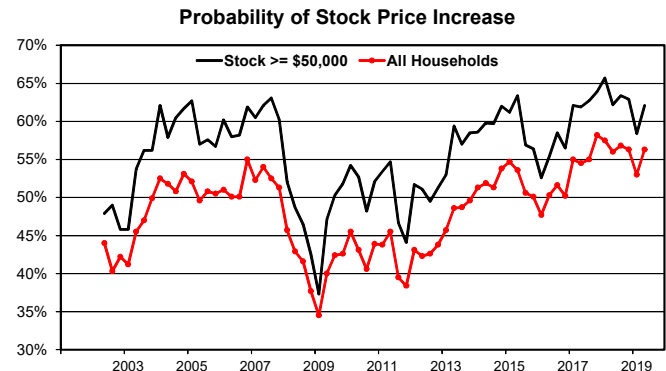


Subject: Stock Ownership and Stock Price Expectations

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Stocks were owned by 67% of all households in early 2019, and consumers pegged the probability of continued increases at 61% in the April 2019 survey. Given negative inflation adjusted returns on interest-bearing financial accounts, it should be no surprise that an increasing number of households own equities, rising from 61% in 2015 to 67% in 2019 (the figures include stocks held directly, in mutual funds, or in retirement accounts). Stock ownership rose significantly with household income, from 33% among households in the bottom third, to 76% in the middle third to 93% with incomes in the top third; each income subgroup owned stock more frequently than in 2015. The median value of equities held in 2019 among current stock owners rose to \$137,500 in 2019 from \$101,641 in 2015, a gain of 35%; the S&P stock index rose a nearly identical 34% from 2015 to 2019. Stock holding among all age subgroups increased substantially from 2015, although those 65 or older accumulated more than six times the amount held by those under age 45. The differences were even sharper by income



terciles, with the top third holding nearly nine times the amount as those in the lowest third in the income distribution. In addition, the value of stock holdings among those with incomes in the bottom third increased by just 1% since 2015. The increasing concentration of stock holdings was amply demonstrated: the value of stocks held by the bottom third of the distribution of stock values increased by just 1% from 2015. The median value of stocks held by the top third rose to \$602,303, substantially above the bottom third (\$15,421) or the middle third (\$129,688). Moreover, the data demonstrate the increased financial risks that households have assumed due to persistently low interest rates. Sustained increases in interest rates to enhance the Fed's ability to counter a potential recession would cause a negative wealth effect and make credit purchases more expensive. This would risk a recession in order to prevent the next recession! These same concerns will keep the Fed reluctant to lower current interest rates until the economy shows signs of clear weakness.

Consumers anticipate continued gains in stocks, making them even more vulnerable to future hikes in interest rates. Indeed, consumers reported a somewhat higher probability of gains in diversified stock portfolios in the April survey than during the 1st quarter of 2019. The April probability of stock gains was below the last peak, which was recorded at the start of 2018. Still, the recent probability of stock gains were judged as substantially above the recent troughs, especially the 2009 low point. Note that households with \$50,000 or more in stock holdings have always had a more favorable view of stock prices than other households (see the chart). The demographic differences were small, showing only small differences across age, income, and wealth subgroups, with the lowest probability of stock gains in the year ahead being 57% and the highest being 63%.

Probability of Gains in Stock Prices, Stock Ownership Rates and Amounts Held

	Probability of Stock Price Gain in Year Ahead (Stock Owners)						Stock Ownership Rates (All Households)					Median Holdings in Current Dollars (Stock Owners)		
	2018:1	2018:2	2018:3	2018:4	2019:1	Apr 2019	2015	2016	2017	2018	2019p	2015	2019p	% Chg
All	64	61	62	60	58	61	61%	63%	64%	66%	67%	\$101,641	\$137,500	35%
Age of Householder														
18 - 44	66	64	65	62	61	62	55%	60%	62%	64%	66%	\$39,166	\$49,153	25%
45 - 64	65	61	63	61	58	62	66%	67%	69%	70%	70%	\$160,938	\$204,417	27%
65 or older	57	54	57	56	53	57	63%	59%	61%	62%	66%	\$239,054	\$311,462	30%
Household Income														
Bottom third	54	56	54	57	54	57	28%	30%	34%	35%	33%	\$28,806	\$29,000	1%
Middle third	64	61	62	60	59	60	69%	70%	71%	73%	76%	\$69,152	\$98,822	43%
Top third	68	64	66	61	58	63	88%	89%	90%	91%	93%	\$222,738	\$253,158	14%
Stock Holdings														
Bottom third	62	59	62	55	56	59	100%	100%	100%	100%	100%	\$15,250	\$15,421	1%
Middle third	63	60	62	63	59	63	100%	100%	100%	100%	100%	\$101,446	\$129,688	28%
Top third	68	63	64	64	59	62	100%	100%	100%	100%	100%	\$490,810	\$602,303	23%

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