



West Australian
20-Dec-2011
Page: 30
Business News
By: Eric Johnston
Market: Perth
Circulation: 210514
Type: Capital City Daily
Size: 178.14 sq.cms
Frequency: MTWTF--

Investors shun shares

Eric Johnston

Investors are continuing to pull their money out of the sharemarket 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 a rate of 22.3 per cent a year. 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, a managing director at Bell Potter Securities, said there had 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.

The local sharemarket's return 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 unfranked, one-year term deposits," Mr Aitken said.

Mark Todd, a director at FIIG Securities, said investors were less likely to believe claims 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.

"The rates they could get from the banks were good so they took two and three-year term deposits. They're familiar with consistent returns."

Superannuation funds have delivered their worst performance since the height of the global financial crisis in 2008.

Research firm Chant West yesterday estimated the average fund value would have shrunk by about 2 per cent by the end of calendar 2011, the second time in four years that pension funds have lost money.

The Age

LOW POINT

21.5%

The losses made by pension funds in 2008

Source: Chant West