

AII Sentiment Survey: Neutral Sentiment Rises as Pessimism Pulls Back

Pessimism among individual investors is down for the second consecutive week, according to the latest AII Sentiment Survey. At the same time, neutral sentiment is now at its highest level since mid-February.

Bullish sentiment, expectations that stock prices will rise over the next six months, rose 4.1 percentage points to 35.3%. The historical average is 38.5%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, rose 4.1 percentage points to 34.2%. The increase puts neutral sentiment back above its historical average of 31.0% for the first time in five weeks.

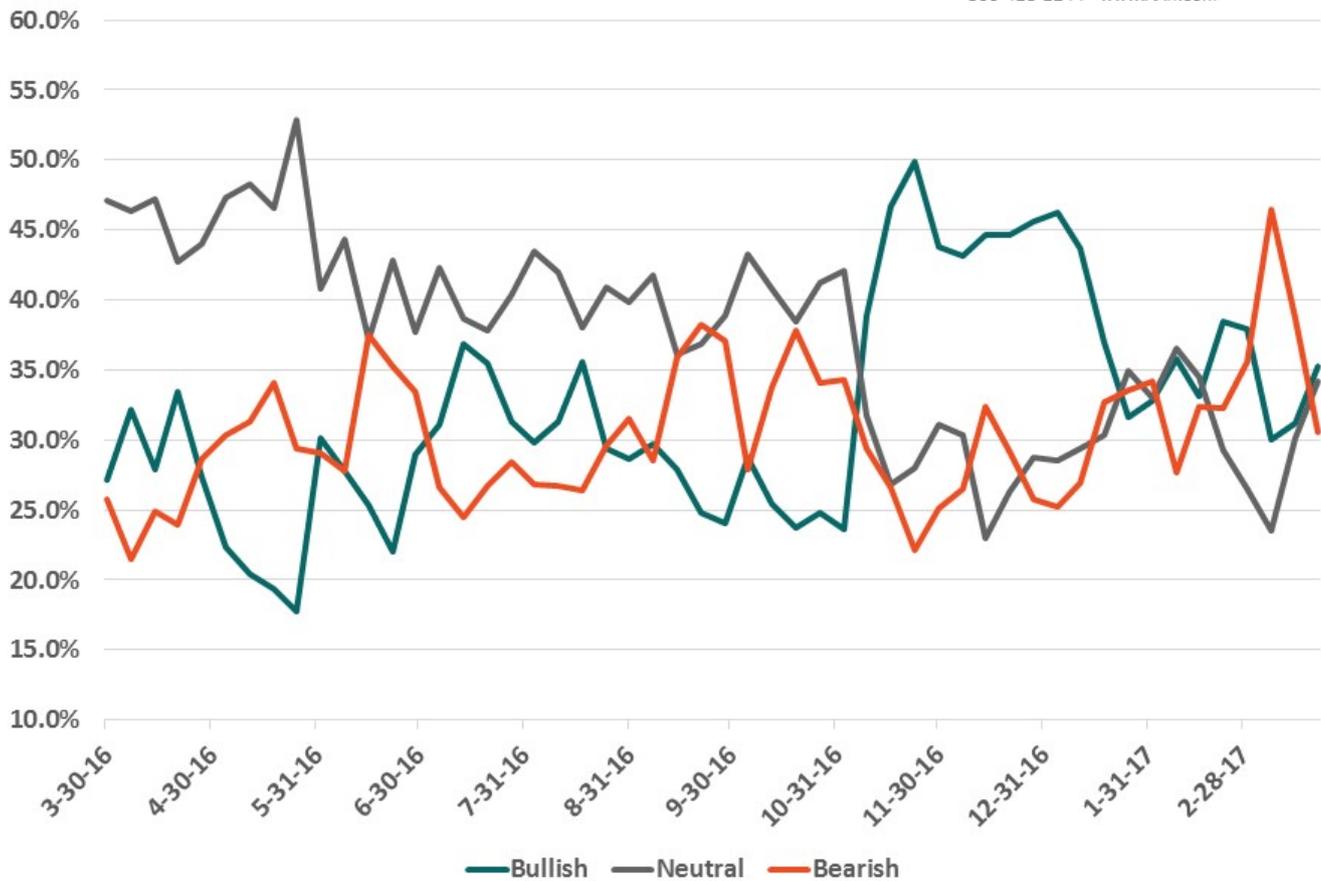
Bearish sentiment, expectations that stock prices will fall over the next six months, plunged 8.2 percentage points to 30.5%. Pessimism was last lower on February 8, 2017 (27.7%). This is the ninth week in the past 10 with a bearish sentiment at or above its historical average of 30.5%.

After reaching an unusually high level of 46.5% two weeks ago, pessimism has pulled back by a cumulative 16.0 percentage points. At the same time, neutral sentiment has rebounded by a cumulative 10.7 percentage points. Neutral sentiment had fallen to near the bottom of its typical range, having registered 23.5% on March 8, 2017. It is worth noting that despite these shifts, pessimism is currently right at its historical average while optimism remains below its historical average.

Some individual investors view last week's rate hike by the Federal Open Market Committee (FOMC) as a positive, though have not changed their outlook in response, as the answers to this week's special question show. The speed and the extent of the post-election rally and the prevailing level of valuations remain a point of concern. At the same time, the potential impact that President Trump could have on the domestic and global economy continues to cause uncertainty or concern among some investors, while encouraging others.

AII Sentiment Survey

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This week's AII Sentiment Survey results:

- Bullish: 35.3%, up 4.1 percentage points
- Neutral: 34.2%, up 4.1 percentage points
- Bearish: 30.5%, down 8.2 percentage points

Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

The AII Sentiment Survey has been conducted weekly since July 1987 and asks AII 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.).

Want to weigh in? Take the survey yourself and see results online at

<http://www.aaii.com/sentimentsurvey>.

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