

AAII Sentiment Survey: Unusually High Level of Pessimism



Bearish sentiment rebounded to an unusually high level, while bullish sentiment remained at below-average levels in the latest AAI Sentiment Survey.

Bullish sentiment, expectations that stock prices will rise over the next six months, fell 2.5 percentage points to 28.0%. This is the ninth consecutive week that optimism has been below its historical average of 39%.

Neutral sentiment, expectations that stock prices will stay essentially unchanged, declined 0.9% to 30.0%. This is the third consecutive week that neutral sentiment has been slightly below its historical average of 31%.

Bearish sentiment, expectations that stock prices will fall over the next six months, rose 3.4 percentage points to 42.0%. This is the seventh time in the past eight weeks that pessimism has been above its historical average of 30%.

The spread between bullish and bearish sentiment, the bull-bear spread, widened to -14 percentage points. This is the third negative double-digit spread in the past four weeks.

Bearish sentiment rebounded back to an unusually high level. This is the third time in the past four weeks, and the fourth out of the last eight, that pessimism has exceeded 41%. Bullish sentiment, on the other hand, is right at the separating point between the typical range of readings and a level that is unusually low.

Individual investors remain concerned about the European sovereign debt crisis, the pace of U.S. economic growth, and the recent downward volatility in stock prices. Underlying this are fears that a repeat of last summer's correction could occur this year. Also playing a role in hurting sentiment is the lack of positive catalysts.

This week's special question asked AAI members what they thought about the Facebook (FB) initial public offering. Many respondents said the IPO was overvalued, overhyped or otherwise risky. Some said they were not surprised by the poor performance of the stock, and thought the market was

acting in an efficient manner. A few said they were surprised about how the IPO was handled with some going as far as to call the offering a “fiasco”. Others were more critical and opined that the investment industry puts individual investors at disadvantage, especially relative to institutional investors.

Here is a sampling of the responses:

- “I felt it was overhyped from the beginning.”
- “There was adequate information regarding Facebook to make an investor wary of the IPO’s outcome.
- “It fulfilled my expectations in every respect. I didn’t see Warren Buffett investing in this turkey.”
- “The market worked the way it should when presented with a problem offering.”
- “It was a fiasco that can dampen individual investors’ enthusiasm for IPOs in particular, and the stock market in general.”
- “It gives further credence to the theory that the market is rigged toward the big-money investors and against regular people.”

This week’s AAI Sentiment Survey Results:

- Bullish: 28.0%, down 2.5 percentage points
- Neutral: 30.0%, down 0.9 percentage points
- Bearish: 42.0%. up 3.4 percentage points

Historical averages:

- Bullish: 39%
- Neutral: 31%
- Bearish: 30%

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?a=blog>