

# Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

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

### Majority of Investors Believe Now is a Good Time to Invest in the Financial Markets

NEW YORK, December 20, 2004 – Optimism rose again this month, with investors continuing to express more 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 79, the overall index rose 10 points this month, up from 69 in November. Conducted monthly, the Index had an initial baseline of 124 when it was established in 1996.

The increase can be attributed to a 9-point increase in the *Index's* personal dimension, which measures investors' confidence in their ability to reach investment targets and maintain income, all of which scored higher this month. It also is driven by a 1-point increase in the *Index's* economic dimension, which measures investors' sentiment on economic growth, unemployment, stock market performance and inflation. Of those surveyed:

- 59 percent expressed confidence in their ability to reach investment targets during the next 12 months, up 4 percentage points from last month and down 1 from a year ago.
- 69 percent report they are optimistic that they'll achieve investment targets during the next five years, up 4 from last month and down 2 from a year ago.
- 63 percent say they are optimistic in their ability to maintain income during the next 12 months, up 3 from last month and down 4 from a year ago.
- 44 percent are optimistic about unemployment, up one point from last month and down 8 from a year ago.
- 53 percent say they are confident in the prospects for economic growth in the next 12 months, down 2 from last month and down 14 from a year ago.
- 51 percent report they are optimistic about the stock market's performance, down 4 from last month and down 15 from a year ago.
- 40 percent are optimistic about inflation, unchanged from last month and down 9 from a year ago.

Average expectations for return during the next 12 months rose to 11.2 percent from 10.5 percent in November, and 64 percent believe now is a good time to invest in the financial markets, up 4 points from last month.

According to the *Index*, 59 percent consider the economy to be in either a sustained expansion or recovery, compared with 55 percent last month. Conversely, 40 percent believe the economy is either in a slowdown or recession, compared with 43 percent last month. Of those who characterize the economy as being in a slowdown or recession, 75 percent believe it will be at least two years before the U.S. economy is on the way to recovery, up from 71 percent last month.

This month, investors were asked about factors affecting the investment climate. The majority, 61 percent, cites the outsourcing of jobs to foreign countries as hurting the markets a great deal. The second most important factor, according to 59 percent of those asked, is the price of energy.

In addition, investors were polled about their top priorities for Congress and President George W. Bush in 2005. An overwhelming 84 percent of investors believe reducing the federal budget deficit should be the top priority and 76 percent report that increasing health care coverage for Americans who have no coverage should be the highest priority. In addition, 59 percent of investors cite reforming Social Security as the top priority and 50 percent believe the government should focus on cutting taxes or reforming the tax system.

On the issue of the declining value of the dollar, 77 percent of investors said the recent decrease is hurting the economy, while only 7 percent reported that the lower value is a benefit to the economy. Additionally, 39 percent expect to spend less on imported goods and overseas travel as a consequence of the devalued dollar and 54 percent say they will not be affected by the lower dollar value.

These findings are part of the 80<sup>th</sup> *Index of Investor Optimism*, which was conducted November 1 to November 14. 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 801 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 leading 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 December	79
04 November	69
04 October	62
04 September	74
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