

# AII Sentiment Survey: Optimism Is Below 30% for a Fifth Week

Even with a slight increase, optimism remains below 30% for a fifth consecutive week in the latest AII Sentiment Survey—a streak not seen since early 2003. Neutral sentiment continues to stay at an unusually high level, while pessimism is still at below-average levels.

Bullish sentiment, expectations that stock prices will rise over the next six months, edged up 0.3 percentage points to 27.3%. Even with the slight increase, optimism is below its historical average of 39.0% for the 13th consecutive week.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, increased slightly (0.2 percentage points) to 48.0%. The minor change keeps neutral sentiment at or above 45% for a ninth consecutive week—the longest such streak in the survey's 28-year history. This week is also the 22nd consecutive week with a neutral sentiment reading above its historical average of 31.0%.

Bearish sentiment, expectations that stock prices will fall over the next six months, declined 0.5 percentage points to a five-week low of 24.6%. The decline keeps pessimism below its historical average of 30.0% for a ninth consecutive week and for the 19th week this year.

As noted above, bullish sentiment is now below 30% for a fifth consecutive week. This is the longest such streak since a seven-week stretch between January 16 and February 27, 2003.

Bullish sentiment readings below 28.6% are unusually low, and unusually low levels of optimism have typically been followed by better-than-average six and 12 months returns for the S&P 500. Similarly, the S&P 500 has realized better-than-average returns when neutral sentiment is at an unusually high level, as it currently remains. For more information, see my May 21 AII Investor Update, [Unusually High Neutral Sentiment Often Followed by Good Returns](#). (There is no guarantee, however, that history will repeat.)

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: 27.3%, up 0.3 percentage points
- Neutral: 48.0%, up 0.2 percentage points
- Bearish: 24.6%, down 0.5 percentage points

Historical averages:

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

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.). The survey and its results are available online at: <http://www.aaii.com/sentimentsurvey>.