

COVID-19 SNAPSHOT: INVESTOR SENTIMENT

As our focus shifts from panic and uncertainty to resilience and opportunity, investor sentiment is gradually edging closer towards positive territory. After COVID-19 took hold of global investment markets, CoreData began observing the changing sentiment and intentions of Australian investors via a weekly pulse check.

In late-March, our proprietary Investor Sentiment Index (which swings from -50 to +50) hit a historic low of -45.1, reflecting levels of pessimism not seen since the global financial crisis. However following Australia's successful efforts in flattening the curve, coupled with a range of Federal Government stimulus measures intended to prop up business and employment, sentiment gradually recovered to mild negative territory at the end of May (-11.1), demonstrating a shift in expectations among local investors.

CoreData Investor Sentiment Index



COVID-19 and asset prices

Global asset prices suffered a sizeable blow between late-February and early-March, as escalating infection numbers forced much of the developed world into hibernation, shutting down local economies and pushing equities prices down approximately 30%.

Asset prices have since rebounded, paring back half of the original losses despite unprecedented unemployment and continuing uncertainty about how the world will trade and interact prior to any vaccine. Retail investors appear undeterred by the downside risks, pushing prices higher and disconnecting the logical link between the economy and investment markets.

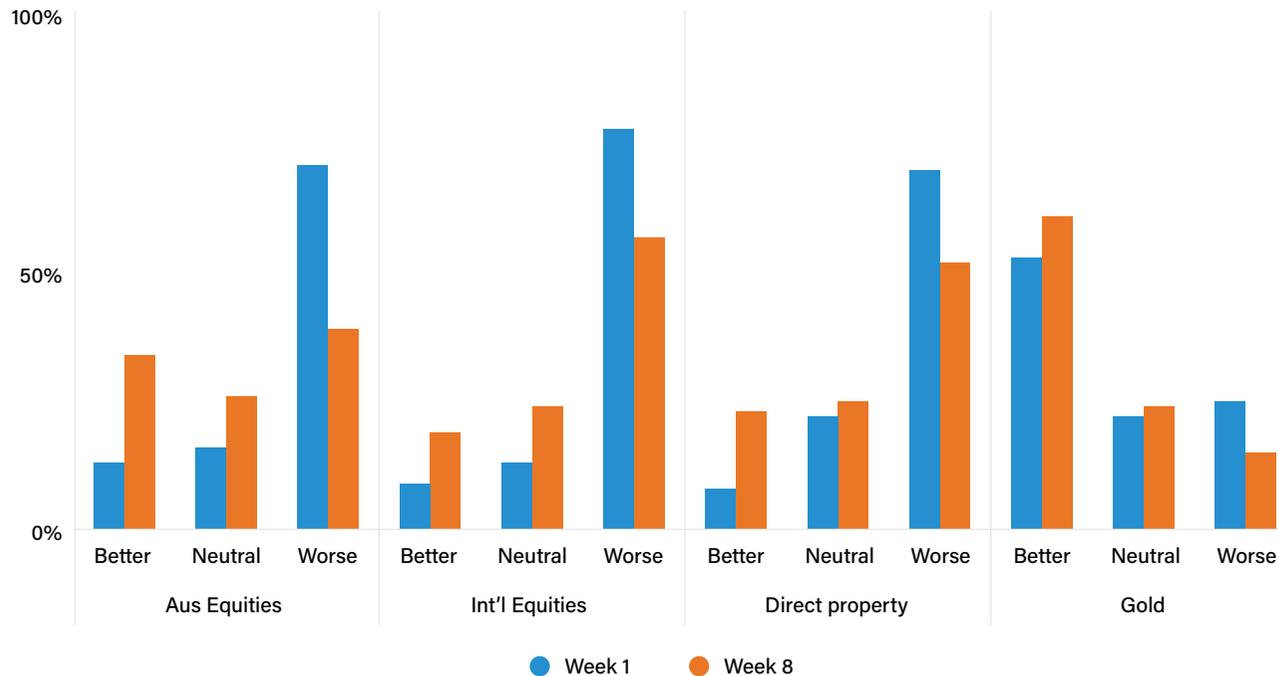
Feeling more confident about their personal finances, many investors have been eager to avoid missing any potentially 'V-shaped' recovery in equity prices. More than one in 10 (11.4 per cent) say that they have tried to take advantage of depressed stocks, with a further one in four (28.4 per cent) planning to 'buy the dip' within the next 12 months. This aligns with data released by ASIC documenting large spikes in retail trading.

Bearish sentiment wanes, as gold expected to shine

Expectations for local investment markets have also improved, as governments and central banks appear willing to support asset prices and the broader economy. Less than half (44.7 per cent) of Australians now expect the investment market to perform worse in the next quarter, falling from almost three quarters (72.2 per cent) seven weeks earlier.

Investor outlook has also improved across other major asset classes following the rebound in equity prices. Whilst the expectation for local property remains negative in the short term, investors are steadfast in their expectation that gold will outperform. The safe haven asset may offer insurance from a spike in infections, as well as potential protection from any stimulus-induced inflationary pressures.

Expected asset performance in the next quarter



Household financial outlooks improving, despite looming recession

As Australia continues to avoid the worst of the virus, local households are becoming more optimistic about their own financial situation. When we first started tracking the impact of COVID-19 on households, less than one in six (12.4 per cent) expected their financial position to improve in the next year, however this has nearly tripled to more than one in three (35.6 per cent) in late-May.

However, the anticipated improvement in household financial situations differs greatly from what these same Australians expect of the broader economy. On average, nearly two thirds of investors expect the country to enter a recession in the next three months (65.1 per cent), while this increases to 70.9 per cent in the next 12 months.

The quick shift from risk-on to risk-off mentality, and then back again, has been startling. The uncertainty surrounding a restart of the global economy doesn't appear to be encouraging risk aversion. And with the market surging on any sign of positive news, even the most stubborn of bears could be forgiven for fearing missing out.

What does this mean for your business?

The sustained uncertainty and increase in retail trading will continue to blur the fundamentals that would traditionally help guide a robust strategy. Only those armed with evidence and data-driven insights will be able to cut through the noise and make sound decisions.

We can help! For more information on research and insights to help you better understand the current market and sentiment among your customers, please contact us:



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