

AAII Sentiment Survey: Pessimism Surges to a 5½-Year High

Pessimism among individual investors jumped to its highest level in more than five and a half years in the latest AAI Sentiment Survey. Optimism plunged, and neutral sentiment declined.

Bullish sentiment, expectations that stock prices will rise over the next six months, fell 17.0 percentage points to 20.9%. Optimism was last lower on May 25, 2016 (17.8%). The drop keeps optimism below its historical average of 38.5% for the 12th time in 14 weeks.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, pulled back by 1.3 percentage points to 30.2%. Neutral sentiment is below its historical average of 31.0% for the sixth time in seven weeks.

Bearish sentiment, expectations that stock prices will fall over the next six months, spiked by 18.4 percentage points to 48.9%. This is the highest level of pessimism registered by our survey since April 11, 2013 (54.5%). The large increase keeps bearish sentiment above its historical average of 30.5% for the 10th consecutive week and the 13th out of the last 14 weeks.

This week's jump in pessimism is tied for the 24th-largest weekly increase in our survey's history. (The AAI Sentiment Survey started in 1987.) It is also the largest weekly increase since April 2013.

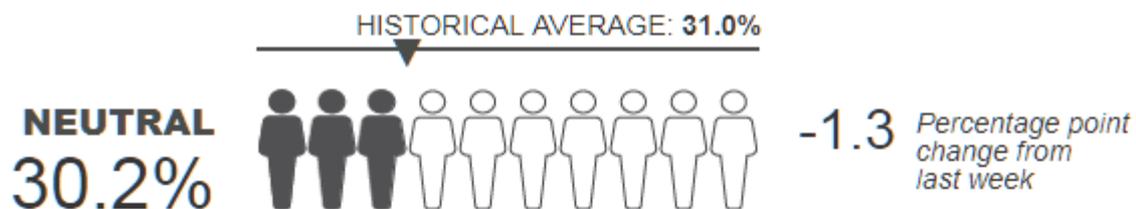
At current levels, pessimism is unusually high and optimism is unusually low. Historically, both have been followed by [higher-than-median six- and 12-month returns for the S&P 500 index](#), particularly unusually low optimism.

The survey period runs from Thursday through Wednesday. Reminders to take the survey are emailed to a rotating group of AAI members every Monday. About half of this week's votes were placed on Monday and more than 80% were cast between Thursday and Monday.

Many AAI individual investors have not altered their strategies in response to the ongoing volatility. This is not universally the case, as there are some individual investors who have taken a more defensive posture. Cash allocations reached a 33-month high last month according to our November Asset Allocation Survey. Other than market volatility, influencing individual investors' outlook are Washington politics (including President Donald Trump and the change in House leadership), tariffs (particularly the ongoing trade war with China), corporate earnings, the Federal Reserve, valuations and concerns about the pace of economic growth.

Survey Results for Week Ending 12/12/2018

Data represents what direction members feel the stock market will be in next 6 months.



Note: Numbers may not add up to 100% because of rounding.

This week's AAI Sentiment Survey results:

- Bullish: 20.9%, down 17.0 percentage points
- Neutral: 30.2%, down 1.3 percentage points
- Bearish: 48.9%, up 18.4 percentage points

Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

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