

Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM RISES SLIGHTLY TO HIGHEST LEVELS IN 22 MONTHS, ACCORDING TO UBS INDEX

Balancing Federal Budget, Reforming Social Security and Providing Health Insurance Deemed Highest Priorities for Congress and President

NEW YORK, January 26, 2004 – Overall optimism rose slightly to a 22-month high, with investors continuing to express confidence in the stock market's performance and as well as concerns over the unemployment rate, according to the *UBS Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

Currently at 108, the overall *Index* increased by four points this month, up from 104 in December, reaching its highest levels since March 2002. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

In January, 67 percent report they are optimistic about the performance of the stock market in the coming 12 months, up from 38 percent one year ago, and notably, 91 percent of investors surveyed believe the stock market will be the same or higher a year from now. Among those surveyed, 68 percent of investors say now is a good time to invest in the financial markets, up from 65 percent one month ago and 50 percent one year ago. Substantial investors, those with more than \$100,000 in investable assets, are more likely to view the current environment as a buying opportunity, with 76 percent of this group saying now is good time to invest, compared with 63 percent of average investors, those with \$10,000 to \$100,000 in investable assets.

Expectations for short-term return, over the next 12 months, climbed to 12.0 percent from 10.4 percent last month and 6.7 percent one year ago. This increase can be attributed to investors with less time in the market, those with investment experience of five years or less, whose expectations rose to 14.1, compared to more experienced investors, whose reported expectations of 11.7 percent.

According to the *Index*, 67 percent consider the economy to be in either a sustained expansion or recovery, compared with 71 percent last month and 36 percent one year ago. Interestingly, 62 percent of investors surveyed are optimistic about the outlook for economic growth, down from 67 percent last month. However, when compared to last month, investors were less optimistic about the unemployment rate, with optimism dropping to 44 percent from 52 percent in December.

This month, investors were asked about the Federal Reserve's interest rate policy and a majority, 59 percent, expect the Fed to hold interest rates at the same level during the next three months, compared with 33 percent who believe rates will be increased and 5 percent who anticipate a rate cut. Among those investors with an opinion on the subject, 87 percent say they approve of the Fed's current interest rate and 71 percent agree the Fed should hold the interest rate through the first quarter.

Investors were also asked which issues Congress and the President should consider top priorities for the next legislative session. Perhaps surprisingly, providing health insurance for Americans who do not have it and balancing the federal budget deficit rank first among the issues investors believe policymakers should address, with 36 percent saying they should be top priorities. These are followed by reforming Social Security, 33 percent; enacting stricter accounting regulations for businesses and corporations, 29 percent; and increasing funds for Homeland Security, 21 percent.

These findings are part of the 69th *Index of Investor Optimism*, which was conducted January 1 to January 15. 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 801 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.

UBS is the world's leading wealth management business. In the U.S., it is the third largest private client business with a client base of more than 2 million investors. Its American network of more than 8,200 financial advisors manages roughly 600 billion Swiss francs in invested assets and provides sophisticated services through consultative relationships with affluent and high net worth clients. In Switzerland and internationally, UBS has more than 140 years of private banking experience, an extensive global network of 164 offices and nearly 650 billion Swiss francs in invested assets. More than 3,200 client advisors provide a comprehensive range of services customized for wealthy individuals, ranging from asset management to estate planning and from corporate finance to art banking.

Additional information about the *Index of Investor Optimism* can be found at www.ubs.com/investoroptimism.

UBS *Index of Investor Optimism* overall trend

	OVERALL INDEX
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
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