

**Contact:** Karen Connell  
(212) 713-8511

**OPTIMISM UNCHANGED IN DECEMBER AS INVESTORS SAY WAR ON  
TERRORISM HURTS THE NATION'S ECONOMY,  
UBS PAINEWEBBER INDEX SHOWS**

**-- Majority of Investors Believe Recession Will Worsen Before Anticipated  
Recovery in 2002 --**

NEW YORK, December 20, 2001 – Optimism held steady in December despite fears that the ongoing war on terrorism is having a negative impact on the U.S. economy, according to the *Index of Investor Optimism*<sup>®</sup>, a joint venture of UBS PaineWebber and the Gallup Organization.

The overall *Index* decreased slightly to 112 in December from 117 last month. Conducted monthly, the *Index* had a baseline of 100 when it was established in October 1996.

The minor decline in the *Index* is attributed to a 17 point drop in optimism among substantial investors, those with more than \$100,000 in investable assets, to 136 in December from 153 last month. In contrast, optimism among average investors, those with \$10,000 - \$100,000 in investable assets, rose to 99 this month from 97 in November.

Expectations for short-term return, over the next 12 months, dipped to 8.1 percent in December from 8.7 percent last month, as investors continue to report negative rates of return on their personal portfolios over the last year. In December, those surveyed cited a 0.8 percent loss on their investments compared with a 0.3 percent loss last month. Interestingly, one year ago investors reported a 9.5 percent annual rate of return. Still, 69 percent of those surveyed believe now is a good time to invest in the financial markets.

Among those investors with an opinion -- 61 percent of those surveyed -- approval for the Federal Reserve held strong at 85 percent this month. However, investors are slightly less optimistic about the effect current interest rates will have on their investments, with 56 percent of all investors reporting they are somewhat or very optimistic compared with 62 percent in November.

“Ongoing negative economic news and market volatility continue to affect investor optimism,” said Mary C. Farrell, UBS PaineWebber senior investment strategist. “However, an expected recovery in mid-2002 -- together with positive earnings comparisons by the second half of the year -- should encourage investors to stay focused on their long-term investment objectives and take advantage of attractive buying opportunities in today’s markets.”

In December, investors were polled about the state of the U.S. economy and its prospects for recovery. More than half of those surveyed, 58 percent, believe the recession will worsen in contrast to 36 percent who say it has already hit bottom. Substantial investors are more optimistic about current economic conditions than average investors, as 43 percent say the worst is behind us compared with 31 percent of average investors.

When asked about future economic conditions, nearly three-quarters of all investors, 71 percent, are confident the nation's economy will be in a recovery six months from now. Moreover, 59 percent believe the U.S. economy will be as strong or stronger a year from now compared with the economy at the end of the 1990s.

A majority of investors, 57 percent, believe the war on terrorism has had a somewhat or very negative impact on the U.S. economy compared with 30 percent who say it is having a somewhat or very positive effect and 12 percent who are neutral. These views are shared by respondents across all age, asset and experience levels. Overall, four in ten investors report that they feel less financially secure today than before September 11.

These findings are part of the 44th *Index of Investor Optimism*, which was conducted from December 1 to December 16. To track and measure *Index* changes on an ongoing basis, new samplings are taken monthly. Dennis J. Jacobe, research director for Gallup, said the sampling included 1,004 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 of savings and investments. The sampling error in the results is plus or minus three 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 PaineWebber serves the investment and capital needs of more than two million client relationships. The firm employs more than 21,000 individuals and has 8,900 financial advisors in 392 branch offices.