

# Index of Investor Optimism

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The UBS/Gallup Poll of Investor Attitudes

## INVESTOR OPTIMISM TICKS DOWNWARD, ACCORDING TO UBS *INDEX*

### Gas and Energy Prices Seen as Biggest Detriment to Investment Climate

#### More than Four in 10 Investor Households Suffer Financial Hardship Due to Increased Gas Prices

NEW YORK, May 24, 2004 – Optimism dropped slightly this month, with decreased optimism about the stock market's performance, according to the *UBS Index of Investor Optimism*<sup>®</sup>, a joint effort of UBS and the Gallup Organization.

Currently at 71, the overall *Index* fell 2 points this month, down from 73 in April. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

The drop can be attributed to a 2-point decrease in the *Index's* economic dimension, which measures investors' sentiment on economic growth, unemployment, stock market performance and inflation. Of those surveyed:

- 54 percent remain optimistic on prospects for economic growth, unchanged from last month and up 8 points from a year ago;
- 47 percent are optimistic on unemployment, up 4 points from last month and up 14 points from a year ago;
- 51 percent report they are optimistic about the stock market's performance, down 4 points from last month and up 6 points from a year ago;
- 40 percent remain optimistic about inflation, up 2 points from last month and down 2 points from a year ago.

The *Index's* personal dimension, which measures investors' confidence in their ability to reach investment targets and maintain income, remained unchanged at 57 this month. Of those surveyed, 55 percent expressed confidence in their ability to achieve investment targets during the next 12 months, down slightly from 57 percent last month. Average expectations for return during the next 12 months fell slightly to 10 percent from 10.4 percent in April, and 64 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*, 55 percent consider the economy to be in either a sustained expansion or recovery, compared with 59 percent last month. Conversely, 44 percent believe the economy is either in a slowdown or recession, compared with 40 percent last month. Of those who believe the economy is in a slowdown or recession, 62 percent believe it will be at least two years before the U.S. economy is on the way to recovery, up from 51 percent last month.

This month, investors were asked about factors affecting the investment climate. The majority, 70 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, 60 percent; the current situation in Iraq, 53 percent; the federal budget deficit, 51 percent; and questionable accounting practices in business, 50 percent.

For the first time, investors were polled about rising gasoline prices. When asked if the recent increases caused financial hardship to them or their household, 43 percent of investors said yes, with 76 percent of those investors describing the hardship as great or moderate.

Further, the average price per gallon investors reported paying for gas was \$1.92. They predict that in six months' time, the price will bump up, on average, to \$2.08. Interestingly, the majority of investors surveyed, 56 percent, believe the increase represents a more permanent change rather than a temporary fluctuation in prices.

These findings are part of the 73<sup>rd</sup> *Index of Investor Optimism*, which was conducted May 1 to May 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 806 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 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