

# AII Sentiment Survey: Neutral Sentiment Hits a 12-Week High

Neutral sentiment rose to a 12-week high, as individual investors became more cautious, according to the latest AII Sentiment Survey.

Bullish sentiment, expectations that stock prices will rise over the next six months, dropped to 30.3%. This is the fifth consecutive week and the 15th out of the last 18 weeks that bullish sentiment has been below its historical average of 39.0%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged, rose 2.0 percentage points to 34.6%. This is the highest neutral sentiment has been since April 4, 2013. It is also the fifth consecutive week and the 11th in the past 14 weeks that neutral sentiment is above its historical average of 30.5%.

Bearish sentiment, expectations that stock prices will fall over the next six months, rebounded by 5.2 percentage points to 35.2%. This is the third time in four weeks that pessimism is above its historical average of 30.5%.

This week's changes in bullish and bearish sentiment are a continuation of the ongoing volatility we have seen in the weekly results since March. At current levels, all three measures-bullish, neutral and bearish-remain within their typical historical ranges.

What the results do show is ongoing cautiousness about the direction of stocks prices. Many individual investors remain encouraged by signs of continued economic growth and the length of the current rally. Others are concerned about prevailing valuations, the slow pace of economic growth, interest rate uncertainty and a lack of progress on key issues by Washington politicians.

This week's special question asked AII members how, if at all, the recent rise in bond yields has influenced how attractive they view stocks right now. Slightly more than four out of 10 respondents (42%) said the change in bond yields has had no impact. Roughly two out of 10 respondents (21%) said stocks look more attractive now. About 11% of respondents said stocks are now less attractive.

Here is a sampling of the responses:

- "Interest rates need to go up a lot more for bonds to be more attractive than stocks."
- "The rise in rates has no influence on me at the moment. I am looking to stay diversified."
- "It has had no influence on me. I am primarily a stock investor and remain so."
- "The rise in bond yields has put dividend stocks on sale, and they are quickly approaching buy

points.”

- “Stocks are getting more attractive as the sell-off continues.”

This week’s AAI Sentiment Survey:

- Bullish: 30.3%, down 7.2 percentage points
- Neutral: 34.6%, up 2.0 percentage points
- Bearish: 35.2%, up 5.2 percentage points

Historical averages:

- Bullish: 39.0%
- Neutral: 30.5%
- Bearish: 30.5%

A new historical analysis of the AAI Sentiment Survey found that a correlation between low levels of optimism and good stock market performance over the following six- and 12-month periods exists. The analysis ([Is the AAI Sentiment Survey a Contrarian Indicator?](#)) is published in the June 2013 *AAI Journal*.

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>