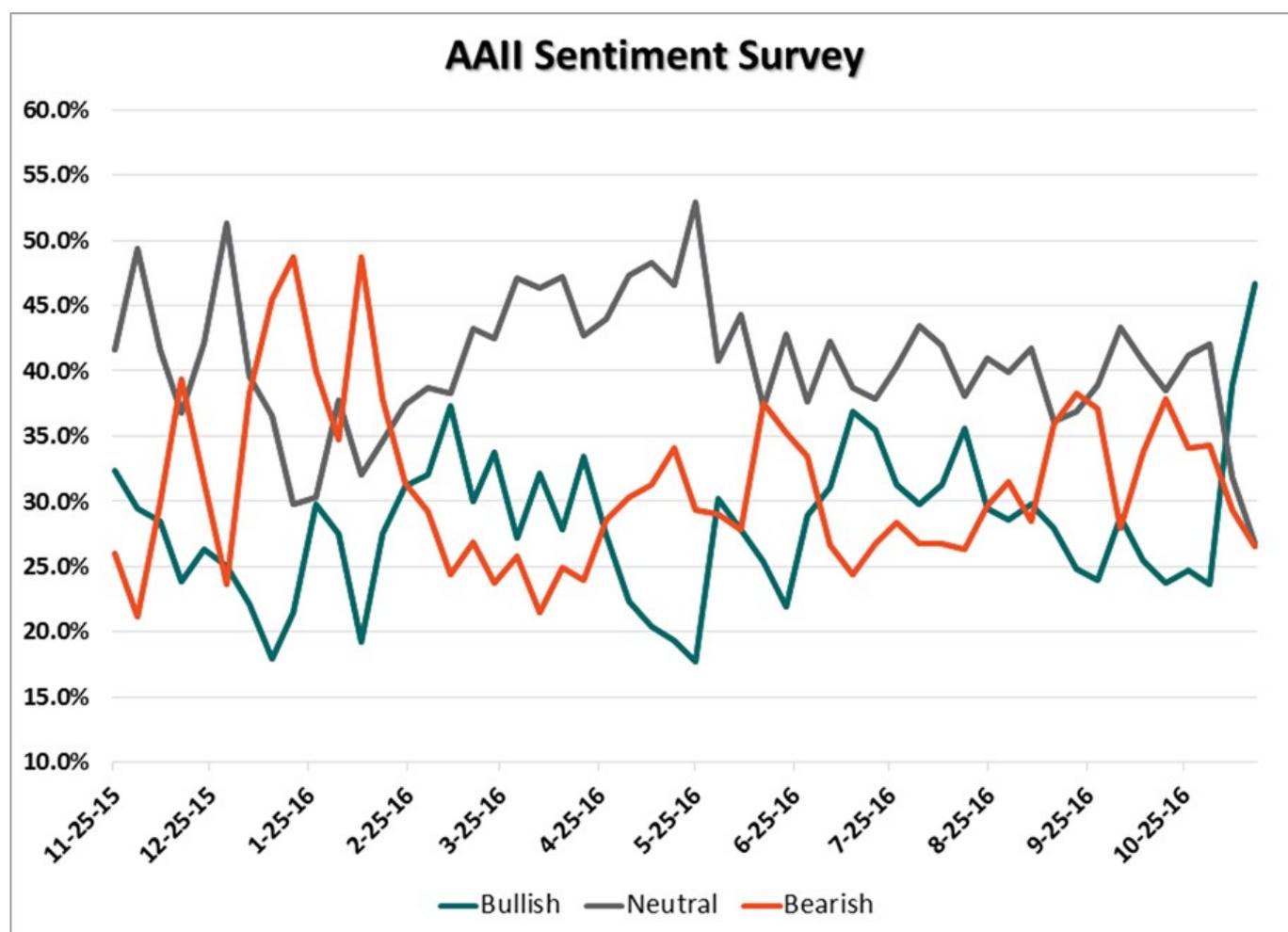


AII Sentiment Survey: Optimism Jumps to Nearly 47%



Optimism about the short-term direction of stock prices continues to rise, reaching its highest level in 21 months. At the same time, neutral sentiment fell a two-year low in the latest AII Sentiment Survey. Pessimism is also lower.

Bullish sentiment, expectations that stock prices will rise over the next six months, jumped 7.8 percentage points to 46.7%. Optimism was last higher on February 19, 2015 (47.0%). The jump keeps optimism within its typical range, but above its historical average of 38.5%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, fell 5.0 percentage points to 26.8%. This is the lowest neutral sentiment has been since November 13, 2014 (22.8%). The drop puts neutral sentiment below its historical average of 31.0% for the first time in 42 weeks.

Bearish sentiment, expectations that stock prices will fall over the next six months, declined by 2.8 percentage points to 26.6%. Pessimism was last lower on August 17, 2016. The historical average is 30.5%.

During the past two weeks, optimism has risen by a cumulative 23.0 percentage points—the 14th largest such move in the 29-year history of our survey. At the same time, neutral sentiment has fallen by a cumulative 15.3 percentage points, the 20th largest such drop. Both optimism and neutral sentiment are currently within their historical ranges.

There isn't a clear trend as to how the market has performed following unusually large two-week increases in bullish sentiment. The median six-month gain for the 13 periods when there was a larger two-week increase in optimism was 5.9%. Though above the historical median for all periods, the number is skewed upwards by a 34.5% gain following the two-week, 26.1 percentage-point increase in optimism on March 19, 2009.

The big shift in sentiment started in the days leading up to the election and has continued since. Though some individual investors are optimistic about president-elect Donald Trump, others are uncertain or pessimistic, as the responses to this week's special question show. At the same time, the stock market has rebounded strongly from its fall lows, with the Dow Jones industrial average setting new record highs. This has likely alleviated some concerns about a larger drop in stock prices occurring over the short term.

Also influencing individual investor sentiment are monetary policy, the pace of economic growth, corporate earnings, valuations and the perceived lack of investment alternatives to stocks.

This week's AAI Sentiment Survey results:

- Bullish: 46.7%, up 7.8 percentage points
- Neutral: 26.8%, down 5.0 percentage points
- Bearish: 26.6%, down 2.8 percentage points

Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- 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.).

Want to weigh in? Take the survey yourself and see results online at

<http://www.aai.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**.

Save