



UBS

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# Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

## **INVESTOR OPTIMISM REACHES HIGHEST LEVEL IN THREE YEARS**

### **Over One-Third of Investors Expect Stock Market to Reach New Record Level in '07**

### **Investors Less Pessimistic about Residential Real Estate Outlook**

NEW YORK, January 22, 2007 – Investor optimism soared to its highest level since 2004 reaching 103 for the month of January. This is a jump of 13 points from last month's level of 90 and only the fifth time the *Index* has been above 100 since December 2000. The *Index* is conducted monthly and had a baseline score of 124 when it was established in October 1996.

Investors are beginning 2007 with a bullish outlook for the stock market. Thirty-seven percent of investors expect the Dow Jones Industrial Average (DJIA) to end 2007 at a higher level than its record 2006 close. Of those expecting the DJIA to end 2007 higher, 66 percent expect an increase of five to ten percent, 22 percent expect an increase of less than five percent, and 11 percent predict an increase of more than ten percent. Only 15 percent of investors expect the DJIA to end 2007 lower than its 2006 close, and 46 percent expect it to close the year at about the same level as last year.

While investor sentiment continues to suggest that residential real estate market conditions continue to deteriorate, investor perceptions are somewhat less negative than they were in previous months. Two in three investors (65 percent) believe conditions in the residential real estate market nationwide are getting worse, down slightly from the 70 percent who felt this way in November and December of last year. Similarly, 50 percent of investors say conditions in their local community's residential real estate market are getting worse, not getting better. This is a drop from 57 percent who felt this way in December.

"With inflation remaining under control, investors see the possibility of a Fed interest rate cut during 2007 and therefore believe the slide in the real estate market may be coming to an end. The continued rally in the stock market has also improved investors' outlook for their own portfolios over the coming year," said Mike Ryan, Head of UBS Wealth Management Research Americas.

Despite falling oil prices and sharply lower gas prices at the pump than during much of 2006, high energy prices continued to top investor concerns in January with 57 percent saying they believe energy prices are hurting the current investment climate "a lot." This is essentially the same as the 54 percent who felt this way in November and the 55 percent who felt this way in December, but significantly lower than the 78 percent who held this view in August 2006. In

December, 50 percent of investors pointed to international tensions as hurting the investment climate a lot and the same percentage pointed to the federal budget deficit as a major investor concern.

The Personal Dimension, which measures people's optimism about their own portfolios over the next 12 months, jumped four points to 73 in January – the highest point for this dimension of the *Index* since March 2002 when it stood at 80. The Economic Dimension, which measures people's optimism about the economy over the next 12 months, increased nine points in January and now stands at 30, its highest level since February 2004 when it also hit 30. This suggests that investors as a whole are somewhat optimistic about the economic outlook for 2007.

These findings are part of the 106th *Index of Investor Optimism*, which was conducted January 2-14, 2007. To track and measure Index changes on an ongoing basis, new samplings are taken monthly. Dennis J. Jacobe, 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, 36% in Switzerland, 16% in the rest of Europe and 9% in Asia Pacific. UBS's financial businesses employ around 75,000 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)

#### **UBS *Index of Investor Optimism* overall trend**

	<b><i>Overall Index</i></b>
07 January	103
06 December	90
06 November	93



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06 October	79
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
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



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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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