



UBS

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www.ubs.com

Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM SURGES AS GAS PRICES FALL

UBS/Gallup Index of Investor Optimism at 74 – Its Highest Level Since March

Energy Price Concerns Decline Significantly

Real Estate Market Conditions Continue to Worry Investors

NEW YORK, September 25, 2006 – Investor optimism surged in September to 74, its highest level in five months, according to the UBS/Gallup Index of Investor Optimism. The 21 point increase from last month follows a downward trending in investor optimism since the beginning of 2006, which reached a low point of 53 in August. The Index is conducted monthly and had a baseline score of 124 when it was established in October 1996.

Much of the surge in optimism can be attributed to the sharp drop in investor concerns about energy prices. The percentage of investors who believe energy prices are hurting the investment climate “a lot” fell from 78 percent in August to 63 percent in September. This represents the lowest level of investor concern about energy costs since February 2005 when 56 percent of investors held this view and a sharp contrast to the 80 percent who felt this way in October of last year.

The fall in energy prices over the last month has also impacted investor expectations for future gas prices. In August, investors expected the average price of a gallon of regular gas to reach \$3.30 in the next three months. In September, however, their expected average price for a gallon of gas three months from now is down to \$2.76.

“This sharp rise in optimism demonstrates the significant degree to which high energy prices affect investor sentiment – both with regard to the potential impact upon growth as well as the threat of higher inflation. We therefore expect that lower energy prices will also positively influence consumer confidence,” said Mike Ryan, Head of UBS Wealth Management Research Americas.

Investors seem to believe that the U.S. economy is headed towards a so-called “soft-landing.” Fifty-one percent of investors describe current economic conditions as showing signs of an “economic slowdown” while 38 percent feel the economy is experiencing a “recovery” or an “economic expansion.” Only one in ten investors believes that the economy is in a recession.

Despite the increase in overall optimism, investors are increasingly concerned about conditions in the residential real estate market, not only nationally but also in their local communities. Six in ten investors rate conditions in today's residential real estate market nationwide as "only fair" or "poor." This is up from 46 percent in June and July and 56 percent in August. Significantly, three in four investors (74%) say economic conditions in the residential real estate market nationwide are getting worse, while only 21 percent feel they are getting better.

When asked to think about their local real estate markets, more than half of investors rate conditions in their local residential real estate market as "only fair" (37%) or "poor" (16%) – up from 43 percent who held this view about their local market last month. Fully 65 percent of respondents believe conditions in their local residential real estate markets are getting worse as opposed to only 30 percent who feel conditions are improving. This is up from 48 percent who believed last month that local market conditions were deteriorating.

Given these trends, it is not surprising that in September a large majority, 73 percent, believe that the potential for a housing or real estate crash in some local markets is hurting the investment climate. This is up from 67 percent who held this view in August.

With the increase in the September Index reading also came increases in the Personal and Economic Dimensions of the Index. The Personal Dimension increased nine points to 63 from 54 in August indicating that investors are more optimistic about their own investment portfolios than they were a month ago. At the same time, the Economic Dimension increased 12 points to 11 suggesting that investors as a whole have shifted to feeling optimistic from being neutral about the economic outlook over the next 12 months.

These findings are part of the 100th *Index of Investor Optimism*, which was conducted September 1-17, 2006. To track and measure Index changes on an ongoing basis, new samplings are taken monthly. Dennis J. Jacobo, Chief Economist 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 around 72,000 people



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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

UBS Index of Investor Optimism overall trend

	<i>Overall Index</i>
06 September	74
06 August	53
06 July	55
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



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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
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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