



UBS

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# Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

## INVESTOR OPTIMISM CONTINUES TO DECLINE

### UBS/Gallup Index of Investor Optimism at Low Point for Year at 58

#### Fed Will Raise Rates Too Much, Fear Six in 10 Investors

#### Residential Real Estate Conditions Are Getting Worse, Say Nearly Two in Three

NEW YORK, June 26, 2006 – Investor optimism reached a new low for the year, falling to 58 during the month of June. This is down six points from the 64 reading in May and a decline of 35 points since the beginning of 2006. The *Index* is conducted monthly and had a baseline score of 124 when it was established in October 1996.

Sentiment about the state of the U.S. economy has changed dramatically since January. This month, 50% of investors surveyed said that they believe the economy is in a slowdown, compared with just 31% who viewed the economy that way in January. Among the issues that investors believe are harmful to the U.S. investment climate are energy prices (94%), the Federal budget deficit (79%) and inflation (72%), readings that have held generally steady since last month.

Investors are increasingly pessimistic about the performance of the stock market. Last month, 23 percent of investors were pessimistic about stock market performance; this month that number has risen to 32 percent. Additionally, the percentage of respondents who believe that now is a good time to invest in the stock market has declined to 55% in June from 60% in May.

More than half of investors (52%) believe that the current level of interest rates is harmful to the U.S. investment climate, an increase of five points over last month. Investors are clearly concerned about upcoming moves by the Federal Reserve, with six in ten investors fearing that the Fed will increase interest rates "too much, too fast," leading to a possible recession. These concerns translate into investors' opinions of Federal Reserve Chairman Ben Bernanke's job performance. Only 34% say that they believe he is doing a good or excellent job while 39% rate his performance as "only fair"; four percent rate it as "poor" and 23% have no opinion.

"Investors will be closely watching the outcome of the Federal Reserve's meeting this week. UBS expects that the Fed will again raise rates to address concerns about rising inflation," said Anne Briglia, Senior Fixed Income Strategist, UBS Wealth Management Research.

#### **Real Estate Sentiment:**

This month, the *Index* focused on investors' attitudes about the real estate sector. Although half of investors rate conditions in the residential real estate market nationwide as good (45%) or excellent (5%), fully 63% of investors expect economic conditions in the residential real

estate market nationwide to worsen over the next year. Only 29% say conditions will improve in that timeframe.

Despite the increasing doubts about the residential real estate market, only 32% believe prices will decline over the coming year. The same percentage, 32%, expects prices to remain unchanged while 35% expect home prices to increase.

Investors are somewhat more optimistic about their local real estate market than the national market. Fifty-six percent of investors say conditions in their local community's residential real estate market are good (39%) or excellent (17%), with 30% rating them as "only fair" and 13% saying they are "poor." However, 46% of investors say conditions in their local community's residential real estate market are getting better compared to 48% who say they are getting worse.

The combination of this price optimism and fears of higher interest rates appears to lead many investors to believe now is a good time to buy a home. Sixty-four percent of investors say now is a good time to buy a home in their local community and 55% say it is a good time to invest in real estate and/or real estate related assets nationwide.

These findings are part of the 98th *Index of Investor Optimism*, which was conducted June 1-15, 2006. To track and measure *Index* changes on an ongoing basis, new samplings are taken monthly. Dennis J. Jacobe, research director for Gallup, said the sampling included 802 investors randomly selected from across the country. For this study, the American investor is defined as any person who is head of a household or a spouse in any household with total savings and investments of \$10,000 or more. Nearly 40 percent of American households have at least this amount in savings and investments. The sampling error in the results is plus or minus four percentage points.

For more than 60 years, the Gallup Organization has been a recognized leader in the measurement and analysis of people's attitudes, opinions and behavior. While best known for the Gallup Poll, founded in 1935, Gallup's current activities consist largely of providing marketing and management research, advisory services and education to the world's largest corporations and institutions.

UBS is one of the world's leading financial firms, serving a discerning global client base. As an organization, it combines financial strength with an international culture that embraces change. As an integrated firm, UBS creates added value for clients by drawing on the combined resources and expertise of all its businesses.

UBS is the world's largest wealth manager, a top tier investment banking and securities firm, and one of the largest global asset managers. In Switzerland, UBS is the market leader in retail and commercial banking.

UBS is present in all major financial centers worldwide. It has offices in 50 countries, with about 39% of its employees working in the Americas, 37% in Switzerland, 16% in the rest of Europe and 8% in Asia Pacific. UBS's financial businesses employ more than 70,000 people around the world. Its shares are listed on the SWX Swiss Stock Exchange, the New York Stock Exchange (NYSE) and the Tokyo Stock Exchange (TSE).

Additional information about the *Index of Investor Optimism* can be found at [www.ubs.com/investoroptimism](http://www.ubs.com/investoroptimism)



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## UBS *Index of Investor Optimism* overall trend

	<i>Overall Index</i>
06 June	58
06 May	64
06 April	63
06 March	79
06 February	80
06 January	93
05 December	79
05 November	50
05 October	47
05 September	34
05 August	61
05 July	58
05 June	54
05 May	50
05 April	52
05 March	74
05 February	82
05 January	76
04 December	79
04 November	69
04 October	62
04 September	74
04 August	77
04 July	88
04 June	95
04 May	71
04 April	73
04 March	85
04 February	97
04 January	108
03 December	104
03 November	93
03 October	69
03 September	54
03 August	61
03 July	54
03 June	77
03 May	42

03 April	66
03 March	5
03 February	9
03 January	38
02 December	52
02 November	41
02 October	29
02 September	60
02 August	52
02 July	46
02 June	72
02 May	90
02 April	89
02 March	121
02 February	92
02 January	115
01 December	88
01 November	84
01 October	86
01 September	50
01 August	76
01 July	74
01 June	85
01 May	90
01 April	81
01 March	82
01 February	77
01 January	96
00 December	106
00 November	130
00 October	132
00 September	147
00 August	160
00 July	143
00 June	149
00 May	155
00 April	140
00 March	150
00 February	168
00 January	178
99 December	174
99 November	148
99 October	139
99 September	160
99 August	149
99 July	166
99 June	146
99 May	163
99 April	168



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99 March	151
99 February	167
98 December	141
98 September	147
98 June	160
98 March	161
97 December	151
97 September	151
97 June	152
97 February	128
96 November	125
96 October	124

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