

AAII Sentiment Survey: Neutral Sentiment Above 40% for 14th Consecutive Week

Neutral sentiment remained above 40% for a 14th consecutive week in the latest AAI Sentiment Survey. Additionally, optimism rebounded as pessimism pulled back from last week's 2015 high.

Bullish sentiment, expectations that stock prices will rise over the next six months, rose 5.3 percentage points to 27.9%, a three-week low. The large drop keeps optimism at an unusually low level for the ninth time in 10 weeks. This is also the 18th consecutive week with a bullish sentiment reading below its historical average of 39.0%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, edged up 0.6 percentage points to 42.9%. The increase keeps neutral sentiment above its historical average of 31.0% for the 27th consecutive week and at an unusually high level for a 14th consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, pulled back by 5.9 percentage points to 29.2%. The historical average is 30.0%.

The current 14-week streak of neutral sentiment readings at or above 40% (readings above 39.6% are unusually high) is the first such streak since July 8 through October 21, 1988. If neutral sentiment is at or above 40% next week it would tie the record set between November 13, 1987 and March 4, 1988.

Optimism is also in the midst of a notable streak. The current stretch of 18 consecutive weeks with below-average readings is the longest since a 20-week stretch between April 5 and August 16, 2012.

Notable upward and downward moves in bullish and bearish sentiment have been occurring over the past few weeks as the S&P 500 has been showing signs of becoming more volatile. Greece is at the forefront of some individual investors' minds, as we are seeing it mentioned with a greater frequency in response to the survey's special questions. The timing and magnitude of a change in U.S. monetary policy is still taking precedence, **as we noted last week**. Contributing to bearish sentiment 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. Contributing to bullish sentiment (in addition to still-accommodative monetary policy) are the ongoing bull market, sustained economic expansion and earnings growth.

This week's AAI Sentiment Survey results:

- Bullish: 27.9%, up 5.3 percentage points
- Neutral: 42.9%, up 0.6 percentage points
- Bearish: 29.2%, 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>.