

AAll Survey: Investors' Outlook for U.S. Economy

The U.S. stock market has been enjoying a resurgence after December's sell-off. Since their Christmas Eve lows, the Dow Jones industrial average has rebounded 13.4%, the S&P 500 index is up 13.6% and the Nasdaq composite has added 15.6% through the close on January 18.

While investors shouldn't worry too much about upside volatility, the market has seen an uptick in strong upward and downward moves over the last quarter or so.

There have been several contributing factors: rising interest rates, a flattening yield curve, worries over a weakening economy both globally and at home and slowing corporate earnings growth.

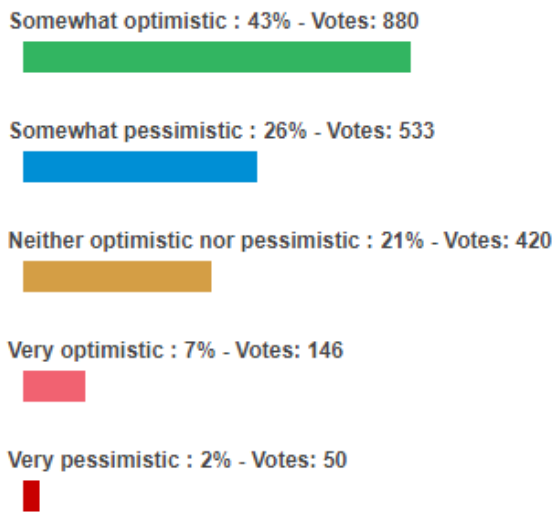
AAll Weekly Survey Question

The strength, or lack thereof, of the U.S. economy, or at least the perceived strength, is a key driver of stock prices. To get an idea of our readers' perception of the U.S. economy, our latest survey asked:

How would you rate your outlook for the U.S. economy over the next 12 months?

Here are the results:

As far as the general condition of the U.S. economy is concerned, how would you rate your outlook for it over the next 12 months?



In all, 2,029 votes were cast.

Fifty percent of those participating are optimistic about the U.S. economy over the next 12 months, although nearly all of them are only somewhat optimistic (43% overall and 86% of those “optimistic”).

Only 28% of our readers hold some negative outlook for the economy over the next year, although the vast majority of this block (93%) are only somewhat pessimistic.

Slightly more than one-fifth of participants (21%) say they are neither optimistic or pessimistic about the U.S. economy over the next 12 months.

Weekly Special Question

Investors react differently when the market starts roiling. Some head for the sidelines, others stand pat (either they rely on their investment approach or merely bury their head in the sand) and still, others try to time the market highs and lows.

To see how our readers react to rising market volatility, our latest special question asked:

What changes, if any, do you make to your investment portfolio or strategy when there is a spike in market volatility?

In all, 334 readers participated in the weekly special question survey.

The majority of readers—57%—say they do nothing when the market starts gyrating. What we don't know is whether our readers don't act because their investment plans are guiding them or whether they are paralyzed by the rapid movement in the market.

Roughly one-fifth of respondents (21%) say they become more defensive when market volatility begins to rise. This takes on many forms, including lowering the overall equity exposure in their portfolio and increasing their allocation to cash or bonds; investing in more “defensive” stocks, including utilities, REITs and dividend-paying stocks; reducing their exposure to “high-beta” stocks; etc.

Another 11% of readers say they view an increase in market volatility as a buying opportunity, adding to their positions during downturns (aka buying the dip).

Here is a sampling of the responses from our readers as to what they think will be the biggest financial story of 2019:

- “Begin to buy at a predetermined level, about 10% below recent peak, then sell to re-balance after the market recovers.”
- “No changes. doing nothing always makes the most money in the long term.”
- “I use increased market volatility to increase cash flow by using options strategies.”
- “Stay the course. No changes”
- “I double-down on my self-discipline to buy or sell during periods of volatility. When the market is down, I review the list of potential stock buys that I have on file: the companies that have a history of reliable dividends that I can rely on in retirement, regardless of the price level of the stock.”
- “Take advantage of loss harvesting if needed to offset gains.”
- “Monitor portfolio more frequently.”

Everybody has an opinion! Why not give us yours? Participate in our weekly member poll, updated every Monday, and see the results online at www.aaii.com/memberquestion.