

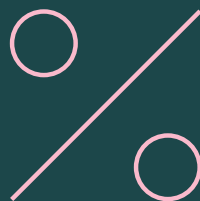
# INVESTING INSIGHTS

WITH TONY ALEXANDER Independent  
Economist



# AUG

2023



# Investors remain cautious

Wednesday 30 August 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 942 responses include the following.

- Investors continue to show decreasing interest in residential property and the provision of rental accommodation.
- Similarly, investor interest in commercial property continues to decline.
- With the general election less than two months away, the government has been noted by investors as more concerning than any other factor for the moment.

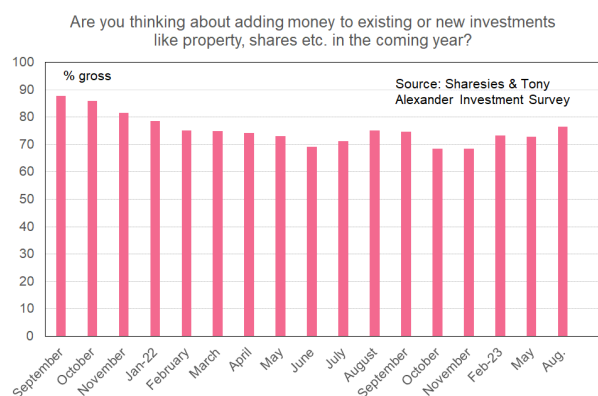
**I am not a financial advisor, and nothing written here is intended as advice for any individual or group.**

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

There is a mild upward trend underway in the proportion of people responding in our quarterly survey who say they intend investing more over the coming year.

The latest result is 77% which is up from 73% in May and the strongest such result since November 2021.

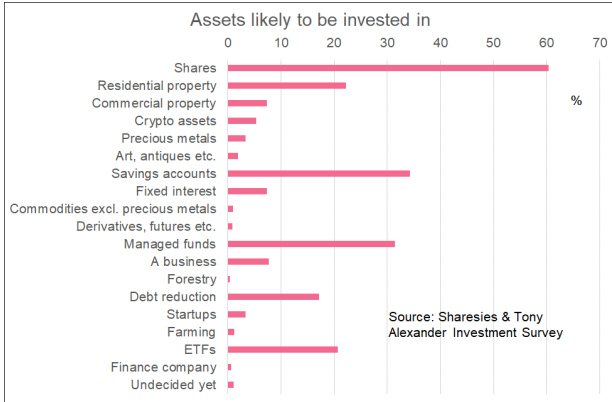
Over the past few months gains have been seen in key offshore share indices, there is a growing view that interest rates have probably peaked in New Zealand, and measures of business sentiment have been improving.



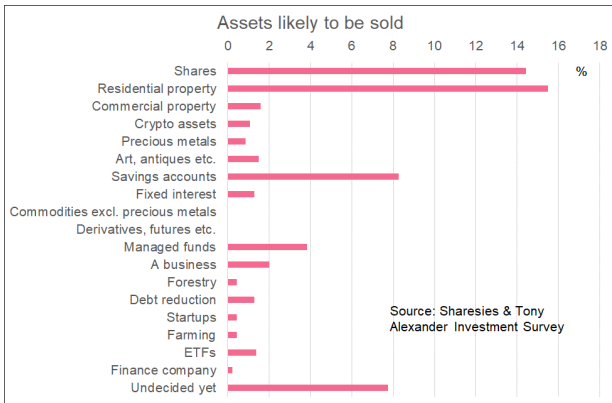
## If so, which assets are you likely to invest more in?

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.

