

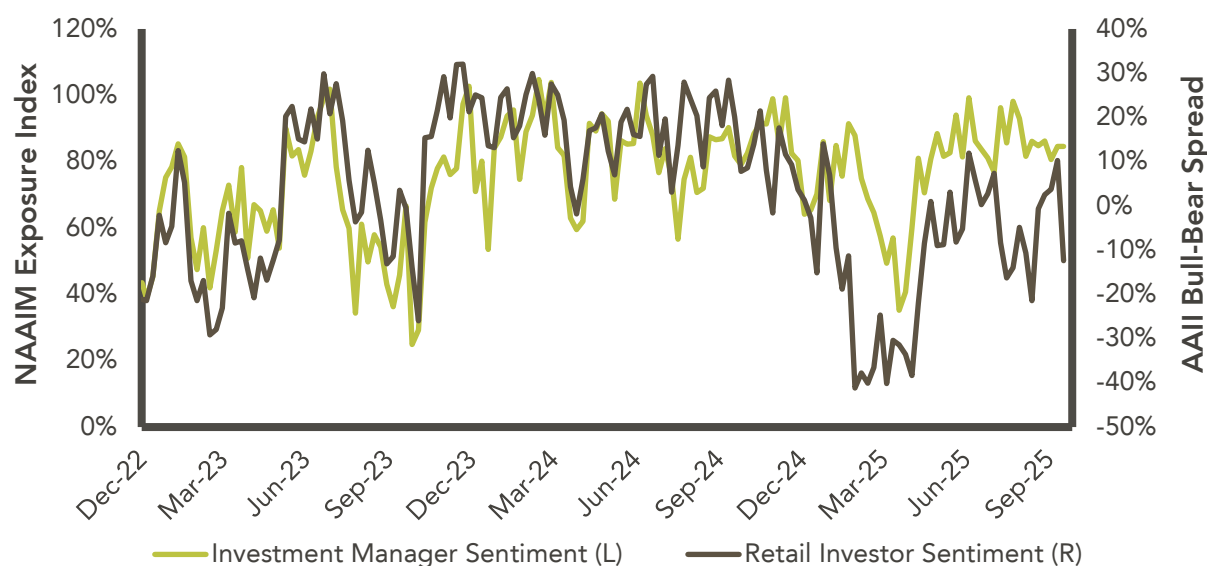
# Chart of the Week

October 20, 2025

## Two Sentiments Diverged

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Despite moving in tandem for most of the last few years, institutional and retail investor sentiment has diverged meaningfully in recent weeks



Source: National Association of Active Investment Managers, American Association of Individual Investors, Bloomberg as of October 16, 2025

This week's chart compares institutional and retail investor sentiment using two established indicators. Institutional sentiment is represented by the National Association of Active Investment Managers (NAAIM) Exposure Index, which measures the average U.S. equity market exposure reported by NAAIM member firms (i.e., organizations that actively manage client portfolios). Reported exposures for this index include -200% (leveraged short) to -100% (fully short), 0% (market neutral), +100% (fully invested), and +200% (leveraged long), capturing the breadth of positioning from extremely bearish to highly bullish. Retail sentiment is represented by the American Association of Individual Investors (AAIL) Sentiment Survey, which reflects the bullish-minus-bearish spread regarding the six-month outlook for stocks across individual AAIL members (i.e., retail investors). When analyzed together, these indicators offer perspective on how both institutional and individual investors view the near-term prospects of equity markets.

Readers will note that these two indices have moved in tandem throughout most of the last several years but have diverged significantly in recent weeks as retail investor sentiment has plunged. It is not entirely clear what's driving this latest divergence, but several factors likely play a role. Specifically, renewed U.S.-China trade tensions, the ongoing federal government shutdown, and interest rate uncertainty have likely weighed

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more heavily on retail investors, who tend to be more influenced by headline noise. Institutional money managers, on the other hand, appear to be maintaining confidence in healthy corporate fundamentals and the broader economic backdrop. Regardless of its exact cause, this divergence underscores the notion that sentiment data should be viewed as context-dependent rather than as a market timing signal. ■

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