Q1 2023
Trader Client Sentiment Report
Q1 2023 Executive Summary

As 2023 begins, sentiment is on an upswing among traders of every stripe, although it remains net-bearish. Traders are split on whether now is a good time to invest in equities but confidence in their decision-making and their ability to achieve their financial goals remains high.

Key Q1 Themes

- Although sentiment is brightening among all traders, the shift is especially dramatic among younger traders, who went from 15% bullish to 40% bullish quarter-over-quarter.
- Rising interest rates, recession potential, and inflation are top concerns for traders.
- A strong majority feel an economic recession in the US is at least somewhat likely (87%); many believe it began last year and more than half expect it to begin in 2023. Two-thirds expect a recession would be over within a year.
- More than two-thirds of traders expect inflation to decline over the course of the year, although few expect cuts to interest rates in 2023.
- Traders feel the biggest impact on the stock market this year will come from the federal funds rate, potential recession, and inflation.
Q1’23 Trader Sentiment Snapshot

- **Good Time to Invest in Equities**: 50%
- **Better Off Financially**: 34%
- **Confident In Decisions**: 67%

**3 Month Outlook**
- **Bullish**: 35%
- **Bearish**: 48%

**Primary Concern Next 3 Months**
- Fed continuing to raise interest rates: 16%
- The potential of a recession: 15%
- Inflation: 12%
- Political landscape in Washington D.C.: 12%

**Planned Actions For The Next 3 Months**
- Move money into individual stocks: 45%
- Add money into my investment portfolio: 41%
- Move money into ETFs: 32%
- Move money into fixed income investments: 24%
- Move money into cash investments: 17%
- Move money into another type of investment vehicle: 17%
- Take money out of my investment portfolio: 9%
- Seek investing guidance or advice: 9%
- Invest in cryptocurrency: 8%
- Move money into mutual funds: 7%
- Create a written financial plan: 5%

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Traders remain more bearish than bullish, but sentiment is on the rise as ‘23 begins

Outlook For U.S. Stock Market
(Single response only; Among Trader Sample)

I think the market will continue to perform well, and I feel like my portfolio is well-positioned to grow with the market.

I think the market will continue to perform well, and I plan to increase my allocation to equities as a result.

I think the market is due for a significant correction, and I’m concerned about the possible impact on my portfolio.

I think the market is due for a significant correction, but I’m confident that I have a plan to withstand it.

Don’t know

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Sentiment is up among traders of all ages, with an especially dramatic upswing among young traders.

**Outlook For U.S. Stock Market By Life Stage**
*(Single response only; Among Trader Sample)*

Young Investors

- Bullish Net
  - 42% (Q1 2022) to 39% (Q1 2023)
  - Bearish Net
  - -49% (Q1 2022) to -48% (Q1 2023)

Mid-Life

- Bullish Net
  - 30% (Q1 2022) to 28% (Q1 2023)
  - Bearish Net
  - -47% (Q1 2022) to -53% (Q1 2023)

Mature

- Bullish Net
  - 33% (Q1 2022) to 33% (Q1 2023)
  - Bearish Net
  - -54% (Q1 2022) to -58% (Q1 2023)

Retired

- Bullish Net
  - 43% (Q1 2022) to 43% (Q1 2023)
  - Bearish Net
  - -54% (Q1 2022) to -59% (Q1 2023)

Q6. Thinking about the next 3 months, which statement best describes your outlook for the U.S. stock market?

- I think the market will continue to perform well, and I feel like my portfolio is well-positioned to grow with the market.
- I think the market is due for a significant correction, and I'm concerned about the possible impact on my portfolio.
- I think the market is due for a significant correction, but I'm confident that I have a plan to withstand it.

Don't know
Traders are bullish on Energy, Health Care and Utilities; bearish on Real Estate, Consumer Discretionary and Information Technology sectors.
Traders are bearish about “Meme” Stocks and Crypto, seeing more opportunity in Value Stocks and Fixed Income

**Category Sentiment for 2023**
(Among Trader Sample)

- **Bullish**
  - Value stocks: 57%
  - Fixed income: 42%
  - Domestic stocks: 41%
  - Equities in general: 39%
  - Growth stocks: 36%
  - International stocks: 27%
  - Cryptocurrencies: 14%
  - “Meme” stocks (e.g., GME, AMC): 6%

- **Bearish**
  - Value stocks: -18%
  - Fixed income: -22%
  - Domestic stocks: -32%
  - Equities in general: -34%
  - Growth stocks: -40%
  - International stocks: -31%
  - Cryptocurrencies: -49%
  - “Meme” stocks (e.g., GME, AMC): -57%

Base = Weighted Total (n=1,096)
QAT_123_9. Are you bullish, bearish or uncertain across each of the following for 2023?
Two-thirds of traders are confident in their decision-making, and while most (75%) are doing better or the same financially versus a year ago, they are split on whether this is a good time to invest in equities.

