

AII Sentiment Survey: Pessimism Rises to a Three-Month High

The percentage of individual investors expecting a decline in stock prices is at a three-month high in the latest AII Sentiment Survey. At the same time, optimism is at a two-month low.

Bullish sentiment, expectations that stock prices will rise over the next six months, plunged 7.7 percentage points to 37.0%. Optimism was last lower on December 7, 2017 (36.9%). The drop ends a streak of eight consecutive weeks with bullish sentiment above its historical average of 38.5%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, rebounded by 1.5 percentage points to 28.0%. Even with the increase, neutral sentiment remains below its historical average of 31.0% for the 10th consecutive week.

Bearish sentiment, expectations that stock prices will fall over the next six months, jumped 6.3 percentage points to 35.0%. Pessimism was last higher on November 16, 2017 (35.2%). The increase puts bearish sentiment above its historical average of 30.5% for the first time in nine weeks.

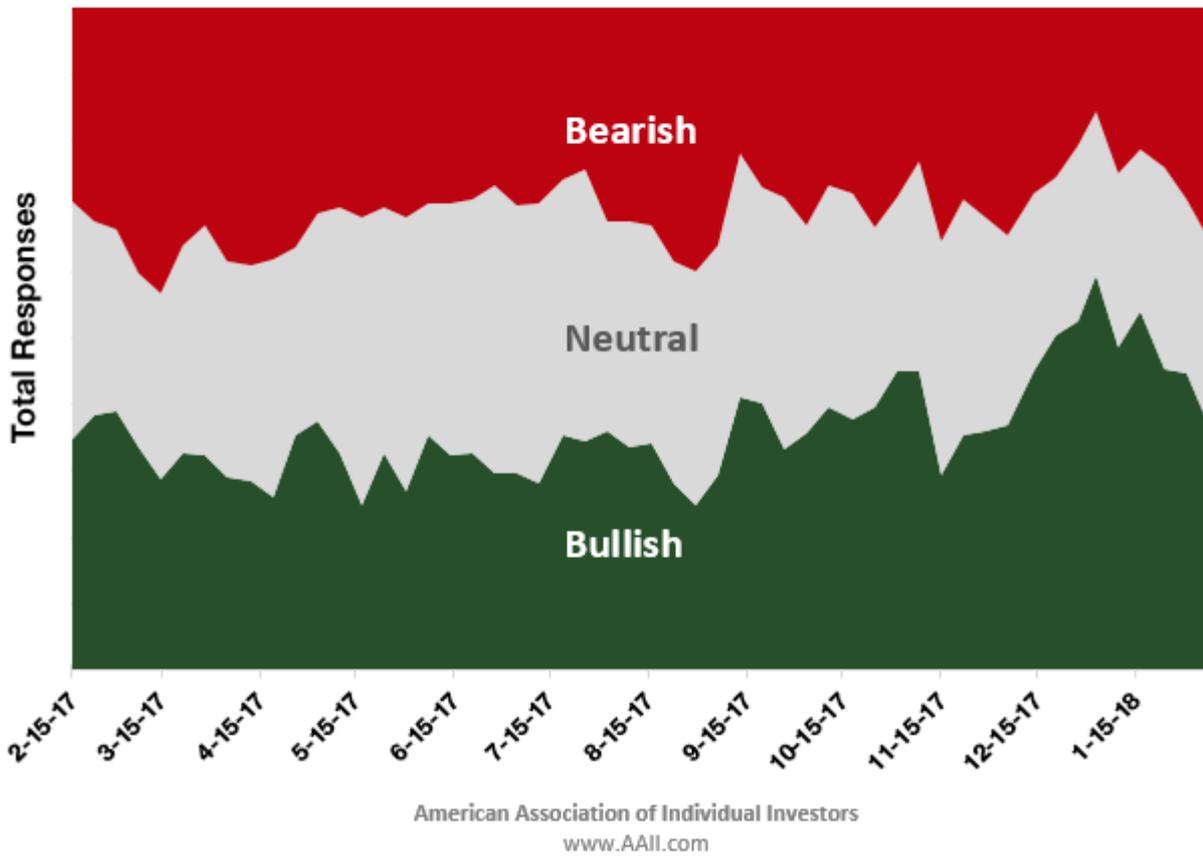
The timing of when AII members voted may have had an impact on the results. We send out email reminders to take the survey on Mondays, though members can take the survey at any time during the Thursday through Wednesday survey period.

During the past three weeks, optimism has fallen by a cumulative 17.1 percentage points. Over the same period, pessimism has risen by a cumulative 13.6 percentage points. Such a shift is not unexpected given the market's recent volatility and the recent streak of unusually high bullish sentiment readings. At current levels, all three sentiment indicators are within their historical ranges.

Many individual investors have been expecting a return of volatility and/or a decline in stock prices. Some AII members have previously described themselves as waiting for a market drop to provide a buying opportunity. As an organization, we encourage our members to think long term. Still, the speed at which downside volatility occurred may have been a surprise.

Some individual investors are encouraged by the recent record highs for the major indexes, the tax cuts and/or the Federal Reserve's decision to continue raising interest rates at a gradual pace. Other individual investors are concerned about the possibility of a more severe drop occurring. Also affecting investor sentiment are the previously perceived high levels of individual and institutional investor sentiment, earnings growth, economic growth and valuations. Washington politics remain at the forefront of many individual investors' minds.

AII Sentiment Survey



This week's AAI Sentiment Survey results:

- Bullish: 37.0%, down 7.7 percentage points
- Neutral: 28.0%, up 1.5 percentage points
- Bearish: 35.0%, up 6.3 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.). The survey and its results are available online at: www.aai.com/sentimentsurvey.

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 AII Membership***