



UBS

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Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM REMAINS DOWN IN OCTOBER

Worries Rising about Personal Portfolios and Declining Dollar; Hopes Rising for US Economy

NEW YORK, October 22, 2007 – Investor optimism remained essentially unchanged for the month of October rising just two points to a level of 70, according to the UBS/Gallup Index of Investor Optimism. But the Personal Dimension of the Index, which measures investors' optimism about their own investment portfolios, tumbled sharply by 8 points to 62 from 70 in September. The Index is conducted monthly and had a baseline score of 124 when it was established in October 1996.

Investor pessimism regarding the declining value of the dollar grew in October with 39 percent of investors saying they believe that the value of the dollar is hurting the current investment climate "a lot." This is up significantly from the 30 percent who felt this way in September and is the highest level of investor concern about the dollar since tracking began in March 2004.

These concerns about personal portfolio performance and the dollar may translate to less holiday spending, as 27 percent of investors say they will spend less this holiday season than last. This compares to 24 percent who said they would spend less the last time measurement took place in November 2005.

In contrast to investor pessimism about personal portfolios and the dollar, the Economic Dimension of the Index, which measures investors' feelings about the direction of the overall US economy improved dramatically, jumping 10 points from -2 in the month of September to +8 in October. This leap in optimism suggests that the Fed's cut in interest rates made investors somewhat more optimistic about the direction of the economy over the next 12 months.

"The Fed cut has improved investor sentiment and the prospects for continued economic expansion, but the effects of the subprime fallout will likely be felt for many months to come," said Mike Ryan, Head of UBS Wealth Management Research, Americas.

In spite of oil prices recently exceeding \$80 a barrel, investor worries regarding higher energy prices fell five percentage points in October with 60 percent saying they believe energy prices are hurting the current investment climate "a lot." Energy prices continue to top the list of investor concerns but are currently at a much lower level than they were earlier this year.

Housing and real estate worries continue to concern investors with 51 percent saying they believe the potential for a housing or real estate crash in some local markets is hurting the

investment climate “a lot.” This is down from the 55 percent who felt this way in September but a sharp jump from the 41 percent who felt this way as recently as July.

Investors continue to see no bottom in sight for the housing and real estate markets with 78 percent saying they believe economic conditions in the national residential real estate market are getting worse. Sixty-three percent of investors say conditions in their local real estate markets are worsening, down just slightly from the 65 percent who felt this way in September.

Investors continue to fear that the problems in the subprime mortgage market will spread, with 61 percent feeling there will be a spillover into the overall mortgage market. The credit crunch continues to squeeze consumers with 65 percent saying it is harder for Americans to get credit now than it was three months ago. Forty-three percent of investors now believe the consumer crunch is hurting the investment climate “a lot.”

These findings are part of the 115th *Index of Investor Optimism*, which was conducted October 1-14, 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 804 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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UBS is the leading global 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, 34% in Switzerland, 17% in the rest of Europe and 10% in Asia Pacific. UBS’s financial businesses employ some 80,000 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

UBS *Index of Investor Optimism* Overall Trend

	<i>Overall Index</i>
07 October	70



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07 September	68
07 August	73
07 July	87
07 June	89
07 May	95
07 April	74
07 March	78
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



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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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