

AII Sentiment Survey: Individual Investors Stay Optimistic

Individual investors continue to be optimistic about the short-term direction of stock prices, according to the latest AII Sentiment Survey. Bullish sentiment is holding above 40%, while fewer than a quarter of respondents describe themselves as bearish.

Bullish sentiment, expectations that stock prices will rise over the next six months, edged up 0.5 percentage points to 45.5%. This is the fifth consecutive week optimism is above 40%, the longest such streak since January through February 2013. The historical average is 39.0%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged, declined 0.8 percentage points to 32.7%. This is the third consecutive week neutral sentiment is above its historical average of 30.5%.

Bearish sentiment, expectations that stock prices will fall over the next six months, increased 0.3 percentage points to 21.8%. This is the fourth consecutive week and the seventh in the past nine weeks pessimism is below its historical average of 30.5%.

All three indicators remain within their typical historical ranges, though bearish sentiment remains at the low end of what we consider to be a normal reading. Individual investors continue to be encouraged by the market's upward momentum as well as earnings and economic growth. Tempering this optimism are concerns about the pace of economic growth, elevated stock valuations and the lack of a long-term fiscal solution.

This week's special question asked AII members how third-quarter earnings have influenced their third-quarter outlook for stock prices. Approximately 45% said the earnings reports had no influence, while 20% said they are now more optimistic and 15% said the results caused them to be more pessimistic. Some members said the quarterly results were as expected, some said they are more concerned with Washington politics and few described themselves as less optimistic than they previously were.

Here is a sampling of the results:

- "No influence. As all sectors didn't fare as well as others, I will still pick stocks based on their individual merits."
- "Earnings tempered my bullishness somewhat, but I'm still bullish overall."
- "Earnings have been so-so, which makes me think there is no reason for the run up in stock prices."

- “More than earnings, congress is the important issue—and I have no idea what they will do.”
- “Somewhat favorably. The unpredictability of U.S. government policies tends to moderate my expectations.”

This week’s AAI Sentiment Survey results:

- Bullish: 45.5%, up 0.5 percentage points
- Neutral: 32.7%, down 0.8 percentage points
- Bearish: 21.8%, up 0.3 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>