

AII Sentiment Survey: Bullish Sentiment Reaches a Two-Year High



Bullish sentiment rose to its highest level in two years, while bearish sentiment fell to its lowest level in about a year in the latest AII Sentiment Survey

Bullish sentiment, expectations that stock prices will rise over the next six months, jumped 8.4 percentage points to 52.3%. The last time optimism was this high was January 13, 2011. This is also the eighth time in nine weeks that bullish sentiment is above its historical average of 39%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, plunged 5.3 percentage points to 23.4%. This is a seven-week low. It also puts neutral sentiment below its historical average of 30.5% for the 15th consecutive week and the 17th time in 19 weeks

Bearish sentiment, expectations that stock prices will fall over the next six months, fell 3.1 percentage points to 24.3%. This is the lowest level of pessimism registered by our survey since February 9, 2012. It is also the sixth time in seven weeks that bearish sentiment is below its historical average of 30.5%.

Bullish sentiment is at an unusual, but not extraordinarily, high level. In statistical terms, optimism is more than one standard deviation above the historical average. A good start by stocks to the New Year, action by Congress to avert the fiscal cliff and raise the debt ceiling (at least temporarily), continued economic growth, better-than-forecast fourth-quarter earnings and seasonality are all contributing to individual investors' optimistic moods.

This week's special question asked AII members what economic trends they are currently watching. Responses varied widely and several members listed more than one trend. U.S. fiscal policy, and the political fight over it, was named by the largest number of members. Employment data and housing data tied for second of the most mentioned data. These indicators were followed by interest rates and the direction of stock prices, which tied for third place

This week's AII Sentiment Survey results:

Bullish: 52.3%, up 8.4 percentage points

Neutral: 23.4%, down 5.3 percentage points

Bearish: 24.3%, down 3.1 percentage points

Historical averages:

Bullish: 39.0%

Neutral: 30.6%

Bearish: 30.6%

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>