

AAll Sentiment Survey: Optimism pulls back slightly as pessimism jumps in this week's Sentiment Survey

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Bullish sentiment, expectations that stock prices will rise over the next six months, pulled back slightly after a spike last week. Bullish sentiment dropped 0.4 percentage points and is now at 45.1%. This is the second time in six weeks that bullish sentiment is above its historical average of 39.0%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged, declined another 4.7 percentage points after dropping 3.3 percentage points last week. Neutral sentiment now sits at 25.2% marking the third time in five weeks that neutral sentiment is below its historical average of 30.5%.

Bearish sentiment, expectations that stock prices will fall over the next six months, jumped 5.1 percentage points to 29.7%. The jump in pessimism follows a large drop last week. The historical average is 30.5%.

The swings in sentiment come as no surprise with all the uncertainty in the market. The Federal Reserve announced that it will not begin tapering at the current time, causing the market to rally. The announcement was made yesterday, so it most likely had no drastic effect on our sentiment survey. It will be interesting to see how the news affects investor outlook next week.

This week's special question asked AAll members how they felt about the changes made to the Dow Jones industrial average. A little less than a third (30%) of respondents said that they liked the change. Most investors that liked the change stated that they thought it made the average more timely and current. More than a third (36%) of respondents did not care, either because they like to follow a different index or because they do not look at indexes much at all. Some respondents (18%) did not like the change, stating that the change will skew the average upward and that there are too many financials.

Here is a sampling of the responses:

- “Not much. Don’t care about a price weighted index.”
- “It makes sense, since those stocks that were taken out are obsolete.”
- “I believe that although the changes reflect the current investing environment, it is continued movement away from INDUSTRIAL firms to service based firms.”
- “Logical, but does not have any particular impact on my investing activity.”
- “Makes the DOW even more “skewed up”. I follow the S&P 500 and S&P 500 Equal Weighted.”

This week’s AAI Sentiment Survey:

- Bullish: 45.1%, down 0.4 percentage points
- Neutral: 25.2%, down 4.7 percentage points
- Bearish: 29.7%, up 5.1 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>