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What to watch

New highs for stocks, but little exuberance

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The S&P 500 recently topped the 1900 milestone for the first time. The benchmark U.S. stock index is in record-breaking mode again. You'd think Wall Street would be excited.

Well, think again. When it comes to the mood of stock investors, "irrationally exuberant" they are not. Five years after the financial crisis, investors are still more worried about protecting the money they have.

Want proof? Investors have yanked cash out of mutual funds that invest in U.S. stocks for four straight weeks, says the Investment Company Institute, a mutual fund trade group. Nearly $10 billion has exited these funds since the week ended April 30. (Ironically, the Dow posted its first record high of the year on April 30 and has since climbed higher.) In contrast, almost $13 billion flowed into bond funds, which are considered more defensive investments.

Similarly, financial advisers say their clients' biggest investment priorities are "defensive" in nature, a survey by Eaton Vance released Wednesday says. In short, they want to protect the nest egg they've already built.

Three out of 10 Main Street investors polled recently by the American Association of Individual Investors said they're "bullish." That's below the long-term average of 40%.

But the fact that irrational exuberance is absent might actually be a bullish sign. Why? Because markets that turn lower often do so when investors are complacent or overconfident.