

# Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

## **INVESTOR OPTIMISM PLUMMETS TO RECORD LOW IN JULY, ACCORDING TO UBS *INDEX***

### **Investors Say Strict Prison Sentences for Corporate Managers Who Commit Fraud Among Top Ways to Improve Market Conditions**

NEW YORK, July 22, 2002 – Optimism plunged to an all-time low in July as investors reported a gloomy outlook for the financial markets, and growing concern over corporate accounting scandals, according to the *Index of Investor Optimism*<sup>®</sup>, a joint effort of UBS and the Gallup Organization.

Currently at 46, the overall *Index* decreased 26 points from 72 in June. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

This month, just 32 percent of investors say they are optimistic about the prospects for the financial markets over the next year, down from 38 percent in June, and a new low in the survey's history. Moreover, less than half of those surveyed in July, 47 percent, are optimistic about the nation's economy in the short-term, compared with 55 percent one month ago.

Investors' expectations for short-term return, over the next 12 months, declined to 9.6 percent from 10.3 percent in June. Notably, the short-term expectations of the least experienced investors, those with less than five years in the markets, are 14.7 percent, more than double than the most experienced investors, those with more than 20 years in the markets, whose expectations for return are only 6 percent.

Fifty percent of those polled say now is a good time to invest, down from 59 percent last month, and marking the lowest level since June 1998, when the question was first asked of investors. Not surprisingly, younger investors are more likely to think now is a good time to be in the markets with 60 percent of those under age 40 responding positively, compared with 47 percent of older investors, those over age 40.

In July, investors were also surveyed about the factors negatively impacting the investment climate, and what actions could improve overall conditions in the financial markets. The vast majority of those surveyed, 80 percent, cited questionable accounting practices as having a very negative impact on the investment climate. This is followed by the current level of corporate earnings, 47 percent; the issue of conflicts-of-interest between Wall Street firms' research and investment banking departments, 42 percent; the war on terrorism, 40 percent; and conflict between Israelis and Palestinians, 36 percent.

When asked what circumstances will have an extremely large impact on improving financial market conditions, 38 percent of those surveyed cite a healthier economic environment, 37 percent say strict prison sentences for corporate managers who commit fraud, 34 percent cite new regulations by the Securities and Exchange Commission to address questionable accounting practices; and 31 percent name new federal guidelines for ethical standards among corporate managers.

This month investors were also surveyed about how long they believe it will take for the Dow Jones Industrial Average to hit the 11,000 mark, last reached in June 2001. Just 20 percent of investors say the Dow will reach this level within the next year; 71 percent believe it will take longer (21 percent say three years or more); and 4 percent predict it will never achieve this level again.

While two-thirds of those surveyed, 66 percent, continue to view the U.S. dollar as the most attractive currency, support for the dollar has slipped significantly from 73 percent in April, the last time investors were polled on the subject. In contrast, support for the Euro increased to 13 percent in July from 8 percent in April.

In January 2002, UBS established the *Index of Investor Optimism – EU 5*, the European counterpart to the U.S. survey covering France, Germany, Great Britain, Italy and Spain. This month, 1,000 investors across these EU markets were polled from July 1 to July 14. Overall optimism registered at 2 in July, down from 8 last month.

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 AG is a leading global financial services firm with 71,000 employees worldwide, providing a wide range of services to a client base that includes affluent individuals, corporations, institutions and governments. Headquartered in Switzerland, the bank has significant operations in all of the world's major financial centers and is comprised of four business groups; UBS Warburg, UBS PaineWebber, UBS Wealth Management and Business Banking, and UBS Global Asset Management.

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**

	OVERALL INDEX
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