

## “Are You a Bull or a Bear? “

By Tommy Williams, CFP®

What a rollercoaster of a quarter! When it comes to the *American Association of Individual Investors (AII) Sentiment Survey*, respondents tend to be more optimistic than pessimistic about U.S. stock markets. The survey’s historical averages are:

- 38.5 percent optimistic
- 31.0 percent neutral
- 30.5 percent pessimistic

So we can have more of a Wall Street sound (as it relates to markets and the economy) bullish is the word for optimistic and bearish is the flip side word for pessimistic. As the second quarter of 2018 began, investors were feeling less optimistic than usual. (About 36.6 percent were bearish and 31.9 percent bullish.) Their outlook was informed by a variety of factors, according to an early April article in *The New York Times*, which said:

*“First there was the risk that the economy might*

*be growing too fast, which could prompt central banks to hike interest rates sooner than expected. Then there was the risk of a trade war ignited by the White House imposing tariffs on certain products, an action that quickly prompted countries like China to erect trade barriers of their own. Next came the threat of a government crackdown on technology companies, after revelations of their misuse of customer data.”*



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As the quarter progressed, investor optimism increased on signs of economic strength. In early June, *CNBC* reported the economy appeared to be “operating close to full

employment, with an unemployment rate at 3.8 percent, inflation still hovering at or below 2 percent, and business and consumer confidence strong.”

Strong corporate earnings helped spur optimism, too. *FactSet Insight* wrote, “The S&P 500 reported earnings growth of 25 percent for the first quarter – the highest growth since Q3 2010.” In mid-June, the *AII* survey showed 44.8 percent of respondents were feeling bullish, 21.7 percent were bearish, and 33.5 percent were neutral.

As talk of tariffs and trade wars resumed, investor optimism plummeted. By the end of June, just 27.9 percent of respondents were bullish and more than 39 percent reported they were feeling bearish. *AII* explained:

*“Many – but not all – individual investors anticipate continued volatility and/or think that the current political backdrop could have a further impact on the stock market. Trade*

*policy is influencing some individual investors' sentiment as well. While many approve of the Federal Reserve's plan to continue gradually raising interest rates, some AAI members are concerned about the impact that rising rates will have. Also influencing sentiment are valuations, tax cuts, earnings growth, and economic growth."*

Despite a downturn in bullishness, major U.S. stock indices moved higher last week. In fact, we seem to be living in a good news/bad news era right now. That makes it a great time to exhibit that part of human nature which tells us "don't confuse me with the facts; I've already made up my mind". We all have a tendency to seek out "facts" that affirm our already existing beliefs. That holds true for opinions regarding relationships, politics, religion, and certainly financial matters. So if you want to be a "bull", I can give you plenty to be bullish about. On the other hand if being a "bear" suits your world view, I can give you an equal number of reasons to be

bearish. It's no more complicated than that thing about the glass being half full or half empty. For my money, the bull makes more sense. However, I think treading very carefully with good advice from a trusted advisor can enhance the odds that you'll be rewarded for your bullish outlook.

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