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Exodus as investors see no equity in equities

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INVESTORS continue to pull their money out of the stockmarket at record rates, ploughing their savings into term deposits in an attempt to escape the turmoil on global markets.

Australian term deposits have swelled by \$276 billion since July 2007, growing at an annualised rate of 22.3 per cent.

The local equity market, which was worth \$1.4 trillion in mid-2007, lost about \$243 billion over the same period. It is now worth about \$1.157 trillion.

Charlie Aitken, managing director at Bell Potter Securities, said there has been an "almighty switch" from equities to term deposits.

"It appears Australians approaching retirement

simply want out of any form of "volatile" asset class, even if that means accepting diminishing unfranked yields in the term deposit market," Mr Aitken said.

"Cash rates falling sharply in the form of term deposit rates hasn't slowed the capital flow into those unfranked term deposits."

At the peak of the market in July 2007, the term deposit market was worth

\$207 billion. That figure has since grown to \$438 billion.

Meanwhile, the return on the local equity market declined by 4.4 per cent a year over the same period.

"We all know it, but it's got to the point now where equity yield, when you include the franking credits, commands a record premium in my lifetime to

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Investors see no equity in equities

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unfranked one-year term deposit rates," he added.

Mark Todd, a director at FIG Securities, said investors were less likely to believe claims that there was value in equity markets. "Investors want less volatility and consistent returns," he said.

"We're seeing real growth in term deposits and fixed-income assets as people get more familiar with the concept of credit... We've seen this since the global financial crisis, when people took long-term views in the



middle of the crisis. The rates they could get from the banks were good so they took two and three-year term

deposits. This is just an evolution of that experience. They're familiar with consistent returns."