

New Ally Invest Survey: Bullish Investor Sentiment Drops Sharply to Its Lowest Level in Last Three Quarters

Investor Confidence in Facebook Is Shaken; Expectations Remain High for Amazon and Netflix

Survey Highlights:

- Bullish/very bullish market sentiment drops sharply to 30% from 76% last quarter
- Majority of investors anticipate Facebook to miss street expectations
- "Domestic political environment," "market overvaluation," and "interest rates" top the list of investors' current concerns

SANDY, Utah, April 11, 2018 -- Investor sentiment has turned decidedly more bearish, according to the latest Ally Invest quarterly survey of independent investors. Bullish/very bullish sentiment dropped from 76 percent in the previous quarter to 30 percent this quarter, suggesting that investors are anticipating a slowdown of the recent bull market. Similarly, investor enthusiasm for the FAANG (Facebook, Amazon, Apple, Netflix, Google) stocks appears to be fracturing, as the majority of investors surveyed expect Facebook earnings to disappoint, while believing Amazon's will exceed expectations.

The results of the in-house survey, conducted March 28 - April 3, 2018 by Ally Invest, are based on responses from 300 independent investors.

Bullish Sentiment Drops to Its Lowest in Last Three Quarters

The quarterly survey showed 27% of investors have a bullish market outlook (vs. 61% last quarter and 49% the quarter before that) and 3% are very bullish (vs. 15% last quarter and 6% the quarter before that). Conversely, bearish sentiment jumped to 24% from 3% last quarter.

Top Concerns

Investors continue to closely watch corporate earnings (74% of respondents) and tax reform (55%) as key market drivers. However a new set of issues are causing concern for investors. Last quarter, the majority of investors surveyed were most concerned with international unrest, slowing year-over-year growth and a weakening of the U.S. dollar. In this most recent survey, respondents report the most concern over the current U.S. political environment (59%), a sense that the market may be overvalued (55%), and higher interest rates (49%).

Split Outlook on FAANG Earnings

In response to the question "What is your outlook for each of the 'FAANG' stocks for the fourth quarter?," investor sentiment deviated from the last two quarters, showing significantly weakened confidence in Facebook and Apple, while strong bullish sentiment remains steadfast for Amazon and is on the rise for Netflix and Google. Here is how response for the FAANG stocks compared with last quarter:

- Facebook (meet street expectations: 22%, down from 31%; exceed street expectations 12%, down from 29%)
- Amazon (meet street expectations: 25%, up from 19%; exceed street expectations: 47% up from 41%)
- Apple (meet street expectations: 37%, up from 35%; exceed street expectations: 24%, down from 27%)
- Netflix (meet street expectations: 33%, remaining even from last quarter; exceed street expectations: 32%, up from 27%)
- Google (meet street expectations: 34%, up from 28%; exceed street expectations: 31%, down from 38%)

Majority of responders suggest new tax law has not impacted their market positions.

On the heels of the new 2017 tax law, the Ally Invest survey asked investors whether they had realized any effects of the recent tax changes. Perhaps contributing to the rise in negative sentiment, more than half of respondents said they have not experienced any impact from the law thus far in 2018.

- "I have not seen any impact from the tax reform" (51%)
- "Yes, my market position has been positively impacted (23%)
- "Yes, my market position has been negatively impacted (9%)
- "I don't know" (16%)

Results of the survey are for informational purposes only and not intended as investment advice. Investing involves risk. Thus,

before investing you should consider what is suitable given your particular circumstances or seek professional advice.

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