

AAII Asset Allocation Survey: Cash Holdings Fall to a 16-Month Low

Individual investors have reduced their cash holdings, on a percentage basis, to the smallest amount since the spring of 2015, according to the November AII Asset Allocation Survey. Fixed-income allocations declined as well. Conversely, equity allocations rose to their second-highest level of the year.

Stock and stock fund allocations rose 1.7 percentage points to 66.4%. This is the largest allocation to equities since August 2016 (66.6%) and the second largest since July 2015 (67.4%). The increase kept equity allocations above their historical average of 60.5% for the 44th consecutive month.

Bond and bond fund allocations declined 0.2 percentage points to 16.4%. November was the 16th consecutive month that fixed-income allocations were above their historical average of 16.0%.

Cash allocations fell 1.5 percentage points to 17.2%. On a percentage basis, cash holdings were last lower in May 2015 (16.2%). (Cash allocations were also 17.2% in July 2015.) Last month's drop keeps cash allocations below their historical average of 23.5% for the 60th consecutive month.

Last month's results reflect a shift in short-term trends, as individual investors had been increasing their fixed-income and cash holdings during the two months preceding the election. The rise in equity allocations occurred as optimism about the six-month direction of the stock market among AII members rose significantly last month, according to our weekly sentiment survey.

Some individual investors are encouraged about the potential changes president-elect Donald Trump's administration could make. Others are waiting to see what the impact of his presidency will be, and some are concerned. At the same time, prevailing valuations, frustration with still low interest rates, monetary policy and a perceived lack of alternatives to stocks are also influencing individual investors' allocation decisions.

November AII Asset Allocation Survey results:

- Stocks and stock funds: 66.4%, up 1.7 percentage points
- Bonds and bond funds: 16.4%, down 0.2 percentage points
- Cash: 17.2%, down 1.5 percentage points

November AII Asset Allocation Survey details:

- Stock funds: 35.2%, up 0.9 percentage points
- Stocks: 31.1%, up 0.7 percentage points
- Bond funds: 13.4%, up 0.5 percentage points
- Bonds: 3.0%, down 0.7 percentage points

Historical Averages:

- Stocks/Stock Funds: 60.5%
- Bonds/Bond Funds: 16.0%
- Cash: 23.5%

*The numbers are rounded and may not add up to 100%.

The AAI Asset Allocation Survey has been conducted monthly since November 1987 and asks AAI members what percentage of their portfolios are allocated to stocks, stock funds, bonds, bond funds and cash.

Want to weigh in? Take the survey yourself and see results online at:

<http://www.aai.com/assetallocationsurvey>.

If you want to become an effective manager of your own assets and achieve your financial goals, consider a **risk-free 30-day Trial AAI Membership**.