

AII Sentiment Survey: Optimism Hits a 12-Week High, Exceeds Neutral Sentiment

(Special Note: The June AII Journal features [a new historical analysis of the AII Sentiment Survey](#). The analysis found a link between above-average six- and 12-month gains in the S&P 500 following unusually high neutral sentiment readings of and unusually low bullish sentiment readings.)

Optimism among individual investors is above its historical average for the first time in 12 weeks. At the same time, neutral sentiment fell below 40% for the time in six weeks.

Bullish sentiment, expectations that stock prices will rise over the next six months, rose 3.0 percentage points to 39.5%. This is the first time optimism is above its historical average of 39.0% since March 13, 2014.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, fell 2.1 percentage points to 38.3%. This is the first sub-40% reading since April 24, 2014. Nonetheless, neutral sentiment remains above its historical average of 30.5% for the 22nd consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, declined 1.0 percentage points to 22.2%. The drop puts pessimism below its historical average of 30.5% for the seventh straight week.

The spread between bullish and bearish sentiment (the “bull-bear spread”) widened to 17.3 percentage points. This is the largest bull-bear spread since February 27, 2014.

This week is the first time bullish sentiment has exceeded neutral sentiment in three months (since March 13, 2014). During the past three weeks, optimism has rebounded by a cumulative 9.1 percentage points, while neutral sentiment has declined by a cumulative 4.9 percentage points. Neutral sentiment is now back within the typical range of its historical readings (less than one standard deviation from the mean), though near the upper end of the typical range.

The resilience of the S&P 500 and its record highs is likely playing a key role in boosting optimism among individual investors. Also helping are continued signs of economic expansion, the Federal Reserve’s tapering of bond purchases and low interest rates. Offsetting this optimism is the pace of economic expansion, Federal Reserve tapering and frustration with Washington politics. Though neutral sentiment has pulled back, many AII members still remain uncertain about the short-term direction of stock prices or expect stocks to remain essentially unchanged over the next six months.

This week's AAI Sentiment Survey results:

- Bullish: 39.5%, up 3.0 percentage points
- Neutral: 38.3%, down 2.1 percentage points
- Bearish: 22.2%, down 1.0 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>