

# AII Sentiment Survey: Optimism at Second-Highest Level of 2012



Bullish sentiment rose to its second-highest level of the year, as bearish sentiment fell for the fourth time in the past five weeks in the latest AII Sentiment Survey.

Bullish sentiment, expectations that stock prices will rise over the next six months, rose 3.2 percentage points to 46.4%. This is the highest level of optimism registered by our survey since February 9, 2012. It is also the fourth consecutive week that bullish sentiment has been above its historical average of 39%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged, rose 2.1 percentage points to 28.8%. Even with the increase, neutral sentiment remains below its historical average of 30.5% for the 10th consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, fell 5.3 percentage points to 24.8%. This is the lowest level of pessimism registered by our survey since February 9, 2012. It is also the first time bearish sentiment has been below its historical average of 30.5% on consecutive weeks since August 23, 2012.

Though bullish sentiment is near its high and bearish sentiment is near its low for the year, both remain well within their typical long-term ranges. Optimism seems high right now because pessimism has been above average for most of this year.

Individual investors' short-term outlook for stock prices has improved over the past few weeks, however. A rebound in stock prices, monetary stimulus, continued economic growth and seasonality are all playing a role. Likely also helping is the crowding out of other potentially negative news headlines by the ongoing fiscal cliff negotiations.

This week's special question asked AII members how the Federal Reserve's announcement of more bond purchases and introduction of an unemployment rate target impacted their sentiment towards stock. About 40% of respondents said it helps the stocks. Roughly 20% thought it would not have much of an impact. Some respondents said they thought the market has become dependent on

monetary stimulus, inflation is a worry or that the recent announcement is bad for bond prices. A few respondents said the fiscal cliff negotiations are having a bigger impact on their short-term outlook.

This week's AAI Sentiment Survey results:

- Bullish: 46.4%, up 3.2 percentage points
- Neutral: 28.8%, up 2.1 percentage points
- Bearish: 24.8%, down 5.3 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>