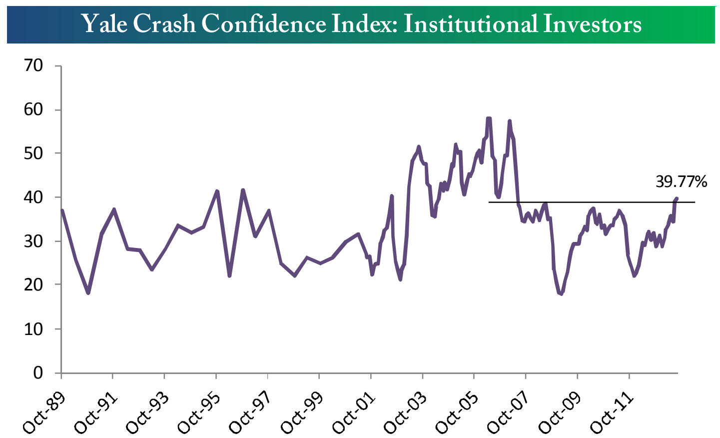
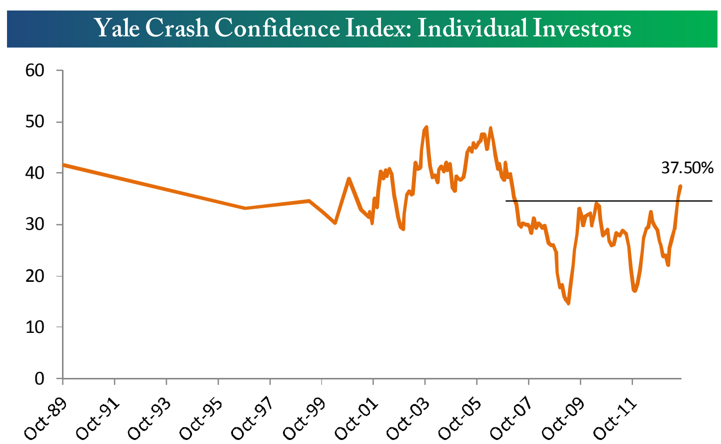
Yale Crash Confidence Ticks Higher

One of the less widely followed sentiment indicators that we track closely is the Yale Crash Confidence Index*. Yale's business school has been running this sentiment survey for years now, and its historical trends have been interesting to follow.





The Crash Confidence survey asks both individual and institutional investors how confident they are that there will ***not*** be a stock market crash in the next six months. Higher readings are indicative of more complacency, while lower readings are indicative of an investor class that's worried. Interestingly, back in early 2012, the Crash Confidence indices for both institutional and individual investors got down to levels last seen at the depths of the financial crisis. This was noteworthy because the market was doing well at that point, yet investors were still very fearful.

Fast forward to today, however, and we see that the Crash Confidence indices have recently broken out to multi-year highs for both institutional and individual investors. Confidence among institutional investors that there will ***not*** be a market crash in the next six months is at its highest level since May 2007, while the Crash Confidence reading for individual investors is at its highest level since January 2007.

As shown in the charts above, both indices are still well below their highs seen in the middle part of the last decade, but clearly investors have become more complacent about a market crash over the last year or so. Definitely something to keep an eye on.

*http://som.yale.edu/faculty-research/our-centers-initiatives/international-center-finance/data/stock-market-confidence-indices/stock-market-confidence-indices