

# AII Sentiment Survey: Neutral Sentiment Plunges to a Six-Month Low

Neutral sentiment plunged to a six-month low in the latest AII Sentiment Survey, as both optimism and pessimism rose.

Bullish sentiment, expectations that stock prices will rise over the next six months, rose 3.5 percentage points to 41.3%. The historical average is 39.0%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged, plunged 7.0 percentage points to 25.1%. This is the lowest neutral sentiment has been since April 18, 2013. It is also just the seventh time in the past 29 weeks neutral sentiment is below its historical average of 30.5%.

Bearish sentiment, expectations that stock prices will fall over the next six months, rose 3.5 percentage points to 33.6%. This is the largest amount of pessimism registered by our survey in seven weeks. The historical average is 30.5%.

This week's results show an increase in the amount of polarization between those who are bullish and those who are bearish. The ongoing federal budget and debt ceiling standoff are likely contributing to the higher level of pessimism. Giving bullish investors encouragement is the performance of the market, anticipated third-quarter earnings growth and a belief that the debt ceiling will be raised. Influencing investor sentiment overall is the pace of economic growth, stock valuations and frustration with Washington politics.

This week's special question asked AII members if there are any industries or sectors they are avoiding right now. Slightly more than 18% of respondents said they are not avoiding any particular sector or industry. About 12% of respondents said they are avoiding banks and other financial stocks. The uncertainty of raising the debt ceiling was given as an explanation for avoiding these sectors. Commodities were named by 10% of respondents. Retailing stocks and technology stocks were each named by 8% of respondents. Though we did not ask about asset classes, 18% of respondents said they were avoiding bonds, particularly long-term bonds.

This week's AII Sentiment Survey:

- Bullish: 41.3%, up 3.5 percentage points
- Neutral: 25.1%, down 7.0 percentage points
- Bearish: 33.6%, up 3.5 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>