

# Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

## **INVESTOR OPTIMISM DROPS TO NINE-MONTH LOW IN JUNE, ACCORDING TO UBS INDEX**

### **Investors Say Outlook For Financial Markets Bleakest Since September**

NEW YORK, June 24, 2002 – Optimism fell markedly in June to its second lowest level in history, as investors express growing concerns over the performance of the financial markets, according to the *Index of Investor Optimism*<sup>®</sup>, a joint effort of UBS and the Gallup Organization

Currently at 72, the overall *Index* decreased 18 points from 90 in May. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

This month, just 38 percent of investors say they are optimistic about the prospects for the financial markets over the next 12 months, decreasing from 46 percent in May, and marking the lowest level of optimism about the financial markets since September.

Continuing a six-month trend of month-to-month fluctuations, expectations for short-term return, over the next 12 months, rose modestly to 10.3 percent in June after dipping to 9.2 percent last month.

Notably, short-term expectations among the least experienced investors, those with less than five years in the markets, are more than double the expectations of investors with the most experience, more than 20 years in the markets. The least experienced investors now expect an average of 15.9 percent return on their portfolios over the next year, compared with a 7.0 percent return anticipated by the most experienced investors.

Perhaps not surprisingly, 40 percent of investors say they find stocks less attractive now than six months ago, compared with 31 percent who say stocks are more attractive. Similarly, 36 percent believe CDs are less attractive now than six months ago, while 27 say they are more attractive.

In contrast, 59 percent of those surveyed report they now view real estate as a more attractive investment than they did six months ago, compared with only 13 percent who find it less attractive; thirty-five percent cite bonds as more attractive, while with 22 percent find them less attractive; and 28 percent believe investing in gold is more attractive now than six months ago, while 21 percent think it is a less attractive investment.

Less than half of investors, 42 percent, report they have made trades in the financial markets this past year, holding relatively steady from January 2001, when investors were last polled on the subject. Substantial investors, those with more than \$100,000 in

investable assets, were much more likely to have made trades in the past year than average investors, those with less than \$100,000 in investable assets. Among substantial investors, 57 percent report they have made trades in the financial markets in the past 12 months compared with 33 percent of average investors.

For those investors who report they have made trades in the past year, 35 percent say they increased their overall level of holdings, 47 percent adjusted their holdings but kept them at the same level, and only 15 percent decreased their overall level of holdings.

Despite investors' dampened view of the U.S. financial markets, few reported interest in increasing their investments in foreign assets. In fact, investors say on average only 5.3 percent of their total portfolio is currently invested in the assets of foreign countries or foreign currencies. Moreover, just 13 percent of those surveyed expect to increase the percentage of foreign assets in their portfolios over the next 12 months, compared with 72 percent who expect the level to remain the same, and 7 percent who say it will decrease.

Approval for Federal Reserve policies held steady at 89 percent among those investors who report having an opinion. Moreover, nearly two-thirds of those surveyed, 63 percent, believe the Fed will hold interest rates steady over the next three months, compared with 23 percent who believe rates will be increased, and 10 percent who expect them to be cut.

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 June 1 to June 14. Overall optimism registered at 8 in June, down from 28 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 Switzerland, 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**

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	<b>OVERALL INDEX</b>
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