

# AAII Sentiment Survey: Pessimism Rebounds to Its Highest Level of 2015

Pessimism rebounded strongly, reaching a new high for the year, in the latest AII Sentiment Survey. At the same time bullish sentiment plunged back to an unusually low level, while neutral sentiment remained above 40%.

Bullish sentiment, expectations that stock prices will rise over the next six months, fell 12.9 percentage points to 22.6%, a three-week low. The large drop puts optimism at an unusually low level for the eighth time in nine weeks. This is also the 17th consecutive week with a bullish sentiment reading below its historical average of 39.0%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, slipped 0.5 percentage points to 42.3%. Even with the modest decline, neutral sentiment remains above its historical average of 31.0% for the 26th consecutive week and at an unusually high level for a 13th consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, rebounded by 13.4 percentage points to 35.1%. The jump puts pessimism at its highest level since August 7, 2014 (38.2%). The historical average is 30.0%.

Even with this week's jump, pessimism remains well within its typical historical range. Bearish sentiment was last at an unusually high level (above 40.1%) on August 22, 2013 (42.9%).

Monday's large drop in the large-cap indexes occurred at the same time we sent out a weekly reminder email to take the survey. (We send out a reminder to a rotating group of AII members each week.) The ongoing crisis in Greece is also having an impact, as can be seen in the responses to this week's special question. This week's events follow ongoing concerns some AII members have had about the possibility of a bigger 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. Keeping other AII members encouraged are the ongoing bull market, sustained economic expansion, earnings growth and still-accommodative monetary policy.

The current 13-week streak of neutral sentiment readings at or above 40% is the longest since 1988. Neutral sentiment readings above 39.6% are unusually high (more than one standard deviation above average). As noted above, optimism is back at an unusually low level. Both such occurrences have typically been followed by better-than-average six- and 12-month returns for the S&P 500. For more information, see my May 21 AII Investor Update, [Unusually High Neutral Sentiment Often](#)

**Followed by Good Returns.** (There is no guarantee, however, that history will repeat.)

This week's AAI Sentiment Survey:

- Bullish: 22.6%, down 12.9 percentage points
- Neutral: 42.3%, down 0.5 percentage points
- Bearish: 35.1%, up 13.4 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>.