

# Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

## **INVESTOR OPTIMISM CLIMBS IN JUNE, BUOYED BY RISING CONFIDENCE IN THE MARKETS AND ECONOMY, ACCORDING TO UBS *INDEX***

### **Majority of Investors Say New Tax Cut Package Will Improve Investment Climate and Spur Economic Growth**

NEW YORK, June 23, 2003 – Investor optimism jumped to a 13-month high in June following a drop last month, as investors expressed higher confidence in the financial markets and the U.S. economy, according to the UBS *Index of Investor Optimism*, a joint effort of UBS and the Gallup Organization.

Currently at 77, the overall *Index* increased 35 points this month from 42 last month, reaching its highest level since May 2002. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

This month, 52 percent of investors say they are optimistic about the prospects for economic growth in the next year, up from 46 percent in May. Likewise, investors are more optimistic about the unemployment rate, with 39 percent expressing optimism compared with 33 percent last month. Still, 45 percent of investors remain pessimistic about the job market.

Following recent gains in the financial markets, a majority of investors, 57 percent, say they are optimistic about the performance of the markets in the next 12 months, up from 45 percent one month ago. Indeed, for the first time since July 2002, those surveyed report a positive rate of return on their personal portfolio over the past year. In June, investors say they earned an average 4.7 percent on their investments in the last 12 months, up from -3.5 percent last month.

Perhaps not surprisingly, investors' expectations for short-term return, over the next year, have also increased, jumping to an average 11.9 percent from 7.9 percent in May. Moreover, nearly two-thirds of investors, 65 percent, say now is a good time to invest in the markets, up from 58 percent in May and reaching its highest level since March 2002. Notably, substantial investors, those with more than \$100,000 in investable assets, are more likely to share this view, with 73 percent agreeing now is a good time to invest, compared to 60 percent of average investors, those with \$10,000 - \$100,000 in investable assets.

This month investors were also asked about the recent tax bill enacted by Congress and signed into law by President Bush. The majority of those surveyed, 77 percent, say they have heard a moderate amount or great deal about the new legislation. Interestingly, investors are split on how the new tax laws will impact them personally. More than one-third of investors, 34 percent, believe the new bill will not reduce their annual taxes, compared with 37 percent who foresee a reduced tax bill, and 29 percent who are unsure.

Investors were also asked how the new tax laws will impact their investment decisions. Interestingly, 68 percent of those surveyed say the new tax laws will not impact the amount they invest in stocks, compared with 22 percent who plan to increase their investments in stocks due to the tax changes, and 8 percent who say they will decrease their stocks investments. Additionally, 69 percent say they will keep their current investments in bonds, while 14 percent intend to decrease, and 11 percent plan to increase these investments.

Overall, 50 percent of investors say the new tax cut will help the U.S. economy, compared with 27 percent who believe it will have no effect and 21 percent who think it will hurt the economy. Indeed, 52 percent of those surveyed say the new law will improve the investment climate, while 33 percent say it will have no effect and 11 percent think it will have a negative impact. Investors are less confident about the tax bill's impact on them personally, with 50 percent saying it will have no effect on their own financial situation, 39 percent believing it will help, and 8 percent saying it will hurt. Regarding the federal budget deficit, 49 percent of investors say the new tax bill will have a negative impact, while 27 percent say it will have no impact, and just 20 percent believe it will be positive.

In June, investors were surveyed about the strength of the U.S. dollar compared with other international currencies and how this might impact the investment climate and their personal spending decisions. More than half of those surveyed, 55 percent, say the U.S. dollar has gotten weaker over the past several months, while 31 percent believe it has remained the same, and 10 percent think it has gotten stronger. Investors are split on how the current value of the dollar is impacting the U.S. investment climate, with 26 percent saying it is helping the investment climate, 36 percent saying it is having no effect, and 31 percent reporting that it is hurting the investment climate.

A majority of those surveyed, 62 percent, say the current value of the U.S. dollar will not impact the amount of money they are likely to spend on imported goods, while 34 percent say they are less likely to buy imported products because of the current value of the U.S. dollar, and 4 percent say they are more likely to purchase imports. Notably, nearly half of investors, 48 percent, say they are less likely to travel overseas due to the current value of the U.S. dollar compared to what it was over the past several months. This compares with 47 percent who believe it will have no effect on their travel, and just 4 percent who say the current value of the U.S. dollar will make it more likely for them to travel overseas.

These findings are part of the 62nd *Index of Investor Optimism*, which was conducted from June 1 to June 11. 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 1,008 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 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