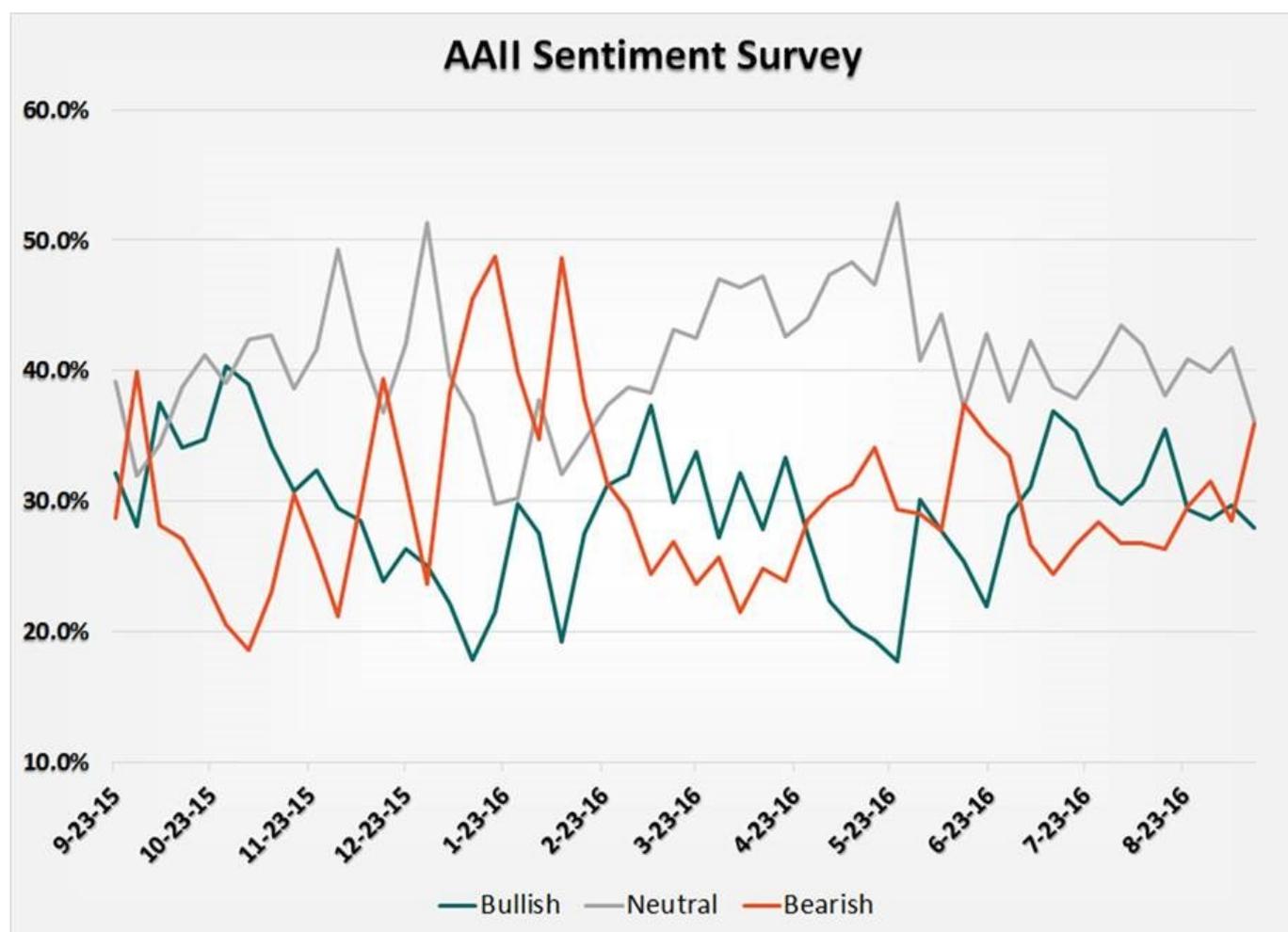


## AII Sentiment Survey: More Than 1 Out of 3 Bearish



Pessimism jumped to a three-month high as more than one out of three individual investors described their short-term outlook as “bearish” in the latest AII Sentiment Survey. At the same time, neutral sentiment fell to its lowest level since February. Bullish sentiment is also lower.

Bullish sentiment, expectations that stock prices will rise over the next six months, fell 1.8 percentage points to 27.9%. The decline puts optimism at its lowest level since June 22, 2016 (22.0%). The decline also keeps bullish sentiment below its historical average of 38.5% for the 78th week out of the past 80.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, plunged 5.6 percentage points to 36.1%. Neutral sentiment was last lower on February 17, 2016 (32.1%). Nonetheless, neutral sentiment remains above its historical average of 31.0% for the 33rd consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, jumped 7.4 percentage points to 35.9%. Pessimism was last higher on July 15, 2016 (37.5%). This week’s rise

puts bearish sentiment above its historical average of 30.5% for the second time in three weeks.

Though this week's neutral and bearish sentiment readings are well within their typical historical ranges, both are unusual relative to what we've seen throughout this calendar year. This week's neutral sentiment is the fifth-lowest reading recorded this year, and pessimism is at its eighth-highest level for the year. The four lower neutral sentiment readings and six of the seven higher pessimism readings occurred near the start of this year, in January and February.

The shift in sentiment occurred as both large-cap and small-cap stocks experienced recent downward volatility. Some AAI members have previously expressed concern about valuations or the potential for a decline occurring. Also keeping some individual investors bearish, or at least giving them reason to be cautious, are global economic uncertainty and disappointment with corporate earnings growth. The presidential election continues to be brought up in responses to our weekly special questions. Giving other individual investors reason for optimism are this summer's rise in stock prices, the perceived lack of investment alternatives, corporate earnings and sustained, albeit slow, economic growth.

This week's AAI Sentiment Survey results:

- Bullish: 27.9%, down 1.8 percentage points
- Neutral: 36.1%, down 5.6 percentage points
- Bearish: 35.9%, up 7.4 percentage points

Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- 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.).

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

<http://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**.