

AAII Sentiment Survey: Bullish Sentiment Rises Above 30%

Bullish sentiment rose above 30% for just the second time since April in the latest AII Sentiment Survey. The rebound occurred as bearish sentiment fell for a second consecutive week. Neutral sentiment, meanwhile, tied a 27-year record for the most consecutive weeks of staying at or above 40%.

Bullish sentiment, expectations that stock prices will rise over the next six months, rose 2.9 percentage points to 30.8%. The rebound puts optimism up into the lower level of its typical range. Even with the increase, bullish sentiment remains below its historical average of 39.0% for a 19th consecutive week.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, rose 3.0 percentage points to 45.9%. The increase keeps neutral sentiment above its historical average of 31.0% for the 28th consecutive week and at an unusually high level for a 15th consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, fell by 5.9 percentage points to 23.2%. This was the second consecutive weekly decline of 5.9 percentage points. The historical average is 30.0%.

Pessimism has declined by a cumulative 11.8 percentage points since hitting a 2015 high of 35.1% on July 1, 2015. Over the same period, optimism has risen by 8.2 percentage points. The moves have occurred as the S&P 500 has established a near-term bottom and subsequently rebounded.

As noted above, this is the 15th consecutive week with a neutral sentiment reading above 40%. This ties a record set between November 13, 1987, and March 4, 1988, for consecutive weeks where neutral sentiment is at or above 40%. Unusually high readings of neutral sentiment (currently above 39.6%) have been associated with better-than-average returns for the S&P 500. For more information, see my May 21 AII Investor Update, [Unusually High Neutral Sentiment Often Followed by Good Returns](#). (There is no guarantee, however, that history will repeat.)

Keeping some AII members optimistic is the Federal Reserve's still-accommodative monetary policy, the ongoing bull market, sustained economic expansion and earnings growth. Causing some AII members to be cautious are concerns about the possibility of a bigger decline in stock prices occurring, the pace of economic growth, the lack of wage growth, valuations, the impact of the stronger dollar on earnings and geopolitical events.

This week's AAI Sentiment Survey results:

- Bullish: 30.8%, up 2.9 percentage points
- Neutral: 45.9%, up 3.0 percentage points
- Bearish: 23.2%, down 5.9 percentage points

Historical averages:

- Bullish: 39.0%
- Neutral: 31.0%
- Bearish: 30.0%

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>.