surveys of consumers
UNIVERSITY OF MICHIGAN

Monitoring trends for over 60 years

Subject: Stock Price Expectations and Stock Ownership — March 6, 2015
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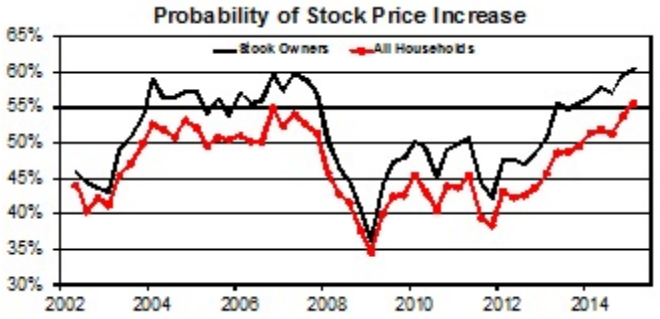
Consumers are regularly asked about the probability of an increase in the price of a diversified stock portfolio during the year ahead. In the first quarter of 2015, stock owners judged the probability of an increase at 60.3%, the highest level since this question was first asked in 2002 (see the chart and the left side of the table). Unfortunately, the recent gains were concentrated among households with lower incomes and smaller stock holdings. The outlook among consumers with the top incomes or the highest stock holdings were somewhat less optimistic about stock gains in 2015, although these households still expected stock market gains to be more likely than households with lower incomes or smaller dollar holdings of stocks. To be sure, top investor households are well aware of the pending change in Fed policy, which may have prompted the small retreat. The signals surrounding the Fed's initial hike will be critical for how consumers interpret the intended pace of future increases. Consumers must not view the rate hikes as an intended restraint, but as the result of a more vibrant economy. Uncertainty about the prospective rate hikes is likely to have a greater negative impact on market sentiment than the actual future course of rate hikes. Following the initial rate hike, the Fed must lead from behind so that the rationale for additional rate hikes appear clearly justified by the growing strength of the national economy.



Among all U.S. households, stock ownership bounced back to 63% in 2014 from 60% in 2013, and equal to the level recorded in 2011 (see the right side of the table below). Stock ownership in 2014 was barely below its peak levels, when it ranged between 63% to 65% in the mid to late 2000's. Rising stock ownership in 2014 was reported by all demographic subgroups, excepting those under age 45. As expected, the largest differences were across income groups: households with incomes in the top third were three times as likely to own stock as the bottom third, with dollar holdings nearly ten times as large.

The median value of stocks held in 2014 was just over $100 thousand, including stocks held directly, in mutual funds, or in retirement accounts. The data reflect the concentration of stock ownership, as the median amount held by those in the top third of the stock distribution amounted to nearly half a million dollars compared with a median of just $15 thousand for those in the bottom third of the distribution. While not comparable to the holdings of the top 1%'ers, the data make it clear that even households with incomes above about $85 thousand (to get into the top third of the distribution) hold what amounts to a substantial sum in stocks relative to their household incomes. The increase in stock prices in 2014, aside from any direct impact on spending, enabled families to rebuild their savings and reserve funds and thus indirectly influence spending plans.

Probability of Stock Price Gains and Stock Ownership

	Probability of Stock Price Gain During Year Ahead (Stock Owners Only)						Stock Ownership Rates (All Households)					Amount of Holdings (Stock Owners)
	2010	2011	2012	2013	2014	2015:1p	2010	2011	2012	2013	2014	2014
All Stock Owners	48.4	46.8	47.7	54.2	57.7	60.3	64%	63%	62%	60%	63%	$101,416
Age of Householder												
18 - 44	53.3	50.9	50.2	58.1	62.3	63.6	65%	64%	62%	58%	57%	$40,184
45 - 64	49.4	47.4	49.4	54.6	57.9	59.7	68%	69%	67%	65%	71%	$150,775
65 or older	39.4	40.7	42.1	48.8	52.1	56.8	54%	53%	54%	53%	59%	$199,742
Household Income												
Bottom third	39.4	38.5	40.4	42.6	48.8	57.9	32%	31%	29%	28%	31%	$25,191
Middle third	46.3	45.0	46.2	53.7	56.9	59.8	72%	71%	69%	64%	70%	$70,499
Top third	54.1	51.9	51.8	59.0	62.2	61.9	90%	90%	89%	89%	91%	$225,869
Home Value												
Does not own	47.2	48.2	47.7	55.1	59.0	65.4	38%	31%	31%	34%	42%	$25,500
Bottom third	44.5	41.0	44.3	51.0	52.8	57.4	53%	56%	53%	50%	51%	$50,738
Middle third	47.9	46.2	47.3	52.7	57.6	57.9	76%	77%	73%	72%	75%	$102,070
Top third	52.6	51.2	50.3	57.4	60.9	61.5	87%	87%	87%	85%	90%	$297,094
Stock Holdings												
Bottom third	44.7	42.3	43.9	50.5	54.8	59.0	100%	100%	100%	100%	100%	$14,848
Middle third	48.7	46.7	48.2	53.6	56.3	61.3	100%	100%	100%	100%	100%	$101,394
Top third	54.5	52.6	53.2	60.3	63.6	61.6	100%	100%	100%	100%	100%	$497,485