

# AII Sentiment Survey: Optimism Jumps to a 7-Year High

Optimism among individual investors jumped to its highest level in more than seven years, according to the latest AII Sentiment Survey. Pessimism, meanwhile is at its lowest level in more than three years.

Bullish sentiment, expectations that stock prices will rise over the next six months, surged 7.1 percentage points to 59.8%. Optimism was last higher on December 23, 2010 (63.3%). The historical average is 38.5%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, pulled back by 2.0 percentage points to 24.7%. Neutral sentiment is below its historical average of 31.0% for a fifth consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, fell 5.1 percentage points to 15.6%. Pessimism was last lower on November 6, 2014 (15.1%). The historical average is 30.5%.

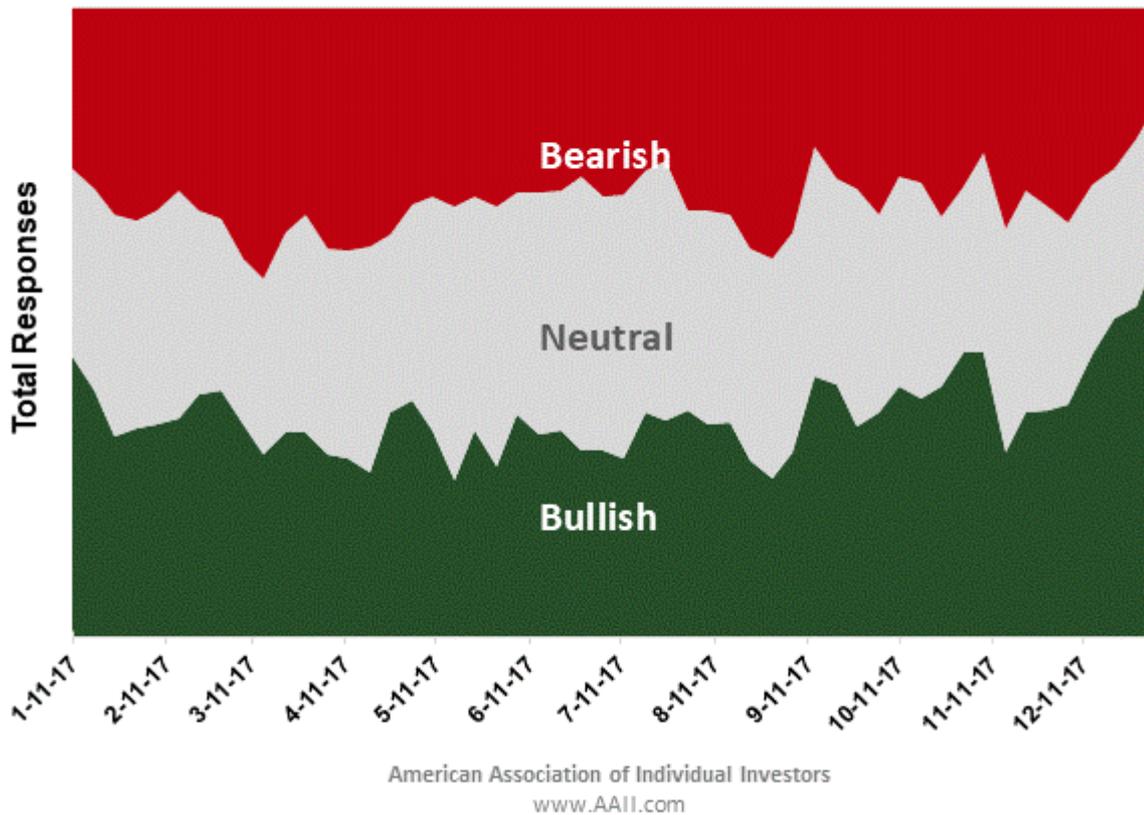
Optimism has now risen by a cumulative 30.5 percentage points since hitting a near-term bottom of 29.3% on November 16. Over the same seven-week period, pessimism has fallen by a cumulative 19.6 percentage points.

There have only been 46 weeks with a similar or higher bullish sentiment reading recorded during the more than 30-year history of our survey. The S&P 500 index has a median six-month return of 0.5% following those previous readings, up slightly more times than it has been down.

Historically, the S&P 500 has realized below-average and below-median returns over the six- and 12-month periods following unusually high bullish sentiment readings and unusually low bearish sentiment readings. The magnitude of underperformance has been greater when optimism is unusually high than when pessimism has been unusually low. In both instances, returns have still been positive on both an average and median basis. An updated table with the historical readings can be found in my [Investor Update](#) commentary from two weeks ago.

Some individual investors are encouraged by the record highs for the major indexes, the tax cuts and/or the Federal Reserve's decision to continue raising interest rates at a gradual pace. Other individual investors are concerned about the possibility of a pullback or a more severe drop occurring. Also affecting investor sentiment are earnings growth, economic growth, valuations and the lack of volatility. Washington politics remain at the forefront of many individual investors' minds.

## AII Sentiment Survey



This week's AII Sentiment Survey results:

- Bullish: 59.8%, up 7.1 percentage points
- Neutral: 24.7%, down 2.0 percentage points
- Bearish: 15.6%, down 5.1 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.). The survey and its results are available online at: <http://www.aai.com/sentimentsurvey>.

Want to weigh in? Take the survey yourself and see results online at [www.aaii.com/sentimentsurvey](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 AII Membership***