

AII Sentiment Survey: Pessimism Reverts Back to Average

Pessimism among individual investors about the short-term direction of the stock market pulled back to its historical average in the latest AII Sentiment Survey. Optimism and neutral sentiment both rose. As discussed below, timing played a role.

Bullish sentiment, expectations that stock prices will rise over the next six months, rose 4.1 percentage points to 37.9%. Even with this week's increase, optimism remains below its historical average of 38.5% for the 11th time in 13 weeks.

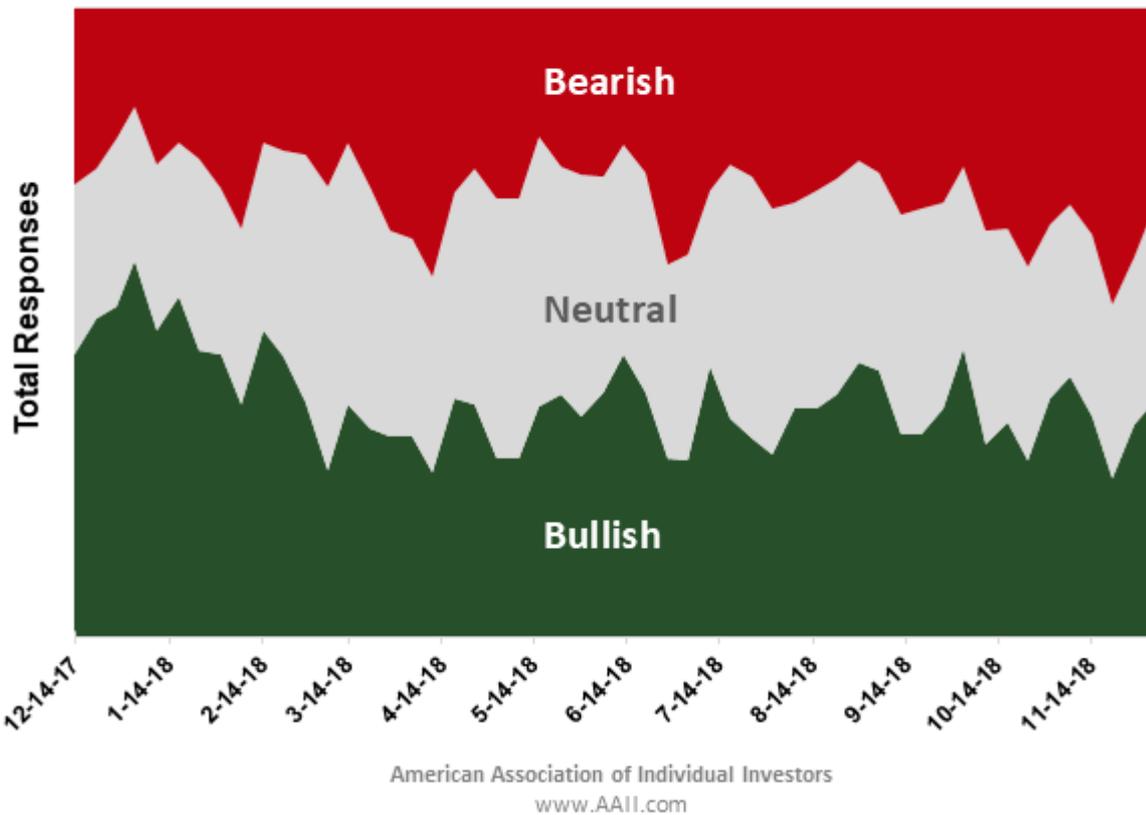
Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, rebounded by 4.9 percentage points to 31.6%. The rise puts neutral sentiment above its historical average of 31.0% for the first time in six weeks.

Bearish sentiment, expectations that stock prices will fall over the next six months, plunged 9.0 percentage points to 30.5%. This is the ninth consecutive week and the 12th week out of the last 13 weeks that pessimism is at or above its historical average of 30.5%.

The survey period runs from Thursday through Wednesday. Reminders to take the survey are emailed to a rotating group of AII members every Monday. Nearly half of this week's responses were recorded on Monday, and the majority of respondents took the survey between Thursday and Monday.

Many AII individual investors have not altered their strategies in response to the ongoing volatility. This is not universally the case, as there are some individual investors who have taken a more defensive posture. Cash allocations reached a 33-month high last month according to our November Asset Allocation Survey. Other than market volatility, influencing individual investors' outlook are Washington politics (including President Donald Trump and the midterm elections), tariffs (particularly the ongoing trade war with China), corporate earnings, the Federal Reserve, valuations and concerns about the pace of economic growth.

AII Sentiment Survey



This week's AII Sentiment Survey results:

- Bullish: 37.9%, up 4.1 percentage points
- Neutral: 31.6%, up 4.9 percentage points
- Bearish: 30.5%, down 9.0 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.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 AII Membership***