

AAII Sentiment Survey: Optimism Surges to Second-Highest Level of 2015

Individual investor optimism about the short-term direction of stock prices is at its highest level since the start of the year, according to the latest AII Sentiment Survey. Pessimism, meanwhile, is at a three-month low.

Bullish sentiment, expectations that stock prices will rise over the next six months, jumped 7.0 percentage points to 47.0%. This is the largest amount of optimism since January 1, 2015 (51.7%). The historical average is 39.0%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, fell 4.6 percentage points to 35.1%. The decline comes a week after what had been the highest reading since July 24, 2014 (40.4%). Nonetheless, neutral sentiment remains above its historical average of 30.5% for the seventh consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, declined 2.4 percentage points to 17.9%. Pessimism was last lower on November 6, 2014 (15.1%). The historical average for bearish sentiment is 30.5%.

As the S&P 500 has rebounded off of its late January lows, we've seen a shift in individual investors' short-term outlooks. Bullish sentiment is up by a cumulative 11.5 percentage points over the past two weeks, while bearish sentiment is down by cumulative 14.5 percentage points. Pessimism is now at an unusually low level (more than one standard deviation below its historical average).

Keeping AII members encouraged, in addition to the upward momentum of stock prices, are comparatively low energy prices, earnings growth and sustained economic expansion. Causing other members to be cautious or pessimistic are disappointing earnings or guidance from certain companies, geopolitical events, the impact of lower oil prices on energy stocks, a sense that prevailing valuations for stocks are too high, the pace of economic growth and worries that an even larger decline in stock prices could occur.

This week's AII Sentiment Survey results:

- Bullish: 47.0%, up 7.0 percentage points
- Neutral: 35.1%, down 4.6 percentage points
- Bearish: 17.9%, down 2.4 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>.