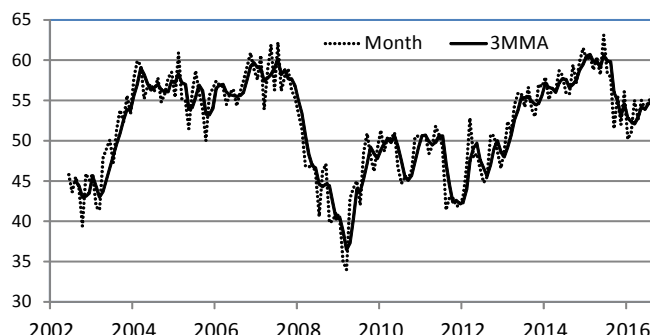


Subject: Stock Price Expectations and Stock Ownership
From: Richard Curtin, Director

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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 3rd quarter 2016 surveys, stock owners judged the probability of an increase at 57%. While this was more optimistic than the low recorded at the start of 2016, it was still below the peak recorded a year earlier (see the chart and the left side of the table below). Also note that the 3rd quarter strength was due in part to the sharp rise in September; whether that gain can be maintained is questionable given the expected changes in Fed policies. Interestingly, the probability of stock price increase in the 3rd quarter surveys were judged somewhat more likely among those with higher household wealth, as measured by income, home values, and the dollar value of their stock holdings. In all cases, however, those rising probabilities of stock price gains still did not reach the average level recorded in 2015. Interestingly, the differences in stock price expectations across terciles in the various wealth measures were rather small (about six points). Much larger differences were found across age subgroups (nearly fifteen points). Older householders may have judged market risks higher, as all gains were among those under age 65. The level of sentiment was surprisingly similar across all terciles of dollar stock holdings, and all were significantly above non-stock owners. This indicates a equal sensitively to variations in stock prices regardless of the amount of holdings.

Probability of Stock Price Increase



Stock ownership was reported by 63% of all households so far during 2016, up from 61% in 2015 and equal to the 2014 level. The peak ownership rate over the past decade was only slightly higher at 65%. Stocks ownership was common among households with middle incomes (71%) and those in the top third (89%), and much less common among those in the bottom third of incomes (30%). Non-home ownership was related to less frequent stock ownership (42%), just half the rate that stocks were owned by those whose homes were valued in the top third (85%). A majority of every age group owned stock, with the highest proportion among those aged 45 to 64 (68%), and was still common for those 65 years and older (59%).

The amounts held in stocks were highly concentrated. The median amount held by those in the top third of the stock distribution amounted to \$445 thousand dollars compared with a median of just \$14 thousand for those in the bottom third of the distribution. The same was true for the other wealth measures, with those whose incomes were in the top third holding nearly \$200 thousand in stocks and those who own homes valued in the top third held stocks valued at \$250 thousand.

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Probability of Stock Price Gains and Stock Ownership

	Probability of Stock Price Gain in Year Ahead (Stock Owners Only)							Stock Ownership Rates (All Households)					Amount of Holdings 2016p
	2012	2013	2014	2015	2016:1	2016:2	2016:3	2012	2013	2014	2015	2016p	
All Stock Owners	48	54	58	58	52	54	57	62%	60%	63%	61%	63%	\$99,995
Age of Householder													
18 - 44	50	58	62	61	57	59	61	62%	58%	57%	55%	61%	\$44,939
45 - 64	49	55	58	57	49	53	57	67%	65%	71%	66%	68%	\$152,603
65 or older	42	49	52	53	48	49	47	54%	53%	59%	63%	59%	\$203,500
Household Income													
Bottom third	40	43	49	53	42	52	53	29%	28%	31%	28%	30%	\$28,333
Middle third	46	54	57	56	53	51	55	69%	64%	70%	69%	71%	\$58,831
Top third	52	59	62	61	55	58	59	89%	89%	91%	88%	89%	\$199,0139
Home Value													
Does not own	48	55	59	59	58	53	59	30%	34%	42%	38%	42%	\$20,397
Bottom third	44	51	53	54	48	49	53	53%	50%	51%	55%	57%	\$51,965
Middle third	47	53	58	57	50	56	56	73%	72%	75%	76%	79%	\$114,234
Top third	50	57	61	61	52	57	59	87%	85%	90%	87%	85%	\$252,169
Stock Holdings													
Bottom third	44	51	55	56	52	54	55	100%	100%	100%	100%	100%	\$14,210
Middle third	48	54	56	58	52	55	56	100%	100%	100%	100%	100%	\$99,681
Top third	53	60	64	61	53	56	60	100%	100%	100%	100%	100%	\$445,175

Note: Stock ownership was defined to include any directly held stock, stock in mutual funds, or any stock held in retirement related accounts.