

AII Sentiment Survey: Optimism Stays Above 40% for Seventh Week



Even with a small decline in optimism, more than 40% of individual investors describe themselves as bullish in the latest AII Sentiment Survey.

Bullish sentiment, expectations that stock prices will rise over the next six months, declined 2.5 percentage points to 43.9%. This is the seventh time in eight weeks that optimism has been above 40%. The historical average is 39%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, rose 2.1 percentage points to 28.7%. This is a four-week high. Even with the improvement, neutral sentiment remained below its historical average of 30.5% for the 14th consecutive week and the 16th time in 18 weeks.

Bearish sentiment, expectations that stock prices will fall over the next six months, edged up 0.4 percentage points to 27.3%. This is the first time since August 2012 that pessimism is below 30% on consecutive weeks. This is also the fifth time in six weeks week that bearish sentiment is below its historical average of 30.5%.

Sentiment about the short-term direction of stock prices shifted last November and we continue to see many individual investors express optimism. There is not one single event which caused this shift, but rather a combination of higher stock prices, monetary stimulus, continued economic growth and seasonality. It is important to note, however, that bullish and bearish sentiment remain well within their typical historical ranges. Thus, while individual investors are comparatively more optimistic, it would be a mistake to describe them as exuberant.

This week's special question asked AII members how the revised capital gains and dividend tax rates are impacting their short-term outlook. The overwhelming majority of respondents said the new legislation had no impact. Many respondents said they were below the top tax bracket, held their investments mostly in tax-deferred accounts or were long-term investors.

Here is a sampling of the responses:

- “There was little change, so it doesn’t matter to me.”
- “Very little to not at all. I am not in the highest income bracket that will be affected the most.”
- “Not at all. We have ROTH IRAs.”
- “Not as much as I thought. I took some capital gains last year, but it was not necessary.”
- “At least we know what to expect, so it is a net positive.”

This week’s AAI Sentiment Survey

- Bullish: 43.9%, down 2.5 percentage points
- Neutral: 28.7%, up 2.1 percentage points
- Bearish: 27.3%, up 0.4 percentage points

Historical averages:

- Bullish: 39.0%
- Neutral: 30.6%
- Bearish: 30.6%

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>