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Title : Investors across the globe are preferring cash to stocks

Body Content

In the last seven months investors across the globe have showed a definite reluctance towards investing in stocks resulting in an increase in cash levels at a high. Either of these indicates a softer growth of the stock market. With United States and China going through a below expectation growth and European market still going through a sluggish phase, investors are exercising caution in spending money in the share market.

Stock markets worldwide remained sluggish with investors hopeful of respective central banks offering money at cheap borrowing rates. This supposedly would help financing of investments in all segments of an economy thereby facilitating economic growth. Economic growth during the last couple of years following the recession of 2009 has in general been sluggish. However, powerful private sector in the major economies has provided buoyancy to the otherwise listless market conditions.

The strength of the private segment has provided the much needed boost to domestic demand thereby keeping GDP (gross domestic product) at a sustaining level. Central banks across nations have contributed to this recovery process by reducing bank lending rates, which in turn augments investment. Reduction in lending rates always acts as an initiative for private investments. This is evident from the investment attitude in United States, Japan, and Europe. About sixty investment houses in these three territories recorded a growth of over five percent in April 2013, the highest achieved since September 2012. Growth rate in March 2013 was 4.1 percent, the lowest in a two year period.

Aggregate funding of equity holdings fell to a record seven month trough at 49.6% as compared to 50.7% in March 2013. Allocation of bond in this period fell from 38.3% to 38%. In this period, investments in alternatives such as assets and commodities increased from 5.4 percent to 5.6 percent. This market survey took place between 15th and 29th April, 2013. From this survey it was revealed that beyond a minimal safe cash investment, investors have invested in long term assets.

Investments in stocks dipped significantly in Italy and Spain while fixed income assets increased to nearly 25 percent, the highest recorded since May 2012. In March 2013 the achieved figure was 23.7 percent. In Asia, Japan was the most outstanding performer with the best performance recorded since July 2013. In the United States, fund managers cut equity allocation to more than 57.3 percent, while increasing cash holdings to almost 3.3 percent.