

AII Sentiment Survey: Optimism Rebounds

Optimism among individual investors about the short-term direction of stock prices rebounded to its highest level in two months. At the same time, the percentage of investors describing their outlooks as either neutral or pessimistic fell. All three sentiment indicators are now near their historical averages.

Bullish sentiment, expectations that stock prices will rise over the next six months, jumped 12.3 percentage points to 38.0%. This is a two-month high. Even with this week's rise, optimism remains below its historical average of 38.5% for the 14th out of the last 15 weeks.

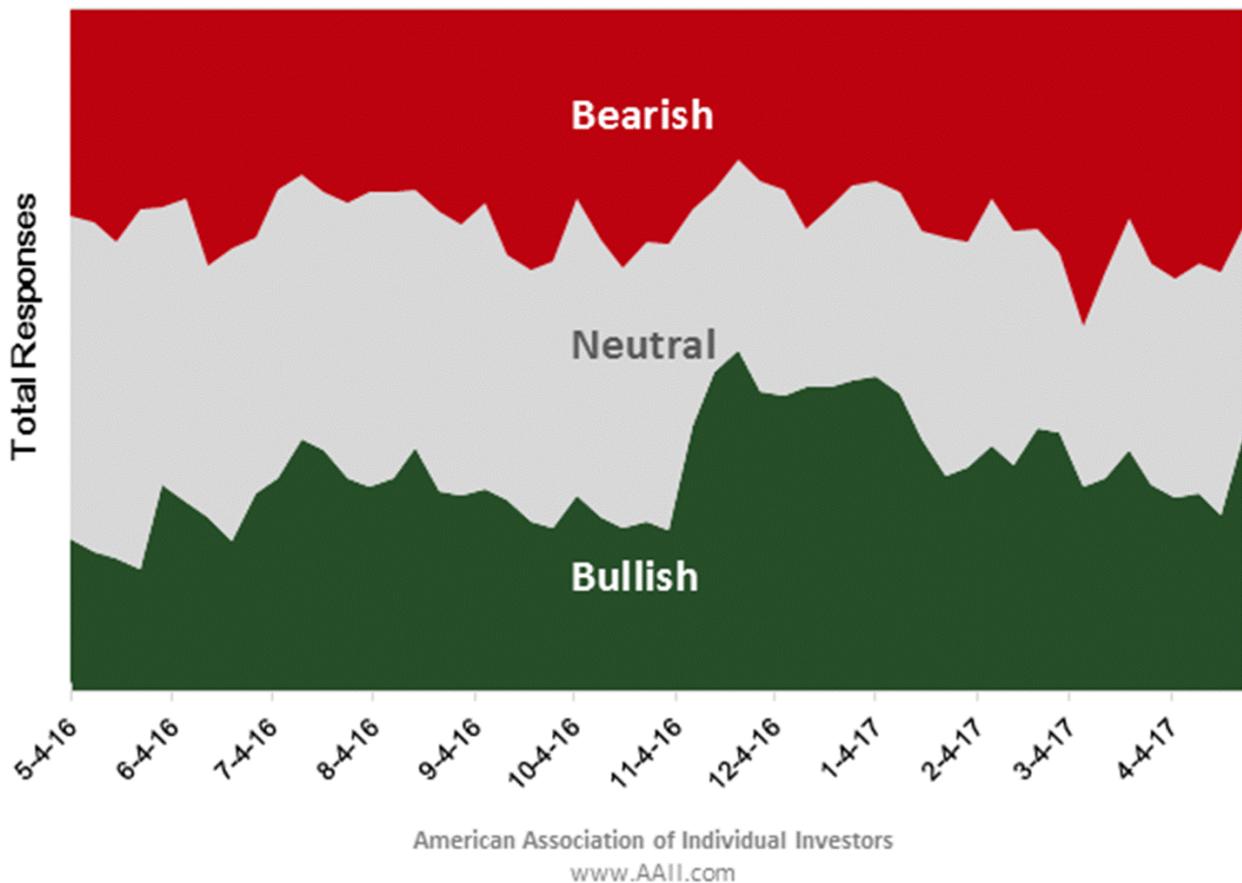
Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, fell 5.3 percentage points to 30.2%. The drop puts neutral sentiment below its historical average of 31% for the first time in six weeks.

Bearish sentiment, expectations that stock prices will fall over the next six months, fell 7.0 percentage points to 31.7%. Though at a five-week low, pessimism continues to be at or above its historical average of 30.5% for the 11th consecutive week and the 14th out of the last 15 weeks.

The big jump in optimism follows what had been an unusually low reading last week (25.7%). Furthermore, not only did large-cap and small-cap stocks rise over the past five trading days, the NASDAQ closed above 6,000 for the first time. The recent upward momentum in stocks may have lessened concerns among some individual investors about stock prices dropping in the very short term.

President Trump's tax plan was unveiled late in this week's survey period. AII members have previously told us that the potential impact that President Trump could have on the domestic and global economy is a cause of uncertainty and/or concern for some, while a reason to be encouraged for others. (President Trump was again mentioned by several respondents to this week's special question.) At the same time, prevailing valuations and the lack of downside volatility have increased concern about the potential for a forthcoming drop in stock prices.

AII Sentiment Survey



This week's AII Sentiment Survey results:

- Bullish: 38.0%, up 12.3 percentage points
- Neutral: 30.2%, down 5.3 percentage points
- Bearish: 31.7%, down 7.0 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.aaii.com/sentimentsurvey>.

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