FINANCIAL REVIEW

SE Companies and Markets

HD **Australia gets cold shoulder**

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WC 552 words
PD 17 October 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 33
LA English

LP

Global money managers are at their most negative in two years, with sentiment turning against Australia, **China** and the materials and **energy** sectors, a survey has found.

Bank of America Merrill Lynch's October global fund manager survey found that the big money is running from the resources industry and positioning for a stronger US dollar.

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Growth and inflation expectations are at two-year lows and **company** profit expectations are at 18-month lows. Despite the gloom just 8 per cent of survey respondents expect a global recession.

The global part of the survey covered 176 institutions with $508 **billion** under management; the regional survey got responses from 103 investors managing a combined $264 **billion** of assets.

As investors rushed to dump **mining** and **energy** stocks, banks and technology stocks were the most popular additions to investor portfolios.

But Australian banks appear to have missed out on the love. In September, Commonwealth Bank (-6.6 per cent), ANZ Bank (-7.5 per cent), Westpac (-8.8 per cent) and NAB (-7.5 per cent) led the downward charge as Australian shares shed 6 per cent over the month.

The Australian dollar was trading at US88.2¢ on Thursday, down from about US94¢ at the start of September.

Perpetual head of investment market research Matt Sherwood said economic growth concerns centre on Europe and **China**; the one place there is no worry about growth is the United States. "Their economy looks robust and this has probably led to some selldown of Australian assets and people looking to repatriate money to the US," he said. "The Australian economy looks very subdued."

As investors chase exposure to the US dollar, they also recognise that the trade is becoming crowded, with almost 45 per cent of respondents tipping long US dollar as the most crowded strategy.

Almost one in two investors thinks shares are the asset class most vulnerable to a rise in volatility in 2015, followed by **bonds** and then currencies.

South Korea, Thailand and Australia are the three least-fancied countries for Asia Pacific investors. The Philippines, New Zealand and Malaysia are the three top picks in the region.

In a bad sign for Australia's resources-dependent economy and **mining**-heavy sharemarket, a net total of 35 per cent of fund managers think **China**'s economy is set to weaken, up from 25 per cent last month.

Commodity prices have been under heavy pressure this year. Brent crude **oil** has been flirting with four-year lows and **iron ore**, a key earnings driver for big Australian miners BHP Billiton, Rio Tinto and Fortescue Metals, is just recovering from its five-year low. **Coal** prices remain in the doldrums.

"In 2011, 2012 and 2013 Australia was a very attractive home in the search for yield and had what was still a reasonably robust economy," Mr Sherwood said. "Now that process is certainly in reverse."

Underscoring the investor shift away from **equity** markets, fund managers' cash positions increased to 4.9 per cent from 4.6 per cent, while overweight **equity** positions fell to 34 per cent from 47 per cent last month.

Almost 50 per cent of investors think the US Federal Reserve will raise interest rates in the second quarter of 2015.

NS ccat : Corporate/Industrial News | nsur : Surveys/Polls | ncat : Content Types

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB Fairfax Media Management Pty Limited

AN Document AFNR000020141016eaah00017

