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INVESTOR OPTIMISM PLUMMETS TO ALL-TIME LOW, UBS PAINWEBBER INDEX SHOWS

-- Majority of Investors Say Tax Rebates Will Do Little to Spur the Economy --

NEW YORK, July 23, 2001 – Investor optimism fell in July to the lowest level in history as investors expressed concerns about reaching their personal investing goals, as well as skepticism that upcoming tax rebates will stimulate the economy, according to the *Index of Investor Optimism*[®], a joint effort of UBS PaineWebber Inc. and the Gallup Organization.

Currently at 82, the overall *Index* decreased 22 points in July from 104 last month. Conducted monthly, the *Index* had a baseline of 100 when it was established in October 1996.

Expectations for short-term return, over the next 12 months, declined to 10.4 percent this month from 10.7 percent in June. The drop in short-term expectations was most pronounced among younger investors, those under age 40, who now expect returns of 10.6 percent, down from 12 percent last month. In contrast, expectations among older investors, those over age 40, held steady at 10.1 percent.

Optimism over the stock market declined in July, with 40 percent of those surveyed now expressing optimism compared with 45 percent last month. Moreover, investors report diminishing confidence that they will reach their investing goals over the next year, with 28 percent saying they are pessimistic about attaining their twelve-month targets, compared with 22 percent in June. One year ago, only 13 percent of investors believed they would not meet their investment objectives.

“Clearly, the recent performance of the financial markets and the expectation for continued volatility is taking a toll on investors,” said Mary C. Farrell, UBS PaineWebber senior investment strategist. “However, for those with buy-and-hold strategies, there are a number of attractive opportunities in the markets, and investors should remain focused on the long-term, rather than day-to-day market moves.”

In July, investors were also asked about the recent tax cut approved by Congress and what effect the resulting rebates would have on the nation’s investment and economic climate. Importantly, the results suggest that rebates will have only a limited impact on the spending and investing behavior of those surveyed. Indeed, among those who believe they will receive rebates, the majority plan to either save the money (42 percent), or use the rebate to pay off bills or personal debt (29 percent). Just 17 percent report they will make a special purchase, and only 8 percent expect to invest the rebate in the markets.

More than half of those who anticipate receiving a rebate, 51 percent, believe it will have no real impact on them personally, and 38 percent report it will help their financial situation only a little. While the majority of those surveyed, 58 percent, favor tax rebates over increased spending on government programs, just over half, 53 percent, believe the rebates will have a positive impact on the economy, and one-third say it will have no effect.

This month, the *Index* also polled investors on the topic of financial analysts' objectivity and the recent attention this issue has generated. Among those surveyed, 28 percent have heard a moderate to great deal about this subject in the news, however the majority of all investors, 57 percent, say they are unconcerned about the objectivity of financial analysts. More than three-quarters of investors, 79 percent, are unaware of the recent endorsement by major Wall Street investment firms of a "best practices" set of guidelines addressing analysts' objectivity, and only 7 percent of those surveyed believe the guidelines will have a significant effect on the quality of analyst recommendations.

These findings are part of the 39th *Index of Investor Optimism*, which was conducted from July 1 to July 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.

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 PaineWebber Inc., a member of the UBS financial services group, provides investment advice and wealth management services to an affluent client base.

**Additional information about the *Index of Investor Optimism*
can be found on UBS PaineWebber's Web site:**

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