impact of rising interest rates.



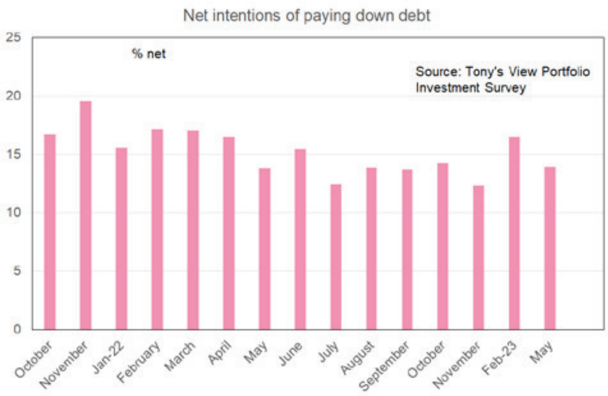
Interest in purchasing crypto assets has also improved slightly – but remains low by standards of the period over which we have been running our survey. The recent gain may reflect the bounce up in crypto currency prices associated with banking sector woes in the United States.



Assisted by rising bank term deposit rates, there has been a firm upward trend in net intentions of building up savings account balances. These net intentions now sit at a record high. People are putting money aside. The question then becomes when will they choose to allocate it to other assets?

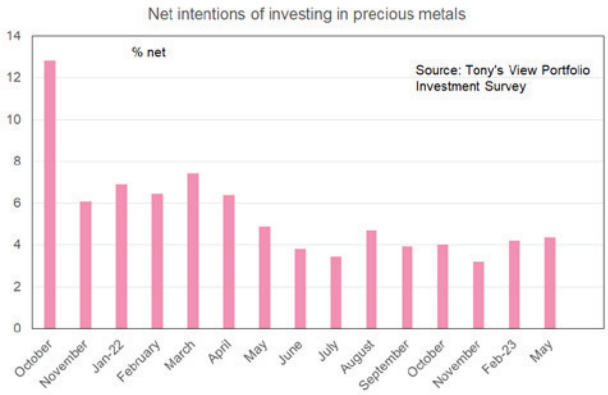


A key point to note perhaps is that net plans for paying down debt have not been on the same upward trend as plans for placing funds in savings accounts. Rising interest rates are not encouraging a strong debt focus.



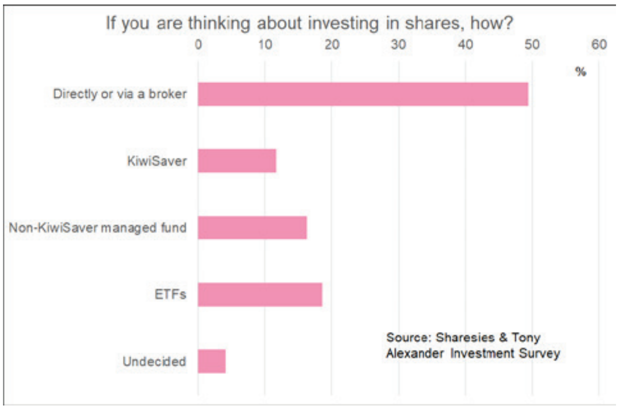
There has been a further recovery in plans for buying precious metals – perhaps in line with the rise for a time recently of gold prices above $2,000 USD an ounce.

Sharesies

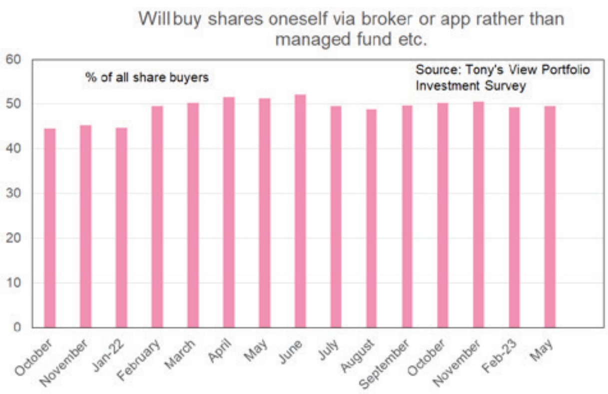


If you are thinking about investing in shares, how?

As has been the case for all our monthly and now quarterly surveys, intentions of buying shares remain strong through a broker or directly.

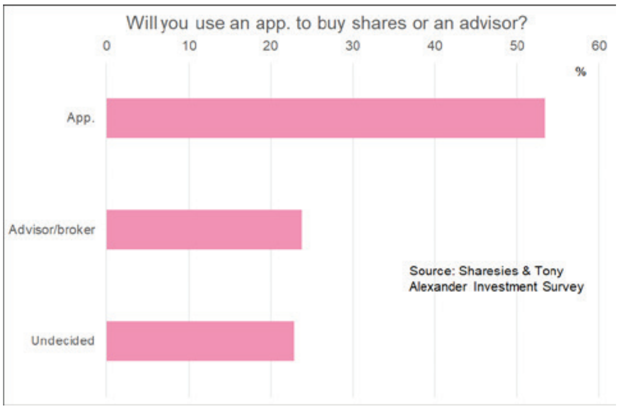


And this includes nearly 50% looking to purchase shares this way rather than via a managed fund.

