

AII Sentiment Survey: Neutral Sentiment at Highest Level Since 2011



Neutral sentiment is at highest level since December 22, 2011 in the latest AII Sentiment Survey. The rise in neutral sentiment is occurring as both short-term optimism and pessimism are falling among individual investors.

Bullish sentiment, expectations that stock prices will rise over the next six months, fell 2.9 percentage points to 35.5%. This is the third consecutive weekly decline. It also puts optimism at its lowest level in a month. The historical average is 39.0%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, rose 3.4 percentage points to 36.3%. As noted above, this is the highest neutral sentiment has been in more than 16 months. It is also the first time neutral sentiment has been above its historical average of 30.5% on consecutive weeks since October 4 and October 11, 2012.

Bearish sentiment, expectations that stock prices will fall over the next six months, declined 0.5 percentage points to 28.2%. This is a nine-week low for pessimism. The historical average is 30.5%.

The last time both bullish and bearish sentiment were below their respective historical averages on consecutive weeks was August 2 through August 16, 2012. The second-most-recent occurrence was on February 25 and March 4, 2010.

The declines in optimism and pessimism are not significant as both bullish and bearish sentiment remain close to their historical averages. While the major indexes continue to trade near record or multi-year highs, AII members are mixed about what the next six months will bring in terms of market direction. Some members are encouraged by this year's gains, while others fret that stocks are overbought and are due for a pullback. Also impacting sentiment are mixed views about the pace of economic growth and ongoing frustration with Washington.

This week's special question asked AII members which industries and sectors they like right now. Energy, including master limited partnerships, received the most votes, listed by 30% of respondents. Health care came in second with 23% of respondents favoring the sector, technology was a close third (21%) and financials came in fourth (14%). When we asked the same question last

September, AAI members favored energy, health care, commodities and technology.

This week's AAI Sentiment Survey results:

- Bullish: 35.5%, down 2.9 percentage points
- Neutral: 36.3%, up 3.4 percentage points
- Bearish: 28.2%, down 0.5 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>