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INVESTOR OPTIMISM SOARS IN OCTOBER ON HEELS OF U.S. MILITARY ACTION IN AFGHANISTAN, ACCORDING TO UBS PAINWEBBER INDEX

-- Investors Say U.S. Economy Can Recover as Nation Fights War on Terrorism --

NEW YORK, October 22, 2001 – Optimism rebounded in October to its highest level since March 2001, as investors expressed renewed confidence in the economy and the Federal Government’s policies, according to the *Index of Investor Optimism*[®], a joint effort of UBS PaineWebber and the Gallup Organization.

Currently at 130, the overall *Index* increased 67 points in October from 63 last month. Conducted monthly, the *Index* had a baseline of 100 when it was established five years ago in October 1996.

The increase in optimism was most pronounced among substantial investors, those with more than \$100,000 in investable assets, and women. Optimism soared 79 points to 156 among substantial investors compared with an increase of 60 points to 115 among average investors, those with \$10,000 or more in investable assets. Among women, optimism jumped 72 points to 103 this month, compared with a 62 point increase to 159 among men.

Expectations for short-term return, over the next 12 months, rose modestly to 8.6 percent in October from 7.9 percent last month, however this increase was reported across all investor age and experience levels. Moreover, nearly three-quarters of investors, 73 percent, say now is a good time to invest in the markets, an increase of 20 percentage points from last month.

Approval for the Federal Reserve reached an all-time high in October, in the wake of aggressive interest rate cuts following the September 11 attacks. Among those who report having an opinion about the Federal Reserve’s policies, 89 percent say they approve of the Fed, and a majority of this group express strong support. Importantly, nearly half of all investors, 45 percent, say they are optimistic about the prospects for economic growth over the next twelve months, up from 38 percent in September.

For the first time in three years, more investors believe the stock market is undervalued, with 28 percent reporting this view, compared with 17 percent who say it is overvalued. In fact, 71 percent of those surveyed say the market will be higher one year from now, increasing from 57 percent last month. Notably, 80 percent of substantial investors share this opinion, compared with 66 percent of average investors.

“Broadly speaking, the surge in optimism suggests that investors are supportive of the Administration’s policies and the strong actions by the Federal Reserve to stimulate the economy,” said Mary C. Farrell, UBS PaineWebber senior investment strategist. “While the nation’s economic recovery may have been postponed by recent events, investors appear confident that short-term economic and political uncertainty will not have lasting effects on the financial markets and the long-term outlook for the United States.”

In October, investors were polled about the state of the nation's economy and the impact of the September 11 terrorist attacks. More than one-quarter of those surveyed, 27 percent, believe the U.S. is currently experiencing an economic recession, up from 8 percent in August when investors were last surveyed on the subject. While the majority, 86 percent, agree that the nation is in a recession or economic slowdown, 57 percent of this group say the U.S. economy will recover within a year, compared with 41 percent just two months ago. Indeed, 74 percent of investors are confident that the United States can have a full economic recovery and still fight a war against terrorism.

Investors had mixed opinions about the impact of last month's terrorists attacks on the financial markets and the subsequent effects on their own investments. Twenty-seven percent of those surveyed say recent events have had very or extremely serious implications for their personal portfolios, compared with 34 percent who believe the impact is slight or not serious at all. Overall, 96 percent view terrorism as a global issue, and not one exclusive to the U.S.

These findings are part of the 42nd *Index of Investor Optimism*, which was conducted from October 1 to October 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 1,004 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.

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**Additional information about the *Index of Investor Optimism*
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