

AII Sentiment Survey: Optimism Falls to a New Post-Election Low

Optimism among individual investors about the short-term direction of stock prices is at a new post-election low, according to the latest AII Sentiment Survey. At the same time, neutral sentiment is at a two-month high and pessimism remains above its historical average.

Bullish sentiment, expectations that stock prices will rise over the next six months, fell 3.3 percentage points to 25.7%. Optimism was last lower on November 2, 2016 (23.6%). The drop keeps bullish sentiment below its historical average of 38.5% for the 13th out of the last 14 weeks.

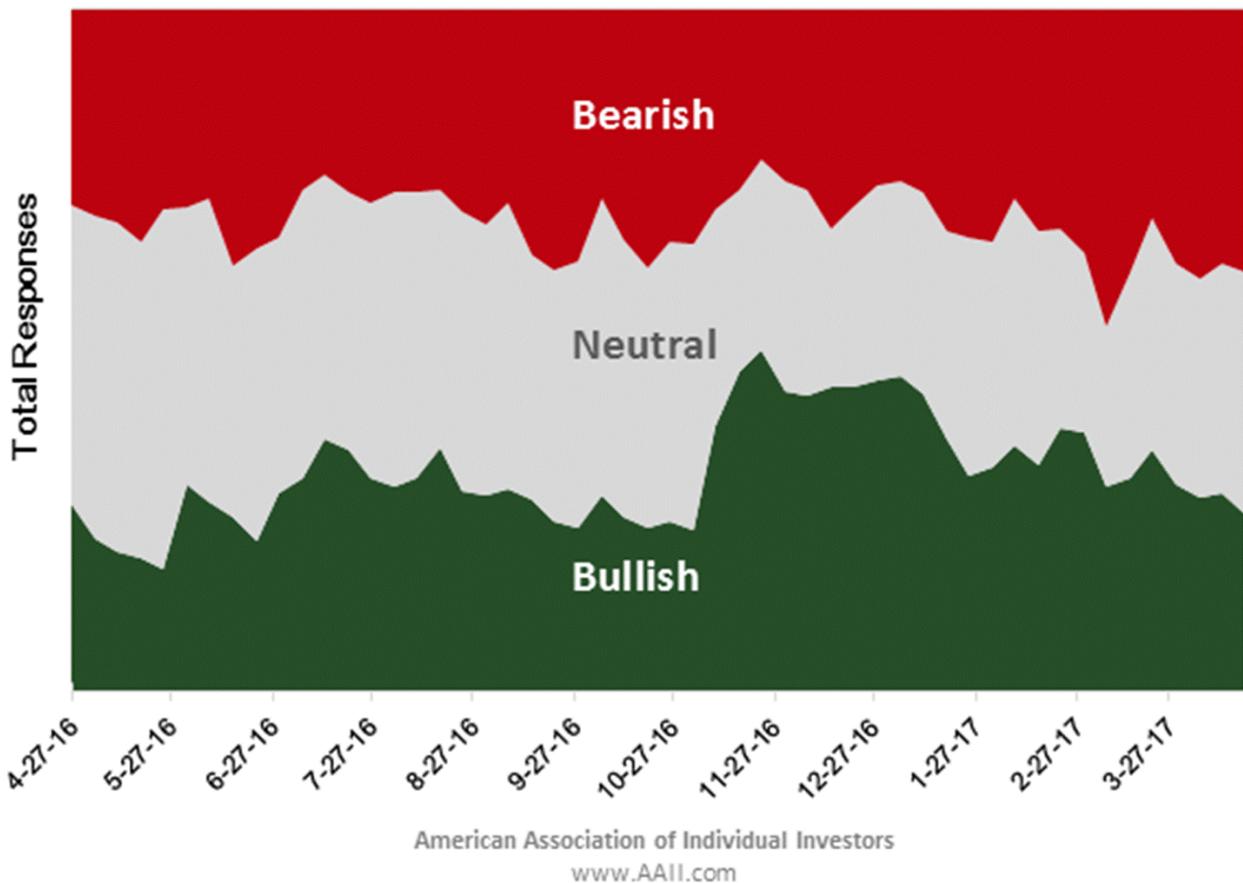
Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, rose 1.9 percentage points to 35.6%. Neutral sentiment was last higher on February 8, 2017 (36.5%). The rise keeps neutral sentiment above its historical average of 31% for the fifth consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, rebounded by 1.3 percentage points to 38.7%. The rise keeps pessimism at or above its historical average of 30.5% for the 10th consecutive week and the 13th out of the last 14 weeks.

This is the third consecutive week with a bullish sentiment reading below 30%. This week's reading is unusually low, meaning more than one standard deviation below the historical average. (The breakpoint is 28.1%.) Historically, unusually low levels of optimism have been followed by above-average gains in the stock market. The S&P 500 has realized a median six-month gain of 6.3% over the following six-month periods. Furthermore, the large-cap index has risen nearly 85% of the time following unusually low bullish sentiment readings versus nearly 72% for all six-month periods between September 1987 and November 2016.

The potential impact that President Trump could have on the domestic and global economy continues to cause uncertainty and/or concern among some individual investors, while encouraging others. At the same time, prevailing valuations and the lack of downside volatility have increased concern about the potential for a forthcoming drop in stock prices.

AII Sentiment Survey



This week's AII Sentiment Survey results:

- Bullish: 25.7%, down 3.3 percentage points
- Neutral: 35.6%, up 1.9 percentage points
- Bearish: 38.7%, up 1.3 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>.

*If you want to become an effective manager of your own assets and achieve your financial goals, consider a **risk-free 30-day Trial AAI Membership**.*