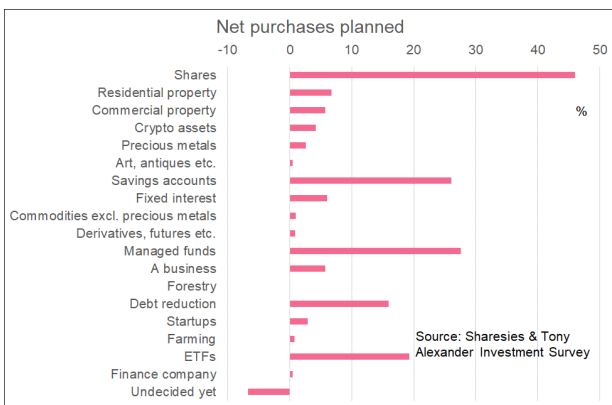
Shares remain the most favoured repository of people's wealth followed by savings accounts then managed funds (more shares), and residential property. For this last asset, the level of preference held by investors is 22% as compared with 60% for shares, 31% for managed funds, and 21% for exchange traded funds (ETFs).



We also ask which assets investors are thinking of selling. Residential property is cited more than any other category, followed by shares then a withdrawal of funds from savings accounts.



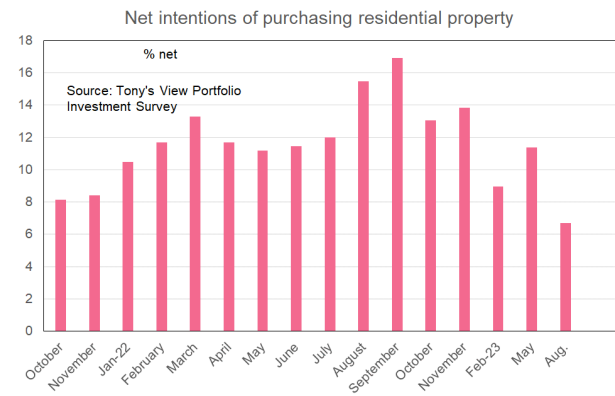
Putting the two sets of responses together we can generate net asset purchase measures, then track changes over time to see if there are any interesting trends.



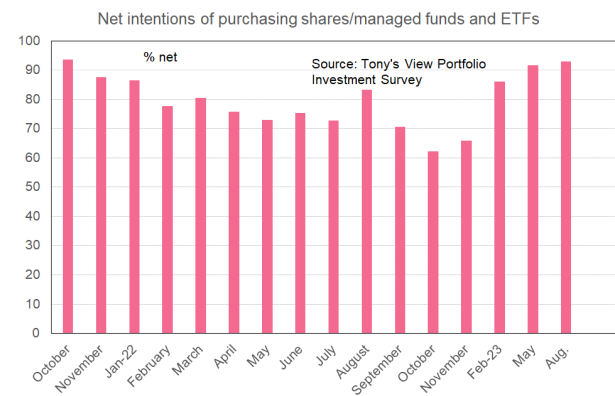
The areas in which investors plan making the greatest net increases in holdings are shares, managed funds, savings accounts, ETFs, then debt reduction.

By putting the buy and sell measures together we can handily track shifts in preference over time and discuss some of the results in the next few paragraphs.

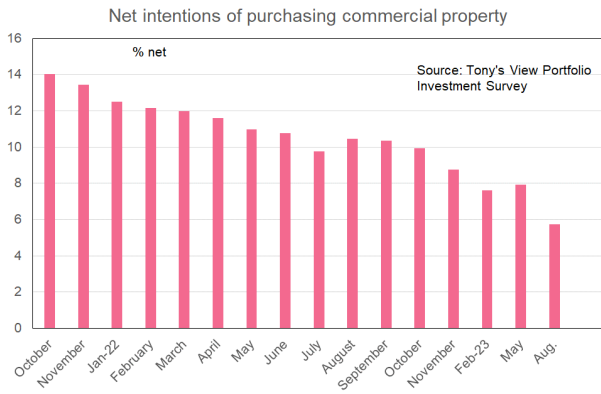
As has already been observed in my monthly survey of residential property investors, the intentions of investing in housing (while still positive) have been trending down since late last year. In fact, such net purchase intentions are at their lowest level since our survey started in October 2021.



