

AII Sentiment Survey: Individual Investors Expecting Treats, Not Tricks

Worries about evil spirits haunting stocks intensified slightly, even though the percentage of investors expecting Mr. Market to continue handing out treats stayed above 40% in the latest AII Sentiment Survey.

Bullish sentiment, expectations that stock prices will rise over the next six months, pulled back by 4.2 percentage points to 45.0%. This was the fourth consecutive week that the percentage of AII members who said “I ain’t afraid of no market ghost” stayed above 40%. The historical average is 39.0%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged, edged up 0.3 percentage points to 33.6%. This is the second consecutive week that expectations for conditions to neither turn brighter nor more ghoulish were above the historical average of 30.5%.

Bearish sentiment, expectations that stock prices will fall over the next six months, edged up 3.9 percentage points to 21.5%. Even with the increase, fear of ghastly market conditions returning remains below the historical average of 30.5% for the third consecutive week and the sixth time in the past eight weeks.

Given the previous two-week 16-percentage-point decline in pessimism, seeing a small rebound this week is not surprising. More importantly, it does not suggest a greater fear of something going bump in the night. This said, concerns about slow economic growth, elevated stock valuations and the lack of a long-term fiscal solution have not gone away, and some individual investors do fret that something is lurking in the woods. Nonetheless, rising stock prices, better-than-forecast third-quarter earnings and economic growth are keeping a larger number of individual investors hopeful that the witching hour will not return in the foreseeable future.

This week’s special question asked AII members what type of candy they plan on giving trick-or-treaters tonight. A long list was given, with assorted chocolate bars (a mixture of Milky Way, 3 Musketeers, Snickers, Baby Ruth, etc.) being the most common candy of choice (21% of respondents). Among those giving out a specific type of candy, the top choices were Snickers (12%), Kit Kat (5%) and M&M’s (5%). One group of lucky kids will be getting Ghirardelli chocolate squares tonight. About 28% of respondents said they won’t be giving out candy tonight. Many of them said a lack of children in their residential area was the reason why.

This week’s AII Sentiment Survey results

- Bullish: 45.0%, down 4.2 percentage points
- Neutral: 33.6%, up 0.3 percentage points
- Bearish: 21.5%, up 3.9 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>