

# AAll Survey: Most Individual Investors Were Too Optimistic in 2018

Happy New Year!

It's hard to believe that another year has come and gone. For me, personally, 2018 was a busy year. I took a two-week vacation to Russia, sold my condo and gave up on the city of Chicago and bought a house in the far-west suburbs (upping my daily commute to 4 hours from 40 minutes). I also purchased my very first vehicle at the ripe old age of 43 and I'm happy to report I love my Subaru Outback.

As an investor, 2018 won't be a year I'll miss. Volatility returned with a vengeance as politics at home and abroad, as well as rising inflation and interest rates and slowing corporate earnings growth, pushed and pulled the major indexes. The S&P 500 index even entered bear territory on December 26, falling just more than 20% on an intra-day basis from its previous all-time high. However, based on closing prices, the S&P 500 only flirted with a bear market, never falling more than 20% from its all-time high close. The Nasdaq Composite, however, did become the first major market index to enter bear territory based on closing prices.

By the time the clock struck midnight to ring in the New Year, the S&P 500 had posted a price decline of 6.2%. Accounting for dividends, the total return decline was 4.4%.

A year ago I asked our readers how they thought 2018 would play out. Specifically, I asked what their predictions were for the S&P 500 for the year. As it turns out, less than one-third of our readers were right. Twenty-four percent (24%) said they expected the S&P 500 to generate a return between a loss of 5% and a gain of 5%. Another 5% said they thought the S&P 500 would decline between 6% and 10%.

## AAll Weekly Survey Question

With the U.S. bull market still intact by most measures, investors are still shaken by the wild ride stocks went on to end the year. This begs the question: Are we in for more of the same in 2019? So, once again, I posed this question to our readers:

## What is your prediction for the S&P 500 in 2019?

Here are the results:

### What is your prediction for the S&P 500 index in 2019?

In a range from down 5% to up 5% : 35% - Votes: 717



Up between 6% and 10% : 30% - Votes: 624



Up between 11% and 20% : 12% - Votes: 242



Down between 6% and 10% : 10% - Votes: 208



Down between 11% and 20% : 6% - Votes: 118



Up more than 20% : 4% - Votes: 72



Down more than 20% : 3% - Votes: 65



In all, 2,046 readers participated in this survey.

Nearly 50%—46% to be exact—of readers feel the S&P 500 will end 2019 in positive territory. Last year, 64% were expecting a gain out of the S&P 500.

Slightly more than one-third of respondents (35%) say they expect the S&P 500 to generate a loss of 5% to a gain of 5%. Last year, 24% chose this scenario.

Thirty percent of readers feel the S&P 500 will post a gain of 6% to 10% compared to 38% a year ago.

Twelve percent are expecting the S&P 500 to post a gain of 11% to 20%. Last year, 22% were expecting that outcome for 2018.

At the extremes, 4% of readers expect the S&P 500 to gain more than 20% in 2019, the same

percentage as last year, and 3% see the S&P 500 losing more than 20% this year, compared to 2% a year ago.

## Weekly Special Question

As we enter 2019, I also stuck with the same line of questioning for the special question:

### What is on your investment wish list for 2019?

Perhaps not surprisingly, the biggest single block of responses (11%) hopes for a return of market stability in 2019.

In at a close second, slightly more than 9% of readers hope the ongoing trade war between the U.S. and China is resolved.

Another 9.2% of readers hope the Federal Reserve will take its foot off the accelerator when it comes to rising interest rates.

It is probably also not surprising that politics and its impact on the stock market is also on investors' minds. Another 9.2% say they would like to see President Trump impeached or resign and 7.3% would like to see the government stay out of the stock market.

Rounding out the top six responses, 7.3% of readers have slow and steady market gains as their top investment wish for 2019.

Here is a sampling of our readers' wishes for 2019:

- "Solve the trade war."
- "I wish I had the ability to figure out Mr. Market's moods and general direction."
- "An end to government meddling in the economy. A boy can wish, can't he?"
- "Less volatility."
- "I wish Trump would stop talking and tweeting about the market and economy."
- "To get rid of programmed trading and algorithms!! Bring back the uptick rule."

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](http://www.aaii.com/memberquestion).