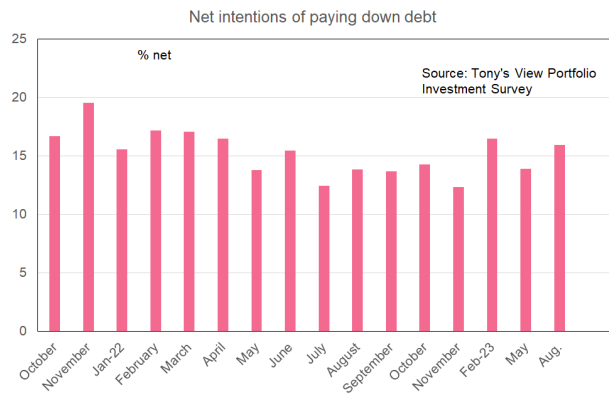
In contrast, net intentions of purchasing shares through various vehicles have strengthened recently.



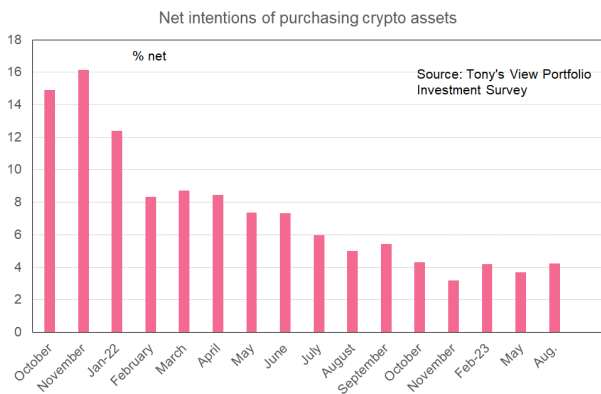
Perhaps because of rising interest rates leading to falling valuations, plans for investing in commercial property have been trending downward for the entire period of our survey.



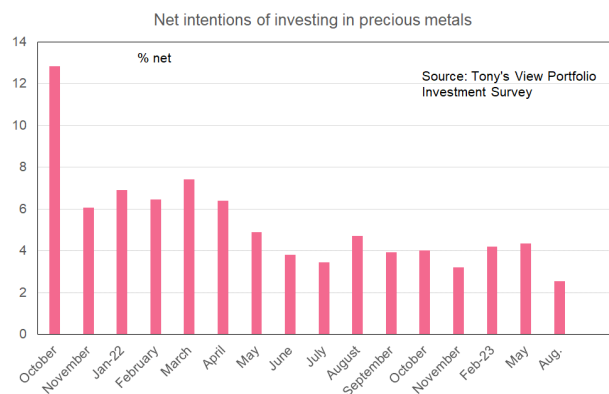
Net intentions of paying down debt are not displaying any particularly strong change this year except for the initial bump up in our February survey.



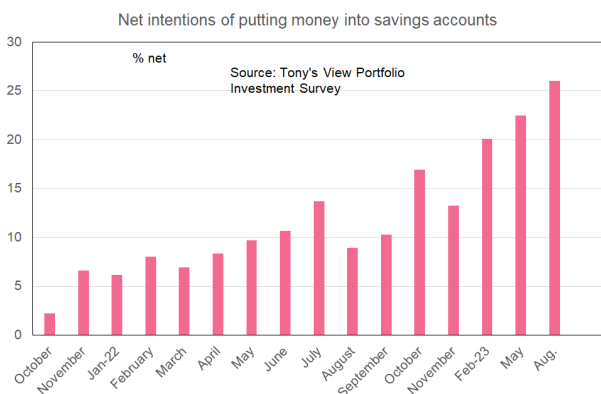
After sustained weakness through much of 2022, net intentions of purchasing crypto assets have flattened out this year. This correlates with the ending of a period of notable declines in prices for some crypto currencies such as Bitcoin.



