

# Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

## **INVESTOR OPTIMISM SURGES IN JUNE, ACCORDING TO UBS *INDEX***

### **66 percent of Investors Expect Fed to Raise Interest Rates; 63 percent Oppose Hike**

### **Six in 10 Investors Say Inflation a Serious Problem; Nearly Half Worry Inflation Will Hurt Portfolio**

NEW YORK, June 28, 2004 – Optimism soared this month, with investors expressing greater confidence in the economy and their personal investments, according to the *UBS Index of Investor Optimism*<sup>®</sup>, a joint effort of UBS and the Gallup Organization.

Currently at 95, the overall *Index* increased by 24 points, up from 71 in May. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

The increase can be attributed to a 13-point increase in the *Index's* personal dimension, which measures investors' confidence in their ability to reach investment targets and maintain income. It also is driven by an 11-point increase in the *Index's* economic dimension, which measures investors' sentiment on economic growth, unemployment, stock market performance and inflation. Of those surveyed:

- 61 percent expressed confidence in their ability to achieve investment targets during the next 12 months, up 6 from last month and up 5 from a year ago;
- 71 percent report they are optimistic that they'll achieve investment targets during the next five years, up 7 from last month and up 1 from a year ago;
- 67 percent say they are optimistic in their ability to maintain income during the next 12 months, up 4 from last month and up 1 from a year ago;
- 58 percent say they are confident in the prospects for economic growth in the next 12 months, up 4 from last month and up 6 from a year ago;
- 48 percent are optimistic on unemployment, up 1 point from last month and up 9 from a year ago;
- 54 percent report they are optimistic about the stock market's performance, up 3 from last month and down 3 from a year ago;
- 39 percent remain optimistic about inflation, down 1 from last month and down 5 from a year ago.

Average expectations for return during the next 12 months bumped up slightly to 10.9 percent from 10.0 percent in May, and 63 percent of investors surveyed believe now is a good time to invest in the financial markets, down 1 point from last month.

According to the *Index*, 65 percent consider the economy to be in either a sustained expansion or recovery, compared with 55 percent last month. Conversely, 34 percent believe the economy is either in a slowdown or recession, compared with 44 percent last month. Of those who believe the economy is in a slowdown or recession, 43 percent believe it will be at least two years before the U.S. economy is on the way to recovery, down from 62 percent last month.

This month, investors were polled about the Federal Reserve's plan to increase interest rates. When asked, 51 percent said they approve of the Fed's current interest rate policy, while 8 percent oppose and 41 said they have no opinion. In the next three months, 66 percent of investors surveyed believe the Fed will increase rates, up 38 points from March, the last time the question was asked. Interestingly, 63 percent of investors oppose the proposed increase, saying the Fed should instead hold or cut rates. However, nearly half of investors over age 65 and investors with 20 or more years in the market agree with the Fed and think rates should go up.

For the first time, investors were asked about inflation, with 60 percent characterizing inflation as a serious problem for the U.S. economy. Investors are split with regard to their personal portfolios, with 47 percent reporting they are worried about the impact inflation will have on their investments and 53 percent saying they are not worried. Those sentiments are consistent among investors in all age groups, investment experience and portfolio size.

Investors were also asked about factors affecting the investment climate. The majority, 62 percent, cites energy prices as hurting the markets a great deal. This is followed by the issues of the outsourcing of jobs to foreign countries and questionable business accounting practices, both 51 percent; the current situation in Iraq, 47 percent; the federal budget deficit, 43 percent; and the threat of more terrorist attacks, 41 percent.

These findings are part of the 74<sup>th</sup> *Index of Investor Optimism*, which was conducted June 1 to June 16. 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 802 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 in savings and investments. The sampling error in the results is plus or minus four 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 U.S., it is the third largest private client business with a client base of more than 2 million investors. Its American network of more than 7,700 financial advisors manages roughly 634 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 nearly 701 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
04 June	95
04 May	71
04 April	73
04 March	85
04 February	97
04 January	108
03 December	104
03 November	93
03 October	69
03 September	54
03 August	61
03 July	54
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

