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**INVESTOR OPTIMISM PLUNGES TO RECORD LOWS IN SEPTEMBER,
ACCORDING TO UBS PAINWEBBER INDEX**

**-- Support for Increased Defense Spending Rises Dramatically in Wake of September 11
Attacks on the U.S. --**

NEW YORK, September 24, 2001 – Optimism fell dramatically in September, hitting an unprecedented low, as investors expressed mounting concerns over the prospects for economic recovery and the performance of the financial markets, according to the *Index of Investor Optimism*[®], a joint effort of UBS PaineWebber Inc. and the Gallup Organization.

Currently at 63, the overall *Index* declined 23 points in September from 86 last month. Polling was conducted between September 1 – 16, with 53 percent of this month's sample interviewed following the September 11 terrorist attacks on New York and Washington, D.C.

The drop in optimism was most pronounced among younger investors, those under age 40, averaging 83 in September compared with 128 last month. Among older investors, those over age 40, the decline was less significant, decreasing to 59 from 72 in August. Overall, investors reported diminishing confidence in the prospects for economic growth over the next 12 months. For the first time in the history of the *Index*, the number of investors expressing pessimism, 41 percent, exceeded those voicing optimism, 38 percent.

Expectations for short-term return, over the next 12 months, dropped to an all-time low of 7.9 percent in September from 9.4 percent last month. Among those surveyed after the September 11 attacks, expectations declined to 7.7 percent compared with 8.1 percent for those polled prior to September 11. Moreover, the number of investors who say now is a good time to invest in the financial markets also hit a record low in September, falling to 53 percent from 64 percent last month.

“For the past 250 years, the U.S. economy has survived downturns and challenges, and has emerged stronger each time,” said Mary C. Farrell, UBS PaineWebber senior investment strategist. “While the nation’s economic recovery may have been postponed by recent events, the Federal Government is aggressively using fiscal and monetary policies to stimulate the economy. The decline in confidence confirms that individual investors are responding to the many uncertainties now facing the economy and market.”

In September, investors were polled about the Federal Budget and the issues they personally believe should top the list of legislative priorities. Notably, prior to September 11, less than half of those surveyed, 47 percent, said increased defense spending by the Government should be a major priority, compared with 82 percent following the terrorist attacks.

Overall, investors cited a balanced budget, education and a prescription drug program as the top concerns. Among those surveyed, 80 percent report balancing the budget should be a major focus for the President and Congress, 72 percent favor increased public education spending, and 71 percent support prescription drug benefits for seniors.

Investors were divided about possible methods to stimulate the U.S. economy, with 36 percent favoring further interest rate cuts by the Federal Reserve, 33 percent in support of cutting capital gains taxes, and 28 percent in favor of keeping the scheduled tax cut in place. Interestingly, prior to September 11, 57 percent of those surveyed said a decrease in government spending would be best for the economy, while 36 percent preferred keeping spending at the same level and 6 percent supported increased spending. Following September 11, only 36 percent of those surveyed favor spending cuts, compared with 46 percent who support current spending levels, and 14 percent who say an increase in government spending would be best for the economy.

These findings are part of the 41st *Index of Investor Optimism*, which was conducted from September 1 to September 16. To track and measure *Index* changes on an ongoing basis, new samplings are taken monthly. Dennis J. Jacobs, 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*
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