Plans for investing in precious metals have eased slightly recently, perhaps reflecting a pullback in gold prices to below USD 2000 an ounce.

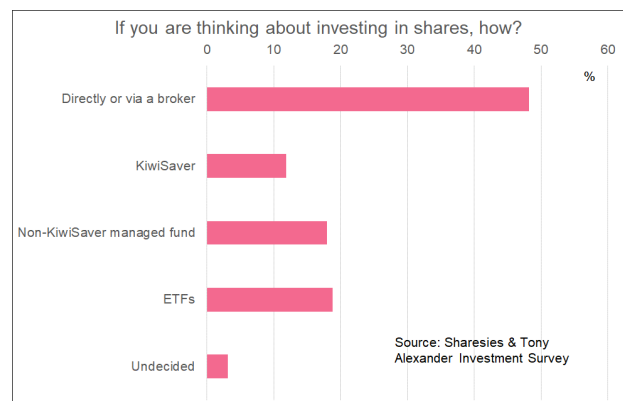


Perhaps because of increases in bank deposit rates and almost certainly because of some high volatility in prices for other assets in recent times, plans for leaving money in saving accounts have trended upward since our survey started.

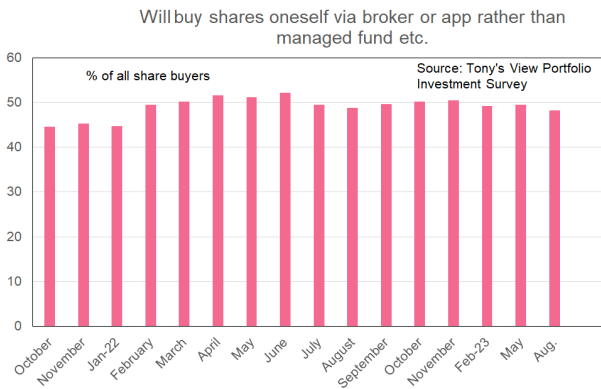


### If you are thinking about investing in shares, how?

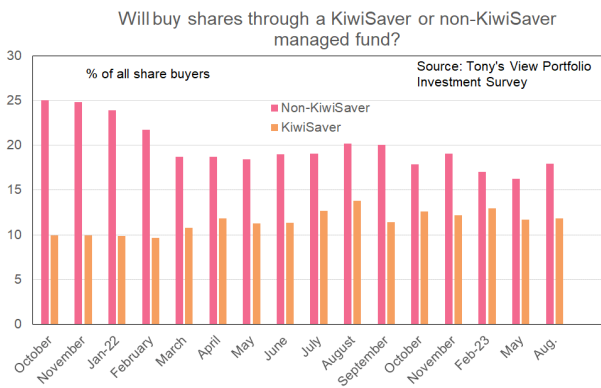
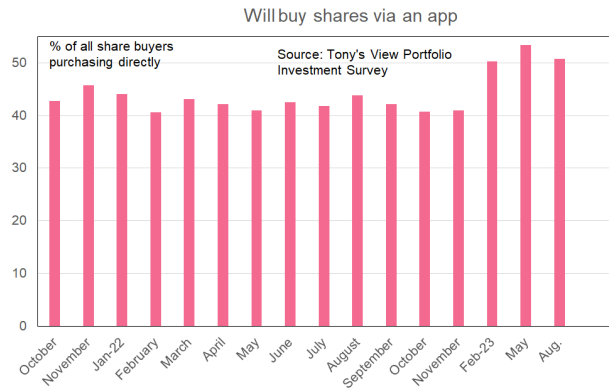
By and large people prefer to buy shares directly or through a broker.



Are there any shifts in these preferences? Not to any great degree during the period of our survey.



This preference jumped up early this year and has remained at elevated levels.



