

# Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

## **INVESTOR OPTIMISM SLUMPS IN JANUARY, ACCORDING TO UBS INDEX**

### **Majority of Investors Still Believe Economy is in Recession or Slowdown**

### **Expectations for Short-term Return on Investors' Own Portfolios Hits All-time Low**

NEW YORK, January 27, 2003 – Overall optimism dropped to a three-month low, as investor's expressed growing concerns about the financial markets and the state of the nation's economy, according to the *Index of Investor Optimism*<sup>®</sup>, a joint effort of UBS and the Gallup Organization.

Currently at 38, the overall *Index* declined 14 points from 52 in December. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

In January, 38 percent of investors say they are optimistic about the performance of the stock market in the coming 12 months, down from 44 percent just one month ago. Moreover, 50 percent of those surveyed say now is a good time to invest, compared with 53 percent in December. Substantial investors, those with more than \$100,000 in investable assets, are more likely to view the current environment as a buying opportunity, with 61 percent of this group saying now is a good time to invest, compared with 43 percent of average investors, those with \$10,000 - \$100,000 in investable assets.

Expectations for short-term return, over the next 12 months, fell to 6.7 percent from 7.8 percent last month, marking the lowest level for expectations in the survey's history. The decline in expectations is attributed to a drop among older investors, those over age 40, whose expectations fell to 6.4 percent this month from 7.7 percent in December. Among younger investors, those under age 40, expectations held steady at 8.1 percent.

According to the *Index*, investors' concerns over the prospects for economic growth in the coming year have increased, with 40 percent of those surveyed now citing pessimism about the nation's economy, up from 36 percent last month. Indeed, when asked to describe current economic conditions, 37 percent of investors say the nation is experiencing a slowdown and 26 percent say the U.S. is in a recession. Just over one-third, 36 percent, believe the economy is in a recovery or an expansion.

Among those who say that the economy is in a recession or slowdown, 41 percent believe it will be at least two years from now or longer before the U.S. is on the road to economic recovery, up from 35 percent in November 2002, the last time investors were polled on the subject. Fewer investors, 31 percent, anticipate a recovery within one year, down from 40 percent in November, and another 25 percent of this group foresee a recovery within two years, up from 22 percent.

This month, investors were also asked about President Bush's recent decision to replace two of his top economic advisors. A majority of those surveyed, 53 percent, report they have not followed the news closely or at all. In fact, 48 percent, report the personnel changes have no impact on their confidence in the Administration's ability to deal with the economy. Less than one-third of investors, 31 percent, say the move gives them more confidence, while 18 percent say they are less confident as a result.

Overall, investors report that they are largely unfamiliar with President Bush's new appointees. Among those surveyed, 41 percent say they are unaware of John Snow, nominee to be the new Secretary of Treasury, while 26 percent of investors view Mr. Snow favorably, and 7 percent have an unfavorable opinion. Likewise, 37 percent of those surveyed say they are unfamiliar with the new Director of the President's National Economic Council, Stephen Friedman, compared with 28 percent who report a favorable opinion, and 7 percent who have an unfavorable opinion of Mr. Friedman.

In contrast, the vast majority of investors, 79 percent, say they have a favorable opinion of Federal Reserve Chairman Alan Greenspan, compared with 10 percent who view him unfavorably, and just 3 percent of those surveyed who report they are unfamiliar with Chairman Greenspan.

Of particular note, two-thirds of investors, 66 percent, believe it is very or somewhat likely that the President and Congress will pass legislation that takes meaningful action to deal with the nation's economic problems. This is compared with less than one quarter, 23 percent, who believe this outcome is not too likely, and only 10 percent who say it is not likely at all.

These findings are part of the 57th *Index of Investor Optimism*, which was conducted from 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 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 January 1 to January 17. Overall optimism registered at negative (37) in December, up from negative (38) 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
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