

AAII Sentiment Survey: Second-Lowest Level of Pessimism for 2018

The percentage of individual investors expressing pessimism about their short-term outlook for stocks is at its second-lowest level of the year, according to the latest AAI Sentiment Survey. At the same time, the percentage of individual investors describing their outlook as “neutral” is above 40% for a third consecutive week.

Bullish sentiment, expectations that stock prices will rise over the next six months, rebounded for a second consecutive week and rose 3.2 percentage points to 36.7%. Optimism remains below its historical average of 38.5% for the 12th consecutive week and the 13th time in 15 weeks.

Neutral sentiment, expectations that stock prices will stay essentially unchanged over the next six months, rose 1.8 percentage points to 42.7%. Neutral sentiment was last higher on March 7, 2018 (45.2%). This is the 13th consecutive week with a neutral sentiment reading above the historical average of 31.0%.

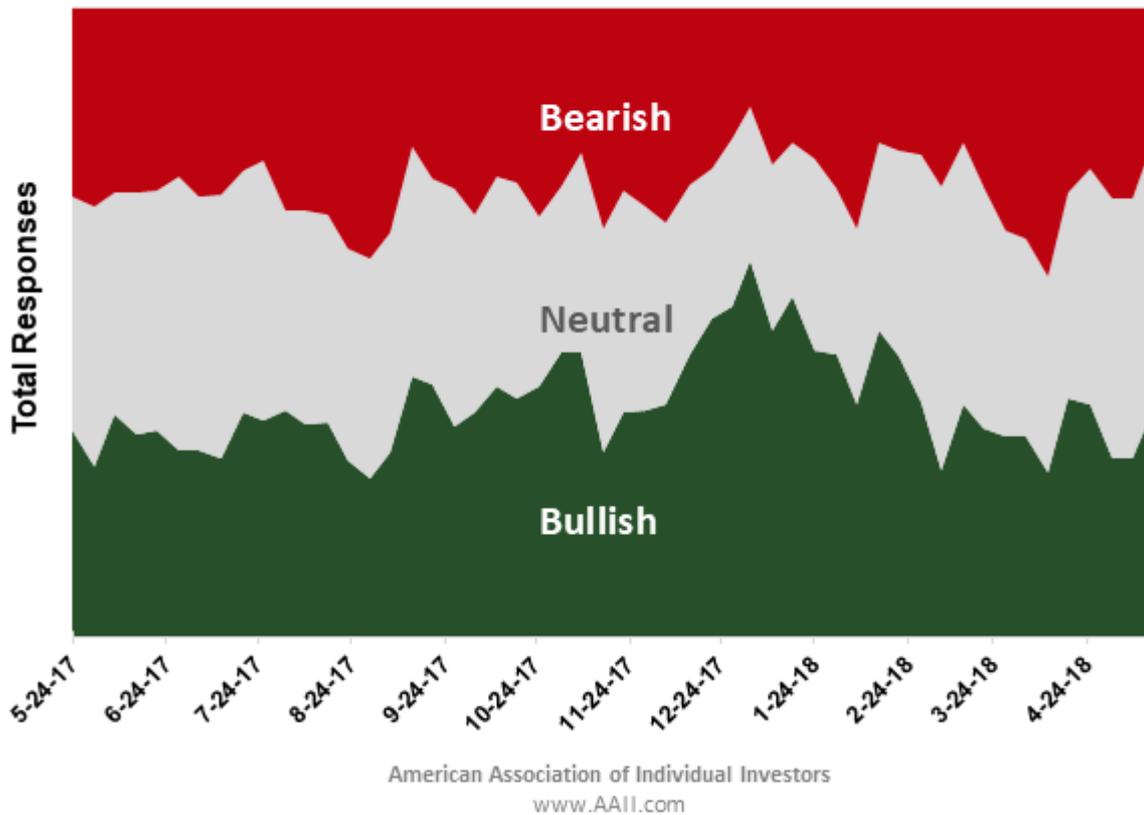
Bearish sentiment, expectations that stock prices will fall over the next six months, fell 5.0 percentage points to 20.6%. Pessimism was last lower on January 3, 2018 (15.6%). The drop keeps bearish sentiment below its historical average of 30.5% for the fifth consecutive week and the 19th time out of the past 23 weeks.

At its current level, bearish sentiment is at an unusually low level, though just barely so. The breakpoint is 20.7%. Historically, below-average levels of pessimism have been followed by below-average and below-median returns for the S&P 500 index over the following six- and 12-month periods.

Neutral sentiment is above 40% on three consecutive weeks for the first time since June 29, 2017, through July 13, 2017. Historically, unusually high readings for neutral sentiment have been followed by slightly higher than average six-month returns for the S&P 500, but not significantly so.

Many individual investors, but not all, anticipate continued volatility and/or think that the current political backdrop could have a further impact on the stock market. Trade policy is influencing some individual investors' sentiment. While many individual investors either approve of the Federal Reserve's plan to gradually raise interest rates or don't expect it to affect the stock market, some are concerned about the impact that rising rates will have. Also influencing sentiment are valuations, tax cuts, earnings and economic growth.

AII Sentiment Survey



This week's AII Sentiment Survey results:

- Bullish: 36.7%, up 3.2 percentage points
- Neutral: 42.7%, up 1.8 percentage points
- Bearish: 20.6%, down 5.0 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.

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