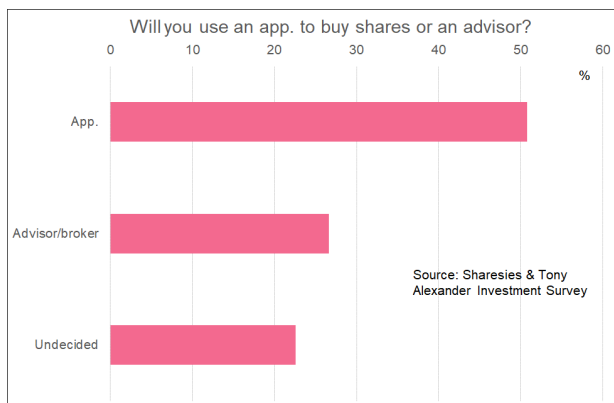
### Have you become more or less concerned about 1-2 year returns on your investments compared with a month ago?

Six months ago a net 12% of respondents said they had become less concerned about their investment returns. Last quarter this deteriorated to a net 2% reporting that they were concerned. Now, we are back to a net 1% saying they are unconcerned.

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

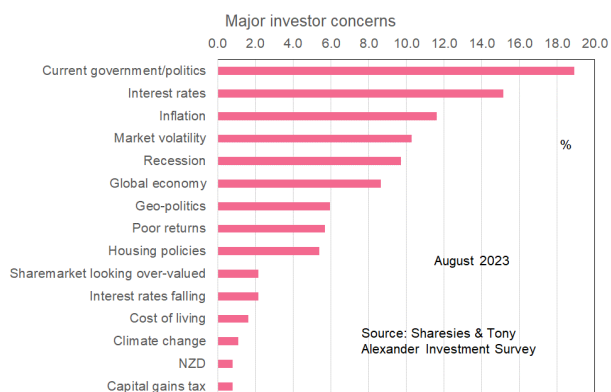
### Will you use an app. to buy shares or an advisor?

For the people looking at buying shares directly, use of an app is favoured over going through a broker.

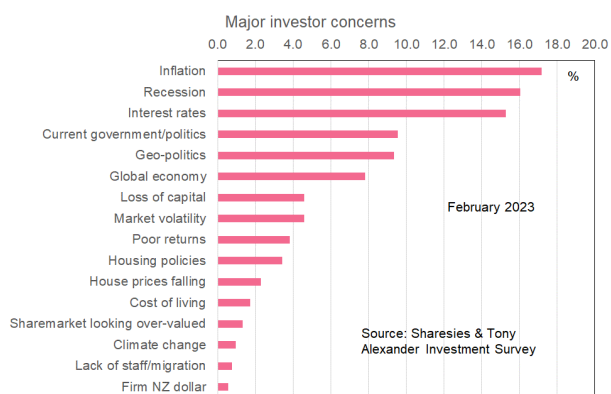


### List the main things causing you concern (if any) for your investment returns in the next 1-2 years.

Each quarter we ask investors to note the things which are causing them most concern. Top of the list is concerns about the current government followed by interest rates, then inflation, market volatility, and the NZ recession. Some investors are also concerned about interest rates falling.



In comparison the concerns which investors revealed six months lead with inflation, followed by a recession and rising interest rates.



As worries about recession have eased and as the general election approaches, concerns about the government are front of the mind for some investors.

## Have you used AI to assist your stock picking?

This quarter we included a special question regarding people's use of Artificial Intelligence in their stock selection. 1.1% of respondents said they have already used AI to help their stock picks, 86.2% said they have not. But 12.7% said they have not to date but will probably do so.

The age of respondents to the survey were:

|               |       |
|---------------|-------|
| < 30 years    | 2.8%  |
| 30 – 50 years | 33.1% |
| 51 – 65 years | 41.1% |
| Over 65 years | 23.1% |

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

|                  |     |
|------------------|-----|
| Less than \$500k | 30% |
| \$500k - \$2mn   | 36% |
| \$2mn - \$5mn    | 21% |
| Over \$5mn       | 14% |

**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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