



UBS

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# Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

## **INVESTOR SENTIMENT CONTINUES SLOW RECOVERY AIDED BY MODERATING GAS PRICES**

### **Investors React Positively to Nomination of Ben Bernanke as New Fed Chief**

### **Holiday Spending Predictions Suggest Little Change this Year**

NEW YORK, November 28, 2005 – Investor optimism continues its modest recovery from its post September lows following the hurricanes in the Gulf region. After rebounding last month from a two-and-a-half-year low, the *UBS/Gallup Index of Investor Optimism* is now at 50, up three points from October and 16 points from September. More investors than last month consider the economy in an expansion or recovery and moderating gas prices are aiding that recovery. Investors reacted positively to the nomination of the new Federal Reserve Chief this month but attribute little economic influence to the Fed. Investors were also questioned this month about their likely holiday spending and most predicted they would spend about the same as last year.

Investor evaluations of economic conditions have improved since last month. Forty percent say the economy is in an expansion or recovery, up seven points from last month. Fifty-nine percent characterize the economy as in a slowdown or a recession, including 40 percent who say it will be at least two years before the economy begins to recover.

Another indication of some improvement in the investment climate is that 56 percent of investors say now is a good time to invest in the financial markets, up five points from last month. In the first quarter of this year, an average of 62 percent said it was a good time to invest. That dropped to 57 percent in the second quarter, then fell to 51 percent in September and October, before recovering this month.

One reason for the more positive perceptions may be the moderation of gas prices. Last month 80 percent of investors said the price of energy was hurting the investment climate "a lot." That number is down to 71 percent this month.

"The economy is clearly in a period of mild recovery as moderating gas prices bring some relief." said Mike Ryan, Head of UBS Wealth Management Research.

Investors have reacted generally positively to the nomination of Ben Bernanke as the new Chairman of the Federal Reserve Board. Almost half, 47 percent, say that appointment is either "excellent" (12 percent) or "good" (35 percent), 23 percent say "fair," and just eight percent say Bernake was a "poor" choice. Another 22 percent expressed no opinion.

Interestingly, despite the widespread publicity surrounding the appointment of the new Fed Chairman, few investors attribute much economic influence to the Fed. Only 10 percent say the Fed has the most influence

on the economy, while most investors say there are other factors with greater influence. Thirty-seven percent say that government policies passed by the congress and the president have a greater impact, 33 percent mention the activities of business and industry in the United States, and 16 percent cite the international economy.

As for their own portfolios, just 29 percent say the Fed's interest rate policy has either an extremely or very important impact, while 26 percent say it has little to no impact. Another 44 percent say the Fed's policy is moderately important. In looking to the future, two-thirds of investors, 66 percent, expect the Fed to continue raising interest rates, while 21 percent expect the Fed to keep interest rates steady, and three percent predict a decline.

On a completely separate issue, the poll finds investors showing little change in their holiday spending from two years ago. More investors say they will spend less this year (24 percent) than last, while 9 percent expect to spend more. Typically Americans say they will spend less each year than last, and the pattern measured this year is similar to what was measured in 2002 and 2003. Sixty-six percent say they will spend the same this year as last. The actual projected level of spending this year is an average of \$992 per person, down \$23 per person measured two years ago, well within the poll's margin of error. These results suggest overall little change in spending from previous years.

The economic dimension continues to show modest improvement, up six points each of the last two months and is now at -2. The negative score indicates that investors overall remain slightly more pessimistic than optimistic about the investment climate.

The personal dimension has varied within a relatively narrow range over the past eight months, from a high of 55 to a low of 48. The current reading is 52, down three points from last month.

These findings are part of the 92nd *Index of Investor Optimism*, which was conducted November 1 to November 20. 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 firms, serving a discerning global client base. As an organization, it combines financial strength with an international culture that embraces change. As an integrated firm, UBS creates added value for clients by drawing on the combined resources and expertise of all its businesses.

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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

	<i>Overall Index</i>
05 November	50
05 October	47
05 September	34
05 August	61
05 July	58
05 June	54
05 May	50
05 April	52
05 March	74
05 February	82
05 January	76
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



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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

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