



Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

UBS

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Media Relations

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INVESTOR OPTIMISM TAKES A TUMBLE

Two in Three Investors Say It Is Still a Good Time to Invest

Investors Remain Concerned about Higher Gas Prices at the Pump

Investors Say Residential Real Estate Conditions Are Getting Worse, Not Better

NEW YORK, February 26, 2007 – Investor optimism took a tumble in February falling back to the level it reached in December 2006, according to the UBS/Gallup Index of Investor Optimism. The Index dropped 13 points to 90, erasing all of its gains from January and bringing it back below 100, where it has generally been since December 2000. The Index is conducted monthly and had a baseline score of 124 when it was established in October 1996.

Despite sharply lower gasoline prices today compared with summer of 2006, energy prices continue to top investors' concerns. Fifty-eight percent of investors believe energy prices are hurting the investment climate "a lot," essentially the same as the fifty-seven percent who held this view in January. Investors also expect gasoline prices to increase in the coming months. Today, investors report paying an average of \$2.21 per gallon of gasoline. Over the next three months, they expect the average price to increase to \$2.39. Sixty-seven percent of investors said that lower gas prices have had little impact on their view of the future course of the economy.

Investor concerns about energy prices may be closely related to another area of worry. A majority of investors (54 percent) believe international tensions such as those in the Middle East, are hurting the US investment climate "a lot." This compares to 50 percent who held this view last month.

"Investors are seeing a continuing soft housing market, some signs of weaker corporate earnings and some lingering inflation pressure. These factors, along with an unsettled geopolitical environment, have contributed to their growing concerns with the investment climate," said Mike Ryan, Head of UBS Wealth Management Research US.

Real estate continues to weigh heavily on investors' minds, and their perceptions suggest that conditions are continuing to deteriorate in that sector. In February, 63 percent of investors said that they believe conditions in the residential real estate market nationwide are getting worse, about the same as the 65 percent who held this view in January. Similarly, 56 percent of respondents said that conditions in their local real estate markets are worsening, up from the 50 percent who felt this way in January.

Despite the overall drop in optimism, two-thirds of investors, 66 percent, continue to believe that now is a good time to invest in the financial markets. This has held steady from last month.

Views of the impact of the new US Congress on the investment climate in the US continue to be mixed. In February, 36 percent of investors said that the change in Congressional control from Republican to Democrat will have a positive impact on the investment climate. Thirty-two percent believe it will have a negative impact, and 30 percent think it will have no impact whatsoever. In December, shortly after the election, investors held similar views, with 38 percent believing the change in control would be positive, 28 percent negative and 30 percent expecting no impact on the investment climate.

The Personal Dimension, which measures people's optimism about their own portfolios over the next 12 months, fell six points to 67 in February from its January number of 73. The Economic Dimension, which measures people's optimism about the economy over the next 12 months, dropped seven points in February to 23 from January's 30. Investors remain optimistic about the economic outlook for the next 12 months but are less so than they were in January 2007.

These findings are part of the 107th *Index of Investor Optimism*, which was conducted February 1-15, 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.

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Additional information about the *Index of Investor Optimism* can be found at www.ubs.com/investoroptimism



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UBS *Index of Investor Optimism* overall trend

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



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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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