

# AAII Sentiment Survey: Optimism Falls to a New Two-Year Low

Optimism set a new two-year low for the second consecutive week in the latest AII Sentiment Survey. Neutral sentiment stayed above 45% for a sixth consecutive week, tying a 27-year record, while pessimism declined slightly.

Bullish sentiment, expectations that stock prices will rise over the next six months, fell 0.3 percentage points to 26.7%. This is the lowest level of optimism since April 11, 2013 (19.3%). Bullish sentiment remains below its historical average of 39% for a 10th week in a row. This streak is the longest since an 11-week stretch between March 20 and May 29, 2014.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, rose 0.8 percentage points to 46.9%. The increase keeps neutral sentiment above 45% for the sixth consecutive week and above its historical average of 31% for the 19th consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, fell 0.5 percentage points, to 26.4%. This is the 16th week this year where pessimism has been below its historical average of 30.0%.

The current streak of six consecutive weekly neutral sentiment readings at or above 45% ties a record last set in 1988. Neutral sentiment stayed above 45% on consecutive weeks between May 13 and June 17, 1988. It was at or above 45% on consecutive weeks between January 22 and February 26, 1988. (Prior to 2000, the sentiment readings were rounded to the nearest full digit.)

Bullish sentiment remains at an unusually low level, while neutral sentiment continues to stay at an unusually high level. Historically, such readings—both unusually high low bullish sentiment and unusually high neutral sentiment—have been correlated with better-than-average market performance over the following six- and 12-month periods. (See [Analyzing the AII Sentiment Survey Without Hindsight](#) in the June 2014 *AAII Journal* for more information.) There is no guarantee history will repeat itself in the future, however.

Causing some AII members to be cautious or pessimistic are prevailing valuations, recent price volatility, geopolitical events, the pace of economic growth, the impact of the stronger dollar on earnings growth and worries that a notable decline in stock prices could occur. Keeping other AII members encouraged are the ongoing bull market, sustained economic expansion, earnings growth and still-accommodative monetary policy.

This week's AII Sentiment Survey results:

- Bullish: 26.7%, down 0.3 percentage points
- Neutral: 46.9%, up 0.8 percentage points
- Bearish: 26.4%, down 0.4 percentage points

Historical averages:

- Bullish: 39.0%
- Neutral: 31.0%
- Bearish: 30.0%

The AAI Sentiment Survey has been conducted weekly since June 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>.