

Pessimism Now Above Average, But Bulls Match Bears

Pessimism among individual investors is above 30% for the first time since mid-April. Nonetheless, the percentage of bulls and bears is evenly split in the latest AAI Sentiment Survey.

Bullish sentiment, expectations that stock prices will rise over the next six months, rebounded by 1.5 percentage points to 31.1%. Even with the rebound, this is the seventh consecutive week and the 18th time in the past 20 weeks that optimism 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 2.7 percentage points to 37.8%. Even with the decline, neutral sentiment is above its historical average of 30.5% for the 30th consecutive week. This is the third-longest streak of consecutive weekly readings above 30.5% in the survey's history.

Bearish sentiment, expectations that stock prices will fall over the next six months, increased 1.2 percentage points to 31.1%. This is the first time pessimism is above its historical average of 30.5% in 15 weeks.

This is the first time there has been an equal percentage of bulls and bears in our survey since September 6, 2012.

Since reaching a short-term bottom of 21.3% on June 12, 2014, bearish sentiment has risen by a cumulative 9.8 percentage points. The rebound in pessimism is occurring as the S&P 500 has failed to consistently set new highs and geopolitical tensions have heightened. Some AAI members have concerns about prevailing valuations, events in the Middle East and Ukraine, the pace of economic growth and Washington politics. Other AAI members remain optimistic about sustained economic growth, the market's upward trend and the Federal Reserve's tapering of bond purchases.

This week's AAI Sentiment Survey results:

- Bullish: 31.1%, up 1.5 percentage points
- Neutral: 37.8%, down 2.7 percentage points
- Bearish: 31.1%, up 1.2 percentage points

Historical averages:

- Bullish: 39.0%
- Neutral: 30.5%

- Bearish: 30.5%

The AII Sentiment Survey has been conducted weekly since July 1987 and asks AII 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.aaii.com/sentimentsurvey>.