

# Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

## **INVESTOR OPTIMISM SINKS IN APRIL, ACCORDING TO UBS *INDEX***

### **Investors Say Conflict in the Middle East is Hurting U.S. Investment Climate**

### **Fewer Affluent Investors Believe Now is a Good Time to Invest**

NEW YORK, April 22, 2002 – Optimism fell dramatically in April, as investors expressed concerns over the performance of the financial markets and the impact the Middle East crisis is having on the investment climate, according to the *Index of Investor Optimism*<sup>®</sup>, a joint effort of UBS and the Gallup Organization.

Currently at 89, the overall *Index* decreased 32 points from 121 in March. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

Expectations for short-term return, over the next 12 months, fell to 10.6 percent in April from 12.8 percent last month. Interestingly, short-term expectations among younger investors, those under age 40 increased slightly to 13.3 percent in April from 12.9 percent last month. In contrast, expectations among older investors, those over age 40, fell to 9.9 percent this month from 12.9 percent in March.

According to the *Index*, fewer investors say now is a good time to invest in the markets, with 63 percent of those surveyed in April agreeing, compared with 71 percent last month. The decline was most pronounced among substantial investors, those with more than \$100,000 investable assets, dropping to 65 percent this month from 76 percent in March. Moreover, optimism about the prospects for the financial markets in the coming 12 months declined to 49 percent in April from 60 percent last month.

In April, investors were polled about the impact of the Middle East conflict on the financial markets. The vast majority of investors, 92 percent, say they have heard a moderate or great amount about the crisis, and more than half of those surveyed, 52 percent, believe the Middle East conflict will hurt the investment climate in the United States. Furthermore, 87 percent of investors expect the situation to impact U.S. oil prices.

Approval for the Federal Reserve remains strong at 87 percent among those investors who report having an opinion on the board's current policies. Still, more than one-third of investors, 35 percent, say they expect the Fed to raise interest rates in the next three months, up from 27 percent just one month ago.

When asked about their personal income tax returns, nearly two-thirds of investors, 65 percent, report they will receive an income tax refund this year, and more than half of this group, 54 percent, expect the refund to be \$1,000 or more. Among those investors who believe they will receive a tax refund, 35 percent anticipate spending the money on their normal bills, 24 percent say they will put the refund in a savings account, 22 percent plan to spend it on something special, and only 10 percent report they will invest in the markets.

Investors were also asked about which sectors they view as attractive investment opportunities over the next six months. The top choices for investors include: pharmaceutical companies, with 79 percent saying they are a very good or excellent investment, up from 71 percent in January 2002, when investors were last polled on the subject; biotechnology companies, 54 percent this month, down from 66 percent in January; and healthcare companies, 50 percent in April, compared with 52 percent of those surveyed four months ago.

These findings are part of the 48th *Index of Investor Optimism*, which was conducted from April 1 to April 14. 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 1,006 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.

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 April 1 to April 14. Overall optimism registered at 26 in April, down from 32 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 Switzerland, and UBS 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**

	<b>OVERALL INDEX</b>
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