

AAII Sentiment Survey: Bullish Sentiment Continues to Stay Above 40%

Optimism rebounded among individual investors in the latest AII Sentiment Survey, extending the current streak of above-average bullish sentiment readings. Neutral sentiment also rose, while bearish sentiment declined.

Bullish sentiment, expectations that stock prices will rise over the next six months, rebounded by 2.3 percentage points to 45.0%. The rise puts bullish sentiment above 40% for the ninth consecutive week and above its historical average of 39.0% for the 17th out of the past 18 weeks.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, edged up 1.3 percentage points to 32.6%. The rise keeps neutral sentiment above its historical average of 30.5% for the second consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, fell 3.6 percentage points to 22.3%. The decline keeps pessimism below its historical average of 30.5% for the eighth consecutive week and the 41st week this year.

The current streak of 10 consecutive weeks with bullish sentiment above its historical average is the longest such streak since early 2012. Optimism stayed above its historical average for a 14-week period running from December 29, 2011 through March 29, 2012.

Keeping individual investors optimistic is the overall upward momentum in stock prices, earnings growth, the Federal Reserve's ending of its bond purchasing program, falling energy prices and sustained economic expansion. Keeping other AII members cautious are geopolitical events, a sense that prevailing valuations are too high, the pace of economic growth and worries that a larger drop in stock prices is forthcoming.

This week's AII Sentiment Survey results:

- Bullish: 45.0%, up 2.3 percentage points
- Neutral: 32.6%, up 1.3 percentage points
- Bearish: 22.3%, down 3.6 percentage points

Historical averages:

- Bullish: 39.0%

- Neutral: 30.5%
- Bearish: 30.5%

The AAI Sentiment Survey has been conducted weekly since July 1987 and asks AAI members whether they think stock prices will rise, remain essentially flat or fall over the next six months. The survey period runs from Thursday (12:01 a.m.) to Wednesday (11:59 p.m.). The survey and its results are available online at: <http://www.aai.com/sentimentsurvey>.