Q1 2023: Confidence in Investment Decision Making
(% Extremely/Very Confident; Among Trader Sample)

67%

Q1 2023: Is this a Good or Bad Time to Invest in equities?
(% Very Good/Good; Among Trader Sample)

50%

Financial Standing vs. Year Ago
(Among Trader Sample)

- Much better off: 9%
- Better off: 25%
- About the same: 41%
- Worse off: 19%
- Much worse off: 5%

Base = Weighted Total (n=1,096)
Q4. How confident are you in making investment decisions for your household?
Q1. In your opinion, is this a good time or bad time to invest in stocks, mutual funds and other equity-based investments?
Q3. In terms of how you are getting along financially, would you say you are better off, about the same or worse off than you were a year ago?
Traders are confident in their ability to reach their financial goals

Confidence in Reaching Financial Goals
(Single response only; Among Trader Sample)

Q1. Which statement best describes your confidence in reaching your financial goals?

- Extremely Confident
- Very Confident
- Somewhat Confident
- Not Very Confident
- Not At All Confident

<table>
<thead>
<tr>
<th></th>
<th>Q1'22</th>
<th>Q2'22</th>
<th>Q3'22</th>
<th>Q4'22</th>
<th>Q1'23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Confident</td>
<td>16%</td>
<td>14%</td>
<td>15%</td>
<td>13%</td>
<td>16%</td>
</tr>
<tr>
<td>Very Confident</td>
<td>41%</td>
<td>40%</td>
<td>39%</td>
<td>37%</td>
<td>43%</td>
</tr>
<tr>
<td>Somewhat Confident</td>
<td>39%</td>
<td>43%</td>
<td>40%</td>
<td>41%</td>
<td>36%</td>
</tr>
<tr>
<td>Not Very Confident</td>
<td>3%</td>
<td>3%</td>
<td>5%</td>
<td>8%</td>
<td>3%</td>
</tr>
<tr>
<td>Not At All Confident</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Traders’ concerns are dominated by inflation, the threat of recession and potential for continued interest rate hikes from the Fed.

Primary Concern About Investing
(Single response only; Among Those With A Concern; Among Trader Sample)

- 29% Inflation/Increased Interest Rates Related Concerns
- 16% The Fed continuing to raise interest rates
- 15% The potential of a recession
- 12% Inflation
- 12% The political landscape in Washington D.C.
- 9% Geopolitical or global macroeconomic issues
- 7% Performance of U.S. corporate earnings
- 7% Potential for increased market volatility
- 6% I think the market is overdue for a significant correction

Base = Weighted Total (n=1,096)
Q7: What is your primary concern around money and investing within the next 3 months?
Despite some skepticism about investing in equities, traders still plan to move money mostly into stocks and ETFs.

Portfolio Changes Planned in Next 3 Months
(Multiple responses allowed; Among Trader Sample)

<table>
<thead>
<tr>
<th>Investment Vehicle</th>
<th>Last Year (n=728)</th>
<th>Last Quarter (n=813)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOVE MONEY NET</td>
<td>70%</td>
<td>74%</td>
</tr>
<tr>
<td>Into individual stocks</td>
<td>45%</td>
<td>51%</td>
</tr>
<tr>
<td>Into ETFs</td>
<td>32%</td>
<td>36%</td>
</tr>
<tr>
<td>Into fixed income investments</td>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>Into cash investments</td>
<td>17%</td>
<td>22%</td>
</tr>
<tr>
<td>Into another type of investment vehicle</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Invested in cryptocurrency</td>
<td>8%</td>
<td>20%</td>
</tr>
<tr>
<td>Into mutual funds</td>
<td>7%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Base = Weighted Total (n=1,096)
Q20. Which of the following actions do you plan to do over the next 3 months?
Special Issues

- Recession Likelihood, Timing, Expectations, & Trading Approach
- Bullish Market Indicators
- 2023 Outlook
The vast majority of traders (87%) see a recession as likely or having already begun.

### Expected Likelihood of US Recession
*(Single response only; Among Trader Sample)*

- **Certain; it already has**: 24%
- **Highly likely**: 27%
- **Somewhat likely**: 36%
- **Somewhat unlikely**: 8%
- **Highly unlikely**: 1%
- **I don't know**: 4%

### Expected Beginning of Recession
*(Single response only; Among Those Expecting A Recession; Trader Sample)*

- **Q1 2023**: 11%
- **Q2 2023**: 23%
- **Q3 2023**: 15%
- **Q4 2023**: 4%
- **2024+**: 2%

It began in 2022: 45%

2023 [NET]: 53%

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*Base = Weighted Total (n=1,096); Base = Recession Is At Least Somewhat Likely (n=950)^ QAT_Q123_1. What, in your opinion, is the likelihood that the US economy will officially enter a recession? QAT_Q123_2. When do you expect the recession to begin? ©2023 Charles Schwab & Co., Inc. (“Schwab”). All rights reserved. Member SIPC.*
Among traders expecting a recession, most (65%) predict it will last less than a year as they report taking more time to research trades and dialing back risk.