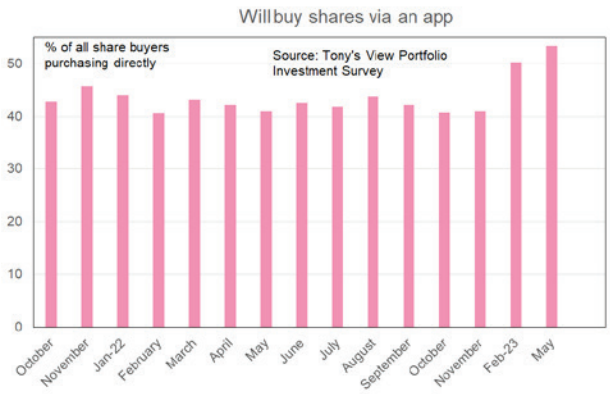


Will you use an app to buy shares or an advisor?

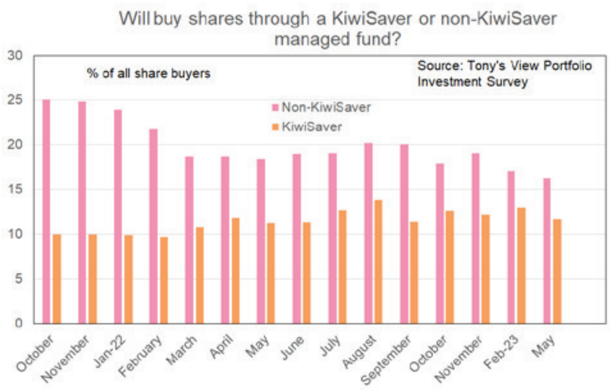
Breaking this down further we see using an app such as Sharesies remains the preferred share purchase vehicle overall.



In fact, intentions among those looking to buy shares and using an app have reached a record high of 53%.



In recent months there has been no clear trend up or down in the proportion of investors intending to buy shares through a KiwiSaver or non-KiwiSaver fund.



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 which we introduced last quarter. Three months ago, a net 12% of respondents said they had become less concerned about their investment returns. Now a net 2% have said that they are more concerned.

We will track this reading over time to see what it might tell us.

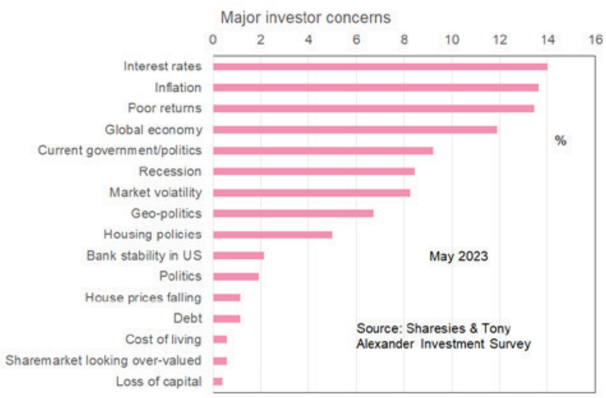
List the main things causing you concern (if any) for your investment returns in the next 1-2 years.

Top of the list is interest rates and with the loosening of fiscal policy announced in the Budget this concern is likely to be even stronger than shown here. Second is inflation which produces high interest rates and compresses people's spending power. High inflation also makes business planning difficult and can eat into profits.

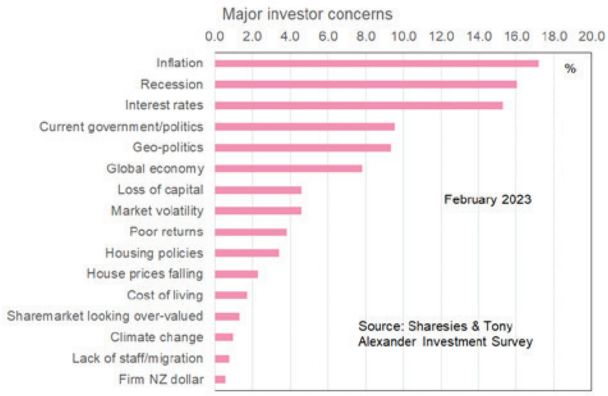
The third greatest concern is returns on investments. This is generally followed by worries about the outlook for the world economy and geo-politics, particularly with regard to China and Ukraine.

Recession worries are also high, but they may ease soon with the Treasury no longer predicting recession.

The results in the graph below are presented as a percentage of those who noted some concerns.



Investors concerns revealed last quarter are shown here—note there's more concern now around interest rates and less for recession.



The age of respondents to the survey were:

< 30 years	4.2%
30 – 50 years	30.2%
51 – 65 years	40.8%
Over 65 years	24.9%

What respondent investment assets (including savings but excluding family home) add up to.

Less than $500k	31%
$500k - $2mn	36%
$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.