

# AAII Sentiment Survey: Individual Investors Stay Pessimistic



Individual investors remain pessimistic about the short-term outlook for stocks, even though bullish sentiment did improve in the latest AII Sentiment Survey.

Bullish sentiment, expectations that stock prices will rise over the next six months, rebounded by 7.5 percentage points to 26.8%. Even with the increase, this is the first time optimism has been below 30% on consecutive weeks since July 19 and July 26, 2013. The historical average is 39%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, declined 1.3 percentage points to 24.9%. The historical average is 30.5%.

Bearish sentiment, expectations that stock prices will fall over the next six months, fell 6.3 percentage points to 48.2%. The historical average is 30.5%.

This is the first time since March 5 and March 12, 2009, that the bull-bear spread has been below -20 percentage points on consecutive weeks. The bull-bear spread is the difference between bullish and bearish sentiment.

Though optimism did improve, AII members remain pessimistic about the short-term outlook for stock prices. Both bullish and bearish sentiments are still more than one standard deviation from their historical averages, making this week's readings unusual. This week's higher response count, 365 votes, suggests that last week's large swings were not the result of fewer AII members taking the survey.

The recent return of some downward price volatility is having an effect on individual investors' moods. Also playing a role are mixed views about the pace of economic growth, ongoing frustration with Washington and concerns that stock prices have moved too far, too fast.

This week's special question asked AII members what would cause the market's current upward run to end. Responses varied. A change in monetary policy leading to less Federal Reserve stimulus or high rates was cited by about 14% of respondents. A similar number of respondents said weak earnings or poor profit guidance would drag down stock prices. Geopolitical issues, particularly with

North Korea, were listed as a potential downward catalyst by about 11% of respondents. Slower or negative economic growth came in fourth, with slightly less than 10% of respondents saying it would adversely affect the markets. (Some AAI members listed more than one catalyst.)

Here is a sampling of the responses:

- “If the Federal Reserve cranks up interest rates or just hints that it might, then the market would probably plunge.”
- “The Fed pulling back on stimulus to the economy”
- “A lack of good earnings growth and weakening economic data.”
- “Something drastic like war with North Korea or Iran.”

This week’s AAI Sentiment Survey results:

- Bullish: 26.8%, up 7.5 percentage points
- Neutral: 24.9%, down 1.3 percentage points
- Bearish: 48.2%, down 6.3 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>