

## AAII Sentiment Survey: Bullish Sentiment Rises Above 40%



Bullish sentiment registered above 40% for the first time since August 23, 2012 in the latest AII Sentiment Survey. Bearish sentiment continues to stay above its historical average, however.

Bullish sentiment, expectations that stock prices will rise over the next six months, rose 5.1 percentage points to 40.9%. This reading ends a 13-week streak of optimism coming in below its historical average of 39.0%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, edged up 1.3 percentage points to 24.7%. Even with the increase, this is the 10th time in the past 11 weeks that neutral sentiment is below 30%. The historical average is 30.5%.

Bearish sentiment, expectations that stock prices will fall over the next six months, fell 6.4 percentage points to 34.4%. This is an eight-week low. Even with the drop, pessimism is above its historical average of 30.5% for the 14th consecutive week and the 30th out of the last 34 weeks.

More individual investors are describing themselves as bullish than bearish for just the second time in the past 10 weeks. The bull-bear spread, which measures the difference between bullish and bearish sentiment, is also at its most positive level since August 23, 2012. The current bull-bear spread is 6.5.

Though this week's survey signals an increase in the level of optimism, it is important to note that this is only the second time since March 29, 2012, that bullish sentiment is above its historical average of 39%. Individual investors remain cautious and failure by Congress and the president to avoid the fiscal cliff would likely have a damaging impact on individual investors' moods. Though some AII members are encouraged by signs of continued economic growth and the preliminary holiday shopping data, many remain concerned about the pace of economic growth, ongoing political gridlock and Europe's sovereign debt crisis.

This week's special question asked AII members what this year's holiday shopping trends are saying about the economy. Responses were mixed, with the largest group of respondents saying the early data shows signs of an improving economy, or at least better consumer sentiment. Several

members thought consumers are either ignoring the macro environment (including the possibility of the fiscal cliff fears) or are just tired of not spending. Some respondents are worried that consumers are spending money they do not have. There were also several who thought the initial data did not provide much insight into the overall health of the economy.

Here is a sampling of the responses:

- “With holiday spending up slightly, consumers are not letting the fiscal cliff threat spoil their holidays.”
- “I’m encouraged by the volume of shoppers reported by the media, but I hope that folks are not spending themselves back into difficult situations.”
- “Consumers have become more willing to spend.”
- “Consumers don’t have much “extra” money, so they are shopping for the lowest priced products.”
- “It is very hard to tell as of now, but aside from Black Friday, I feel that people are being careful with their money.”
- “Black Friday does not a shopping season make.”

The historical average for neutral sentiment was adjusted down by a half a percentage point this week, from 31% to 30.5%. The historical average for bearish sentiment was revised up, from 30% to 30.5%. These revisions reflect a trend we have seen develop in the weekly readings. Over time, we make additional adjustments to the historical averages as the data warrants.

This week’s AAI Sentiment Survey results:

- Bullish: 40.9%, up 5.1 percentage points
- Neutral: 24.7%, up 1.3 percentage points
- Bearish: 34.4%, down 6.4 percentage points

Historical averages:

- Bullish: 39%
- Neutral: 31%
- Bearish: 30%

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>