



# Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

## **INVESTOR OPTIMISM RISES FOR SECOND STRAIGHT MONTH, ACCORDING TO UBS INDEX**

### **Investors Split on How Potential War with Iraq Will Impact the U.S. Economy**

NEW YORK, December 23, 2002 – Overall optimism increased for the second month in a row, as investors' outlook for the financial markets over the next year continued to improve, according to the *Index of Investor Optimism*<sup>®</sup>, a joint effort of UBS and the Gallup Organization.

Currently at 52, the overall *Index* rose 11 points from 41 in November. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

In December, 44 percent of investors say they are optimistic about the performance of the stock market in the coming 12 months, up from 36 percent last month. More than half of those surveyed, 53 percent, say now is a good time to invest, a modest rise from November when 50 percent of investors shared this view. Overall, 69 percent of investors report they are optimistic that the year 2003 will be better for the financial markets than 2002.

Expectations for short-term return, over the next 12 months, declined slightly to 7.8 percent in December from 8.5 percent last month. The decline in short-term expectations can be attributed to a steep drop among the least experience investors, those with less than five years in the markets. Among this group, expectations fell to 6.8 percent from 15 percent in November. On average, investors report they earned a negative (3.6) percent rate of return on their portfolio over the past year.

Nearly two-thirds of those surveyed, 65 percent, expect the Federal Reserve to hold interest rates at the same level over the next three months, compared with 15 percent who believe rates will be increased, and 16 percent who anticipate a rate cut. Among those investors with an opinion on the subject, 84 percent say they approve of the Fed's current interest rate policies.

When asked about the situations currently impacting the investment climate, investors continue to cite the issue of questionable accounting practices as being of most concern, with 89 percent saying the issue is having a negative effect. This is followed by the threat of more terrorist attacks, 86 percent; the general economic conditions in the United States, 74 percent; discussion of a possible war with Iraq, 71 percent; and the current state of corporate earnings, 65 percent.

Importantly, investors are split over what effect an American invasion of Iraq will have on the nation's economy, with 43 percent of those surveyed believing it will have a somewhat or very positive impact, compared with 47 percent who say it will be somewhat or very negative.

This month, investors were also asked about the outcomes of the recent congressional elections, and which issues Congress and the President should consider top priorities for the next legislative session. Among those surveyed, 39 percent believe the results of the elections will positively affect the investment climate, 24 percent say it will have a negative effect, and 30 percent believe it will have no impact at all.

Perhaps surprisingly, providing a prescription drug benefit for seniors ranks first among the issues investors believe policymakers should address, with 35 percent saying it should be a top priority. This is followed by balancing the federal budget, 34 percent; reforming public education, 30 percent; invading Iraq to remove Saddam Hussein from power, 27 percent; reforming Social Security, 27 percent; making permanent the tax cuts enacted in 2001, 17 percent; and repealing the federal tax on inheritances, 17 percent.

These findings are part of the 56th *Index of Investor Optimism*, which was conducted from December 1 to December 15. To track and measure *Index* changes on an ongoing basis, new samplings are taken monthly. Dennis J. Jacobo, research director for Gallup, said the sampling included 1,000 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 December 1 to December 15. Overall optimism registered at negative (38) in December, down from negative (28) 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 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
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