

# Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

## INVESTOR OPTIMISM DIPS IN JULY, ACCORDING TO UBS *INDEX*

### More Than Half of Investors Describe Current Economic Situation as a Slowdown or Recession

NEW YORK, July 28, 2003 – Investor optimism retreated in July, following a surge last month, as investors expressed concerns about unemployment and the prospects for the financial markets, according to the UBS *Index of Investor Optimism*<sup>®</sup>, a joint effort of UBS and the Gallup Organization.

Currently at 54, the overall *Index* dropped 23 points this month from 77 in June, when overall optimism reached a 13-month high. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

This month, 50 percent of investors say they are confident about the outlook for economic growth over the next 12 months, nearly unchanged from June when 52 percent of those surveyed shared this view. However, just 34 percent of investors say they are optimistic about the job market, down from 39 percent last month. Moreover, half of those surveyed express optimism about the performance of the stock market in the coming year, compared with 57 percent in June.

Expectations for short-term return, over the next 12 months, moderated in July following a large increase last month. Investors now expect an average 8.6 percent return on their personal portfolios in the next year, down from 11.9 percent last month, when short-term expectations reached a 15-month high. Interestingly, substantial investors, those with more than \$100,000 in investable assets expect a 9.6 percent return on their investments, compared with 8.0 percent among average investors, those with \$10,000 - \$100,000 in investable assets.

A majority of those surveyed, 58 percent, say now is a good time to invest in the markets, however, this is down from 65 percent just one month ago. Likewise, 59 percent of investors believe the stock market will be somewhat or much higher a year from now, declining from 62 percent in June. Interestingly, when asked how long it will be before the Dow Jones Industrial Average reaches the 11,000 mark achieved in June 2001, 47 percent of investors say they believe it will reach this level within the next two years. Another 19 percent of those surveyed predict the DJIA will hit 11,000 within the next three years. More than a quarter of those surveyed, 27 percent, believe it will take more than 3 years to reach 11,000, while 5 percent say it will never reach that level again.

In July, investors were polled about current economic conditions and the prospects for economic recovery. Among those surveyed, 41 percent say they believe the U.S. economy is experiencing a recovery, up from 32 percent in January 2003, when investors were last polled on the subject. This compares with 32 percent who believe the economy is in a slowdown, and 21 percent who say it is in recession. Just 5 percent of those surveyed believe the economy is in a sustained expansion. Among those who believe the economy is in a slowdown or a recession, nearly half, 49 percent, predict it will be at least two years from now or longer before the nation is on the way to economic recovery.

This month investors were also asked about the impact of low interest rates on their financial decision-making over the past year. Notably, 30 percent of those surveyed report they refinanced an old mortgage in response to the low rates. Additionally, 29 percent of investors say they made a major purchase, such as a car or house that they would not have made with higher interest rates, and 8 percent report they obtained a new mortgage for the first time.

These findings are part of the 63rd *Index of Investor Optimism*, which was conducted from July 1 to July 17. 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 805 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 is the world's leading wealth management business. In the US, it is the third largest private client business with a client base of over 2 million investors. Its American network of around 9,000 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 almost 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](http://www.ubs.com/investoroptimism)

**UBS Index of Investor Optimism overall trend**

	OVERALL INDEX
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