

# Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

## INVESTOR OPTIMISM CONTINUES TO SLIDE IN AUGUST, ACCORDING TO UBS *INDEX*

### Gas and Energy Prices Seen as Major Detriment to Economy

### Investors Divided Whether a Bush or Kerry Victory Would Be Better for U.S. Investment Climate

NEW YORK, August 23, 2004 – Optimism slipped again this month, with investors continuing to express less 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 77, the overall *Index* decreased by 11 points, down from 88 in July. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

The decrease can be attributed to a 7-point decline in the *Index's* economic dimension, which measures investors' sentiment on economic growth, unemployment, stock market performance and inflation. This month's drop is also driven by a 4-point decrease in investors' confidence in their ability to reach investment targets and maintain income. Of those surveyed:

- 52 percent say they are confident in the prospects for economic growth in the next 12 months, down 3 from last month and up 4 from a year ago;
- 43 percent are optimistic on unemployment, down 6 from last month and up 8 from a year ago;
- 46 percent report they are optimistic about the stock market's performance, down 3 from last month and down 4 from a year ago;
- 39 percent remain optimistic about inflation, down 2 from last month and down 5 from a year ago;
- 55 percent expressed confidence in their ability to achieve investment targets during the next 12 months, down 3 from last month and up 1 from a year ago;
- 67 percent report they are optimistic that they'll achieve investment targets during the next five years, down 2 from last month and down 3 from a year ago;
- 65 percent say they are optimistic in their ability to maintain income during the next 12 months, down 1 from last month and up 1 from a year ago.

Average expectations for return during the next 12 months fell to 9.3 percent from 10.4 percent in July, and 60 percent of investors surveyed believe now is a good time to invest in the financial markets, down 2 points from last month.

According to the *Index*, 54 percent consider the economy to be in either a sustained expansion or recovery, compared with 62 percent last month. Conversely, 44 percent believe the economy is either in a slowdown or recession, compared with 36 percent last month. Of those who believe the economy is in a slowdown or recession, 47 percent believe it will be at least two years before the U.S. economy is on the way to recovery, down from 49 percent last month.

This month, investors were 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 issue of the outsourcing of jobs to foreign countries, 55 percent; questionable accounting practices in business, 51 percent; the current situation in Iraq, 49 percent; the federal budget deficit, 48 percent; and the threat of more terrorist attacks, 44 percent.

In addition, investors were polled about the effect the presidential election will have on the U.S. investment climate. They are largely split on the issue, with 41 percent reporting a win by President George W. Bush would be very or somewhat positive compared with 36 percent who say a win by Sen. John Kerry would be very or somewhat positive. Of those surveyed, 21 percent said it doesn't matter who wins.

On the issue of rising gasoline prices, when asked if the recent increases this past spring and early summer caused financial hardship to them or their household, 42 percent of investors said yes, with 72 percent of those investors describing the hardship as great or moderate.

Further, the average price per gallon investors reported paying for gas in August was \$1.86, compared to \$1.92 in May, the last time the question was asked. A majority of investors surveyed, 42 percent, believe gas prices will remain about where they are, with investors predicting that in six months' time, the price will bump up slightly, on average, to \$1.90 per gallon.

These findings are part of the 76<sup>th</sup> *Index of Investor Optimism*, which was conducted August 1 to August 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 804 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 one of the world's financial services firms. In the United States, it is the third largest private client business with a client base of more than 2 million investors. UBS's client and financial 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. Its American network of 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.

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 August	77
04 July	88
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