

AII Sentiment Survey: Pessimism Plunges; Neutral Sentiment Stays High

The percentage of individual investors who expect stock prices to fall plunged to its second-lowest level of the year in the latest AII Sentiment Survey. At the same time, neutral sentiment stayed at an unusually high level.

Bullish sentiment, expectations that stock prices will rise over the next six months, rebounded by 10.4 percentage points to 36.8%. Even with the increase, optimism is below its historical average of 38.5% for the fourth time in six weeks.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, pulled back by 3.4 percentage points to 41.8%. This is the first time neutral sentiment is above 40% on consecutive weeks since June 29, 2017, through July 13, 2017. The historical average is 31.0%.

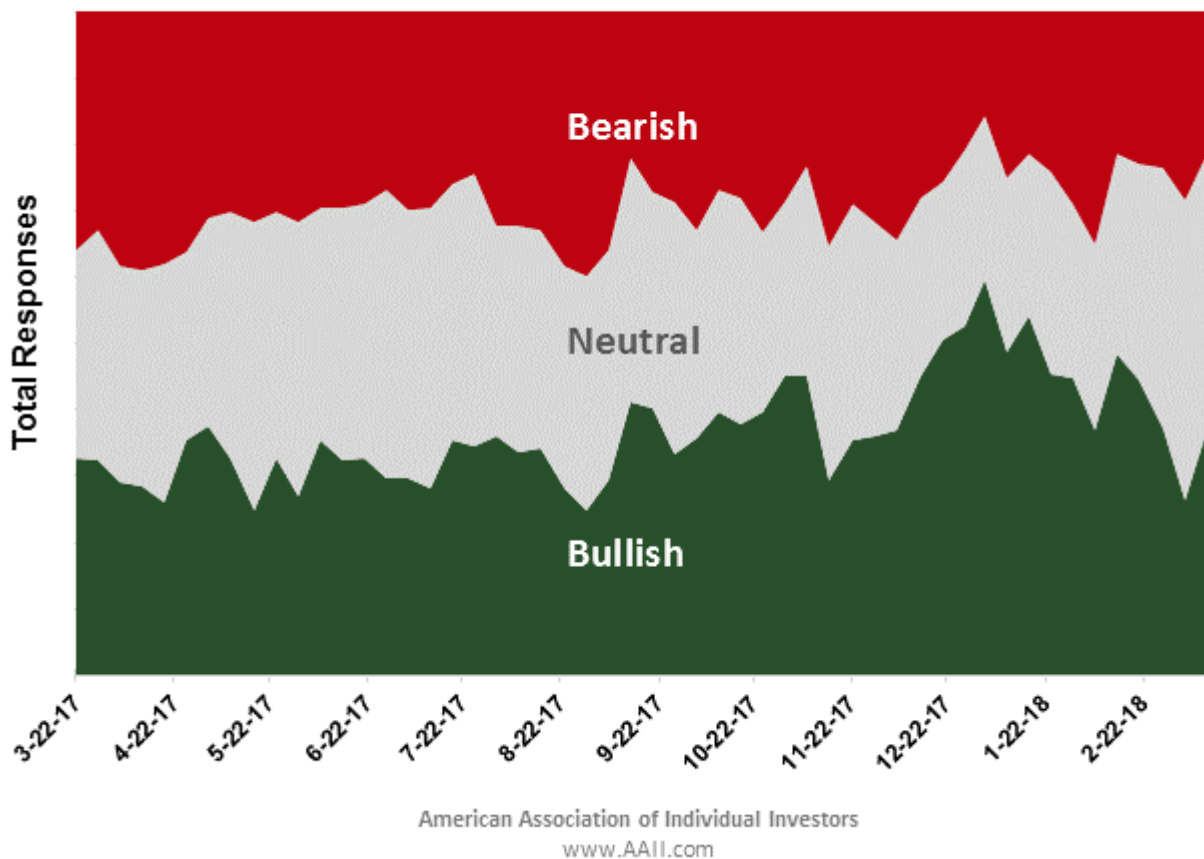
Bearish sentiment, expectations that stock prices will fall over the next six months, tumbled 7.1 percentage points to 21.3%. Pessimism was last lower on January 3, 2018 (15.6%). The drop keeps bearish sentiment below its historical average of 30.5% for the 13th time in 14 weeks.

Pessimism is near the lower end of its typical historical range. The breakpoint between typical and unusually low readings (defined as one standard deviation below average) is currently 20.7%.

Neutral sentiment is at unusually high level for a second consecutive week. Since our survey was started in 1987, the S&P 500 index has experienced average six-month returns following unusually high neutral sentiment readings.

Many individual investors are anticipating continued volatility and/or think the political backdrop could have a further impact on the stock market. Trade policy is influencing some individual investors' sentiment, but not all. Similarly, higher interest rates are having an influence on some, but not all. Also influencing sentiment are valuations, tax cuts, earnings and economic growth.

AII Sentiment Survey



This week's AAI Sentiment Survey results:

- Bullish: 36.8%, up 10.4 percentage points
- Neutral: 41.8%, down 3.4 percentage points
- Bearish: 21.3%, down 7.1 percentage points

Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

Want to weigh in? Take the survey yourself and see results online at www.aaii.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***