

AII Sentiment Survey: Neutral Sentiment Hits a Six-Week High

Neutral sentiment rose to a six-week high in the latest AII Sentiment Survey. Optimism stayed above its historical average, while pessimism declined to a nine-week low.

Bullish sentiment, expectations that stock prices will rise over the next six months, fell 2.5 percentage points to 39.7%. This is the third consecutive week with optimism above its historical average of 39.0%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged, rose 4.2 percentage points to 39.2%. This is the highest reading since January 16, 2014, and just the third time since 2005 that neutral sentiment is above 39.0%. It is also the eighth consecutive week with a neutral sentiment reading above its historical average of 30.5%.

Bearish sentiment, expectations that stock prices will fall over the next six months, declined 1.6 percentage points to 21.1%. This is the lowest level of pessimism recorded by our survey since December 26, 2013. It is also the 21st time in the past 25 weeks that bearish sentiment is below its historical average of 30.5%.

Since jumping to 36.4% near the start of this month, bearish sentiment has fallen by a cumulative 15.3 percentage points. Pessimism is now close to the bottom of its typical range of readings. Conversely, neutral sentiment is right at the border of typical and unusually high readings.

Some individual investors are likely watching the S&P 500's current attempt to break out into new record high territory. An upward move past current levels would encourage those investors who are otherwise optimistic about sustained earnings and economic growth and the Federal Reserve's tapering of bond purchases. A failure by the market to move higher could renew fears about stock prices having established a short-term top and that a correction could be forthcoming. Some AII members are also fretting about elevated stock valuations, the pace of revenue growth and Washington politics.

This week's AII Sentiment Survey:

- Bullish: 39.7%, down 2.5 percentage points
- Neutral: 39.2%, up 4.2 percentage points
- Bearish: 21.1%, down 1.6 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>