

AII Sentiment Survey: Bullish Sentiment Slightly Rises

Bullish sentiment rose slightly in the latest AII Sentiment Survey after plunging last week. Neutral sentiment and bearish sentiment declined modestly.

Bullish sentiment, expectations that stock prices will rise over the next six months, rose 1.8 percentage points to 37.8%. This is the seventh time in the past 10 weeks optimism is below its historical average of 39.0%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged, declined 1.2 percentage points to 32.1%. Even with the decline, this is the 22nd time in the past 28 weeks neutral sentiment is above its historical average of 30.5%.

Bearish sentiment, expectations that stock prices will fall over the next six months, slipped by 0.5 percentage points to 30.1%. The historical average is 30.5%.

As the numbers show, there was not much change in individual investors' short-term outlook for stock prices. Rather, the current positive events—the market's rally, growth in corporate earnings and sustained economic expansion—are being partially offset by the negative events—slow economic expansion, Washington politics, and stock valuations.

This week's special question asked AII members what, if any, portfolio actions they have taken or postponed because of the federal budget and debt ceiling fights. (The government shutdown started late in the survey's polling period, which runs from Thursday through Wednesday.) The majority of respondents (57%) said they have not made any changes. Some said they don't make investment decisions in reaction to politics, while a few others cited prevailing stock valuations. A sizeable minority (26%) said they have either increased their cash positions or postponed buying stocks until they have greater certainty or a pullback in stock prices occurs.

Here is a sampling of the responses:

- “None. There is always some potential disaster lurking. If I ran from danger every time, I'd never be in the market.”
- “I am not affected by that nonsense. Good companies are still good companies.”
- “I have not taken any actions. The government will eventually agree on spending and debt limits.”
- “I'm building my cash position to take advantage of potential buying opportunities.”
- “I'm in a hold position until the Congressional craziness is resolved, then I will selectively

buy.”

- “None, but I’ll be taking action at the ballot box on the fools that are out to wreck the economy.”

This week’s AAI Sentiment Survey results:

- Bullish: 37.8%, up 1.8 percentage points
- Neutral: 32.1%, down 1.2 percentage points
- Bearish: 30.1%, down 0.5 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>