

AII Sentiment Survey: Optimism Jumps

The percentage of individual investors describing their short-term outlook as “bullish” jumped by nearly six percentage points, setting a new four-month high. The latest AII Sentiment Survey also shows a drop in pessimism and a small decline in neutral sentiment. Most of this week’s responses were recorded before yesterday’s Federal Open Market Committee meeting statement and updated committee members’ forecasts were released.

Bullish sentiment, expectations that stock prices will rise over the next six months, rose 5.8 percentage points to 44.8%. Optimism was last higher on February 14, 2018 (48.5%). Bullish sentiment is above its historical average of 38.5% for the third time in four weeks.

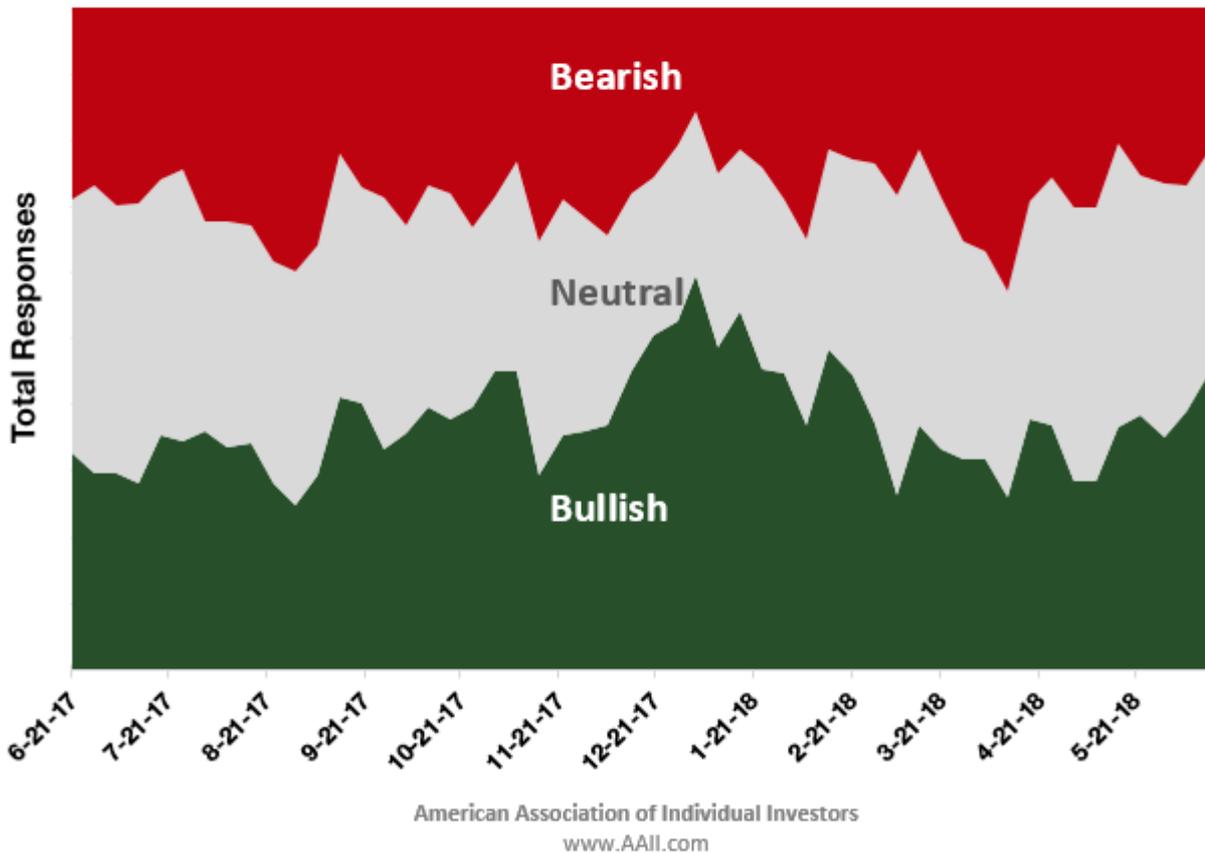
Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, declined 0.8 percentage points to 33.5%. Though at an eight-week low, neutral sentiment remains above its historical average of 31.0% for the 17th consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, fell 5.0 percentage points to 21.7%. The drop knocks pessimism out of the 1.5 percentage-point range it had been in during four out of the previous five weeks. Bearish sentiment is below its historical average of 30.5% for the ninth consecutive week and the 23rd time out of the past 27 weeks.

At current levels, all three sentiment indicators are within their typical historical ranges. The bottom of the range for bearish sentiment is 20.7% (one standard deviation below the historical average).

The new record highs for the Nasdaq composite and the Russell 2000 index have likely played a role in boosting sentiment. Nonetheless, many, but not all individual investors anticipate continued volatility and/or think that the current political backdrop could have a further impact on the stock market. Trade policy is influencing some individual investors’ sentiment as well. While many have either previously approved of the Federal Reserve’s plan to gradually raise interest rates or haven’t expected it to affect the stock market, some AII members have expressed concerns about the impact that rising rates will have. Also influencing sentiment are valuations, tax cuts, earnings growth and economic growth.

AII Sentiment Survey



This week's AAI Sentiment Survey results:

- Bullish: 44.8%, up 5.8 percentage points
- Neutral: 33.5%, down 0.8 percentage points
- Bearish: 21.7%, down 5.0 percentage points

Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

Want to weigh in? Take the survey yourself and see results online at www.aaii.com/sentimentsurvey.

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