



Subject: Stock Price Expectations and Stock Ownership
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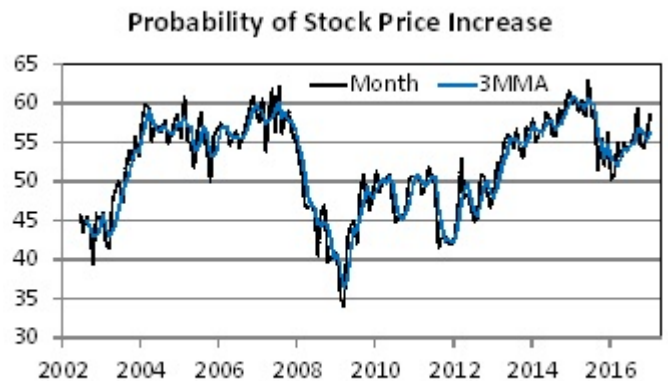
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The rally in stock prices following Trump’s election caused only a minor increase in how consumers judged the probability

of sustained increases in a diversified stock fund during 2017. To be sure, consumers held relatively favorable prospects for stock prices prior to the election, which may have acted to limit the post-election change. Interestingly, the largest gains in probabilities of stock price increases from October (when most anticipated a Clinton victory) to January 2017 was among those over age 65 (from 46% to 55%), those with middle incomes (50% to 57%), and those with middle stock holdings (50% to 55%). None of these groups can be considered the type of investors who could significantly increase their stock investments in the near term.

In contrast, households who voiced the highest probabilities of stock increases during the year ahead, and who could increase their investments by more substantial amounts were those in the top third of the income distribution and those whose stock portfolios already put them in the top third of amounts currently held in stocks. Note that even these groups still voiced only slightly higher probabilities of stock price increases. Indeed, the most favorable probabilities during the past decade for all households have ranged from about 57 to 63, with the January reading in the middle of that range; among households with stock holdings in the top third of the distribution, probabilities of stock increases were only marginally higher, in the low to mid 60s. Although stock ownership was seen as risky, they have dominated the returns on other choices.

Nearly two-thirds of all households owned at least some stocks in 2016, a figure that has remained largely unchanged in the past several years. As might be expected, stock ownership peaked in middle age, rising to 67% among those 45 to 64 during 2016. By far the largest difference was across income groups, with the proportion owning stock just 30% among households with incomes in the lowest third. There was much less difference between those with incomes in the middle third (70%) and the top third of the income distribution (89%); these ownership proportions have remained rather stable during the past several years. What has not remained stable is the amount of funds people have in stocks. The median dollar holdings of stocks rose 67% in the ten years from 2006 to 2016. While stock owners with top third incomes or top third holdings grew much more in the past ten years than those in the bottom third, the gain in stock holdings among the middle third in income or stock holdings grew nearly as much as the top third. By far the largest gain in dollar holdings over the past ten years was among consumers 65 or older, whose stock holdings grew by 139%, while those under 45 posted a gain of only 16%. To be sure, the growing proportion of baby-boomers in the oldest age group contributed to its increase, but nonetheless, this largely retired group has accepted a large increase in more risky investments than is usually appropriate for retirement financing.



Probability of Stock Price Gains and Stock Ownership															
	Probability of Stock Price Gain in Year Ahead (Stock Owners)								Stock Ownership Rates (All Households)					Median Holdings in Current Dollars (Stock Owners)	
	2016:1	2016:2	2016:3	2016:4	Oct 2016	Nov 2016	Dec 2016	Jan 2017	2012	2013	2014	2015	2016	2016	Pct Chng From 2006
	All	52	54	57	55	55	54	56	59	62%	60%	63%	61%	63%	\$100,218
Age of Householder															
18 - 44	57	59	61	59	61	58	59	60	62%	58%	57%	55%	60%	\$45,477	16%
45 - 64	49	53	57	55	54	55	57	59	67%	65%	71%	66%	67%	\$152,237	52%
65 or older	48	49	47	48	46	47	52	55	54%	53%	59%	63%	59%	\$207,269	139%
Household Income															
Bottom third	42	52	53	49	50	43	55	51	29%	28%	31%	28%	30%	\$25,944	47%
Middle third	53	51	55	52	50	52	54	57	69%	64%	70%	69%	70%	\$65,989	67%
Top third	55	58	59	60	60	60	59	62	89%	89%	91%	88%	89%	\$199,519	69%
Stock Holdings															
Bottom third	52	54	55	55	57	54	54	55	100%	100%	100%	100%	100%	\$14,924	45%
Middle third	52	55	56	54	50	57	56	55	100%	100%	100%	100%	100%	\$100,023	69%
Top third	53	56	60	59	61	56	59	63	100%	100%	100%	100%	100%	\$454,342	79%

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