

AII Sentiment Survey: Optimism Rises to A Four-Week High

Optimism rose to a four-week high in the latest AII Sentiment Survey. Pessimism also rose, as neutral sentiment fell to a five-week low.

Bullish sentiment, expectations that stock prices will rise over the next six months, rose 1.7 percentage points to 32.5%. This is the first time optimism has been above 30% on consecutive weeks since April 30, 2015. Even with the increase, bullish sentiment remains below its historical average of 39.0% for a 20th consecutive week.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, fell by 4.1 percentage points to 41.9%. This is the lowest neutral sentiment has been since June 18, 2015 (40.3%). The drop is not large enough to prevent neutral sentiment from staying above its historical average of 31.0% for a 29th consecutive week and above 40% for a record 16th consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, rebounded by 2.4 percentage points to 25.6%. The historical average is 30.0%.

The recent rise in large-cap stocks, including the record high set by the NASDAQ earlier this week, has helped to make some individual investors more optimistic. Since the beginning of July, bullish sentiment has rebounded by a cumulative 9.9 percentage points. The level of optimism remains low by historical standards, however, as bullish sentiment has not been above its historical average since March 5, 2015.

Keeping some AII members optimistic is the Federal Reserve's still-accommodative monetary policy, the ongoing bull market, sustained economic expansion and earnings growth. Causing some AII members to be cautious are concerns about the possibility of a sizeable decline in stock prices occurring, the pace of economic growth, the lack of wage growth, valuations, the impact of the stronger dollar on earnings and geopolitical events.

This week's AII Sentiment Survey results:

- Bullish: 32.5%, up 1.7 percentage points
- Neutral: 41.9%, down 4.1 percentage points
- Bearish: 25.6%, up 2.4 percentage points

Historical averages:

- Bullish: 39.0%
- Neutral: 31.0%
- Bearish: 30.0%

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>.