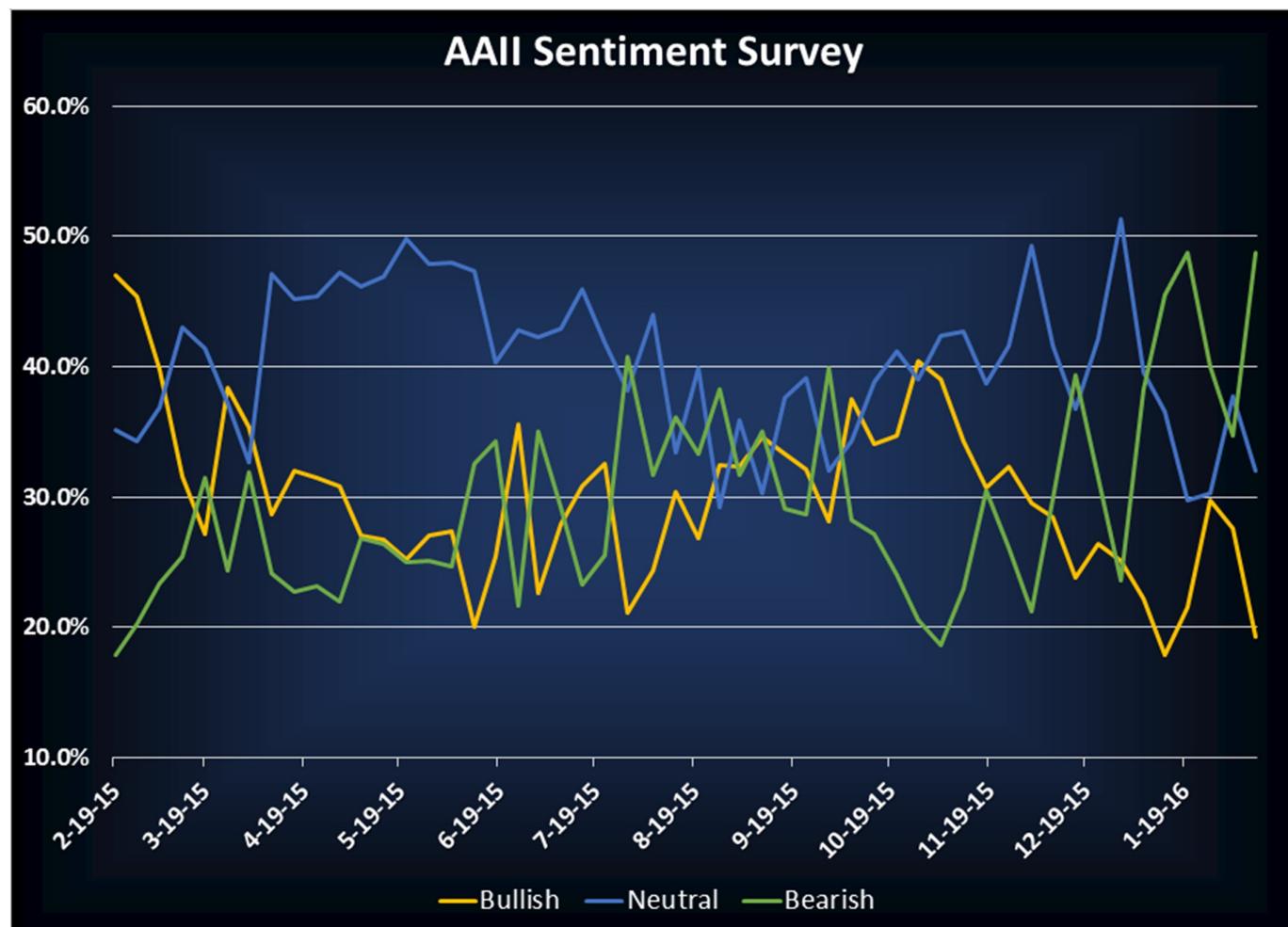


## AII Sentiment Survey: Pessimism Rebounds; Nearly 50% of Individual Investors Bearish



Pessimism among individual investors about the short-term direction of stocks rebounded back to nearly 50% in the latest AII Sentiment Survey. The rise occurred as optimism fell below 20% for the second time this year.

Bullish sentiment, expectations that stock prices will rise over the next six months, fell 8.3 percentage points to 19.2%. This is a four-week low. It is also the 11th consecutive week optimism has been below 30% and the 47th out of the past 49 weeks that bullish sentiment is below its historical average of 39.0%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, pulled back by 5.7 percentage points to 32.1%. The decline was not large enough to keep neutral sentiment from staying above its historical average of 31.0% for a second consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, rebounded by 14.0 percentage points to 48.7%. This matches the nearly three-year high set three weeks ago. The

increase keeps pessimism above its historical average of 30.0% for a sixth consecutive week and for the eighth time in nine weeks.

Since 1990, bullish sentiment has been below 20% only eight times, including two occurrences this year. This week's extraordinarily low level of optimism coincides with a retesting of the recent lows by both the S&P 500 and the Russell 2000. Contributing to the lack of optimism and the high level of pessimism are the slowing pace of economic growth in China, tensions in the Middle East, the pace of economic growth in the U.S., the rate of earnings growth and prevailing valuations. Some individual investors have increased their cash allocations, though there are others who view the recent downside volatility as a buying opportunity or are intending to buy should prices weaken further.

This week's AAI Sentiment Survey results:

- Bullish: 19.2%, down 8.3 percentage points
- Neutral: 32.1%, down 5.7 percentage points
- Bearish: 48.7%, up 14.0 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.).

Want to weigh in? Take the survey yourself and see results online at

<http://www.aai.com/sentimentsurvey>.

If you want to become an effective manager of your own assets and achieve your financial goals, consider a **risk-free 30-day Trial AAI Membership**.