

## “Do investors feel very strongly both ways?”

By Tommy Williams, CFP®



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How are you feeling about financial markets? The mid-term elections had the potential to have a lot of people feeling one way or the other. Some votes are still being counted but investors appeared to be happy with the outcome. Major U.S. stock indices in the United States moved higher last week, and the *American Association of Individual Investors (AAII) Sentiment Survey* reported:

*“Optimism among individual investors about the short-term direction of stock prices is above average for just the second time in nine weeks...Bullish sentiment, expectations that stock prices will rise*

*over the next six months, rose 3.4 percentage points to 41.3 percent. This is a five-week high. The historical average is 38.5 percent.”*

Before you get too excited about the rise in optimism, you should know pessimism also remains at historically high levels. Perhaps that’s why the markets moved lower this week. According to *AAII*:

*“Bearish sentiment, expectations that stock prices will fall over the next six months, fell 3.3 percentage points to 31.2 percent. The drop was not steep enough to prevent pessimism from remaining above its historical average of 30.5 percent for the eighth time in nine weeks.”*

So, from a historic perspective, investors are both more bullish and more bearish than average. If Sir John Templeton was correct, the mixed emotions of investors could be good news for stock markets. Templeton reportedly said, “*Bull markets are*

*born on pessimism, grow on skepticism, mature on optimism, and die on euphoria.”*

While changes in sentiment are interesting market measurements, they shouldn’t be a primary factor that influences investment decision-making. The most important gauge of an individual’s financial success is his or her progress toward achieving personal life goals – and goals can change over time. That’s why we prefer to measure success against what we call a “family index”. In other words, are we meeting goals that we have established for you and your family’s life? That seems to be a lot more important than “did we beat the S & P” or “how do we compare to the Barclay’s Ag (Bonds)”. To say “I beat the indexes but I ran out of money “doesn’t sound very comforting.

But, I digress. What about this notion of the pessimists and the optimists who seem to feel very strongly both

ways? Well, it seems to be to be consistent with the state of everything. Whether it's politics, the press and the media, technology and social media, or faith and belief it seems we are divided. How do you explain elections where the vote is so close you have to recount – or at least the outcome is extremely close between two candidates. However, we've been divided before and we tend to sort it out and move forward. Hopefully that's what we'll do again. And, in case you were wondering, the track record for the economy and the markets during periods when the House and Senate are controlled by opposing parties is pretty good. Sometimes a little gridlock can go a long way!

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