

# AAII Sentiment Survey: Pessimism Jumps to a Two-Month High

Pessimism about the short-term direction of stock prices is at its highest level in two months, according to the latest AAI Sentiment Survey. Neutral sentiment is at a four-month low, while optimism is only slightly lower than a week ago.

Bullish sentiment, expectations that stock prices will rise over the next six months, declined 0.9 percentage points to 37.6%. Optimism is below its historical average of 39.0% for the 15th time in the past 17 weeks.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, plunged 5.4 percentage points to 33.7%. This is the lowest neutral sentiment has been since March 13, 2014. Even with the decline, neutral sentiment remains above its historical average of 30.5% for the 27th consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, jumped by 6.3 percentage points to 28.7%. This is the largest amount of pessimism recorded by our survey since May 8, 2014. Even with the rise, bearish sentiment remains below its historical average of 30.5% for the 12th straight week and the 35th out of the last 39 weeks.

Though there was a significant weekly increase in pessimism and a decrease in neutral sentiment, the changes simply moved each measure of sentiment closer to its historical average. The shifts occurred as the S&P 500 fell 1.1 percentage points over two consecutive trading sessions during the survey period and tensions in the Middle East escalated. These two events, combined with concerns about prevailing valuations, likely caused more investors to fret about the potential for a downward market move occurring over the short term.

At the aggregate level, some AAI members are optimistic about sustained economic growth, the market's upward trend, and the Federal Reserve's tapering of bond purchases. Others are concerned about the pace of economic growth, prevailing valuations, events in the Middle East and Ukraine, and frustration with Washington politics.

This week's AAI Sentiment Survey results:

- Bullish: 37.6%, down 0.9 percentage points
- Neutral: 33.7%, down 5.4 percentage points
- Bearish: 28.7%, up 6.3 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>