Expected Length of Recession
(Single response only; Among Those Expecting A Recession; Trader Sample)

- Six months or less: 22%
- Between six months and a year: 42%
- Between one and two years: 30%
- More than two years: 5%

Recession Expectations Impact On Trading Approach
(Single response only; Among Trader Sample)

- Spending more time researching trades before executing: 41%
- Moderating/dialing back risk exposure: 41%
- Spending more time vetting trades with the tools available to me: 34%
- Buying gold, crypto or other alternative assets: 14%
- Moving assets out of the stock market: 13%
- Moving asset into bonds: 12%
- Moving assets into international equities: 6%
- Moving assets out of domestic investment vehicles: 2%
- None of these: 25%

Base = Recession Is At Least Somewhat Likely (n=950); Base = Weighted Total (n=1,096)
Three-quarters of Traders believe rates will continue to rise at a more moderate pace; two-thirds expect inflation will remain high this year, but the majority believe it will decline moderately.

**Expected Interest Rate Actions by Fed**
*(Single response only; Among Trader Sample)*

- Continue aggressive rate hikes: 6%
- Continue raising rates at a more moderate pace: 75%
- Hold and keep rates where they are: 13%
- Begin lowering rates at a moderate pace: <1%
- Begin lowering rates aggressively: 6%

**Expected Inflation Scenarios in 2023**
*(Single response only; Among Trader Sample)*

- Inflation declines rapidly: 8%
- Inflation comes down moderately, but remains historically high: 60%
- Inflation remains at current levels: 12%
- Inflation goes up moderately: 9%
- Inflation rises rapidly: 1%
- Other: 2%
- I don’t know: 8%

Base = Weighted Total (n=1,096)
QAT_Q123_11. What do you expect the Fed will do with interest rates this year?
QAT_Q123_5. Which of the following inflation scenarios aligns with your expectations for 2023?
In 2023, traders see the Federal Funds Rate as having the biggest impact on the stock market, followed by a potential recession and inflation.
Methodology & Sample Information
Background:

Charles Schwab & Co has tracked client sentiment for over 10 years to gauge how clients (investors) are feeling about their current financial situation, market & investing opportunities or risks, the market outlook, and their confidence in investing and achieving financial goals.

Starting Q4’21, Schwab is tracking client sentiment among **Active Traders** separately.

**Methodology:**
- The data is collected quarterly via an online survey amongst Schwab clients with Retail Assets of at least $2,000
- Q1 study was fielded January 17th-27th, 2023

**Sample:**
- 1,096 Active Traders (defined as 80+ trades, 12+ Options trades, or traded Futures/Future Options/Forex in the past 12 months).
  - Of the 1,096 Active Traders, 548 traders using TD Ameritrade, 548 traders using Charles Schwab.
- The data was weighted by Life Stage and Investible Assets/Affluence to reflect the Trader segments
- Counts noted below are prior to weighting to show the sample sizes used for the subgroup analysis.

**Rounding:**
- In some cases, the individual elements of a chart may not sum to the total due to rounding.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td>966 (88%)</td>
<td>81 (7%)</td>
<td>49 (4%)</td>
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</table>

<table>
<thead>
<tr>
<th>Affluence</th>
<th>HNW ($1M+)</th>
<th>Affluent ($250K-$1M)</th>
<th>Foundational (&lt;$250K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td>345 (31%)</td>
<td>325 (30%)</td>
<td>426 (39%)</td>
</tr>
<tr>
<td>Not Active</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Active Trader</th>
<th>Active</th>
<th>Not Active</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td>1,096 (100%)</td>
<td></td>
</tr>
<tr>
<td>Not Active</td>
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<table>
<thead>
<tr>
<th>Life Stage</th>
<th>Younger Investor (&lt;40)</th>
<th>Mid-Life (40-55)</th>
<th>Mature (55+ not retired)</th>
<th>Retired</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td>208 (19%)</td>
<td>306 (28%)</td>
<td>287 (26%)</td>
<td>267 (24%)</td>
</tr>
<tr>
<td>Not Active</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Consultant Relationship</th>
<th>Has Financial Consultant</th>
<th>Does not have Financial Consultant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td>224 (20%)</td>
<td>872 (80%)</td>
</tr>
<tr>
<td>Not Active</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Employed full-time</th>
<th>Employed part-time</th>
<th>Self-employed</th>
<th>Retired/semi-retired</th>
<th>Other</th>
<th>No answer</th>
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</thead>
<tbody>
<tr>
<td>Active</td>
<td>446 (41%)</td>
<td>22 (2%)</td>
<td>176 (7%)</td>
<td>357 (33%)</td>
<td>33 (3%)</td>
<td>62 (6%)</td>
</tr>
</tbody>
</table>