

# Q1 2023 Trader Client Sentiment Report

*charles*  
SCHWAB

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# 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%

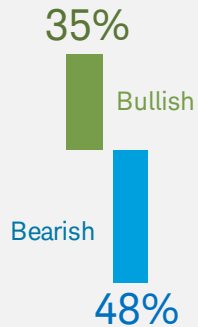
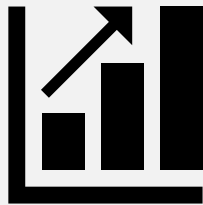


Confident In Decisions

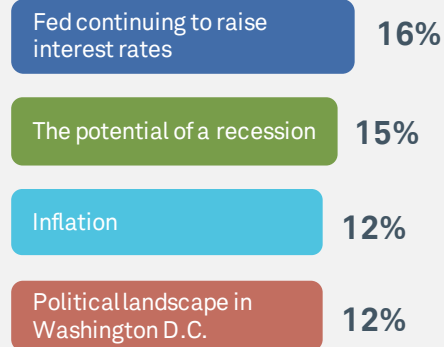
67%



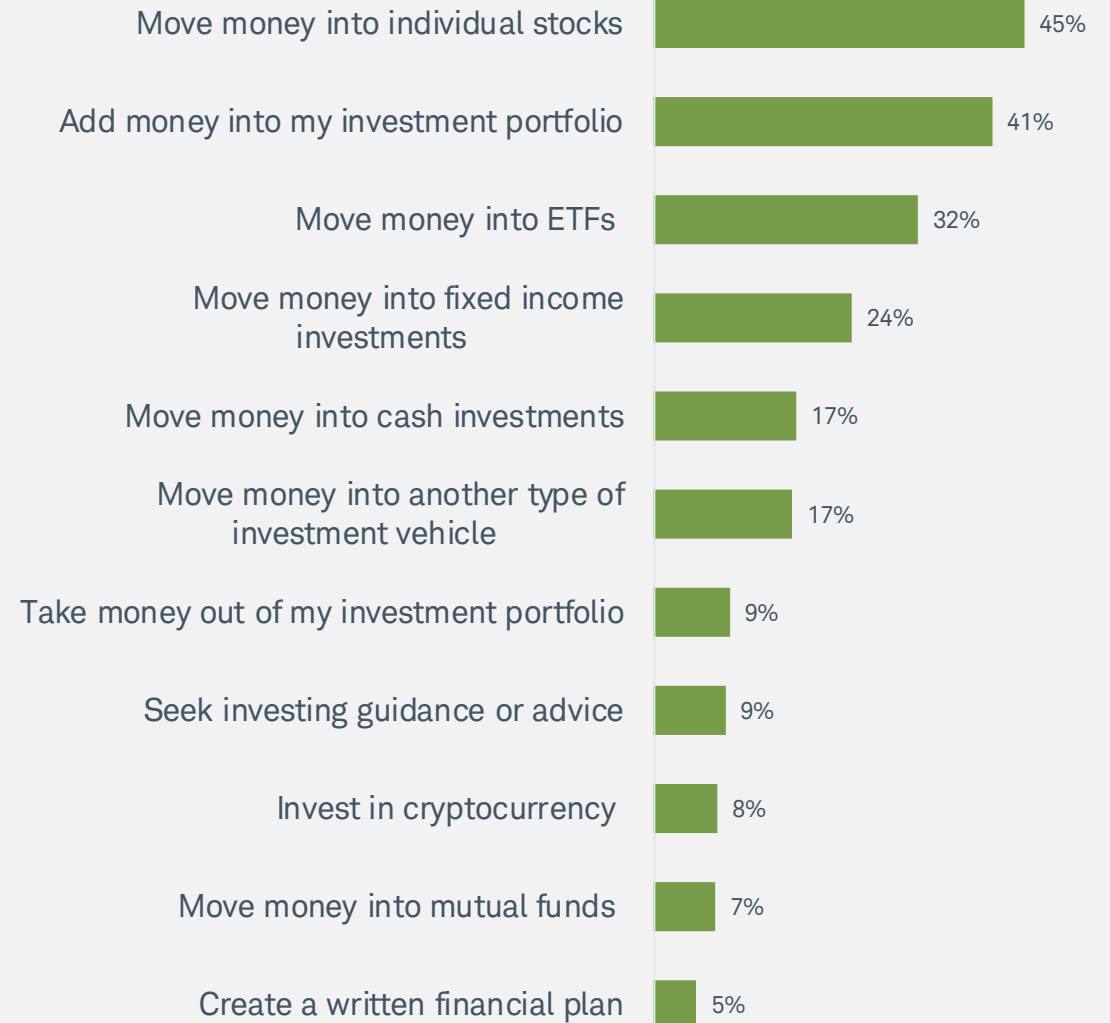
## 3 Month Outlook



## Primary Concern Next 3 Months

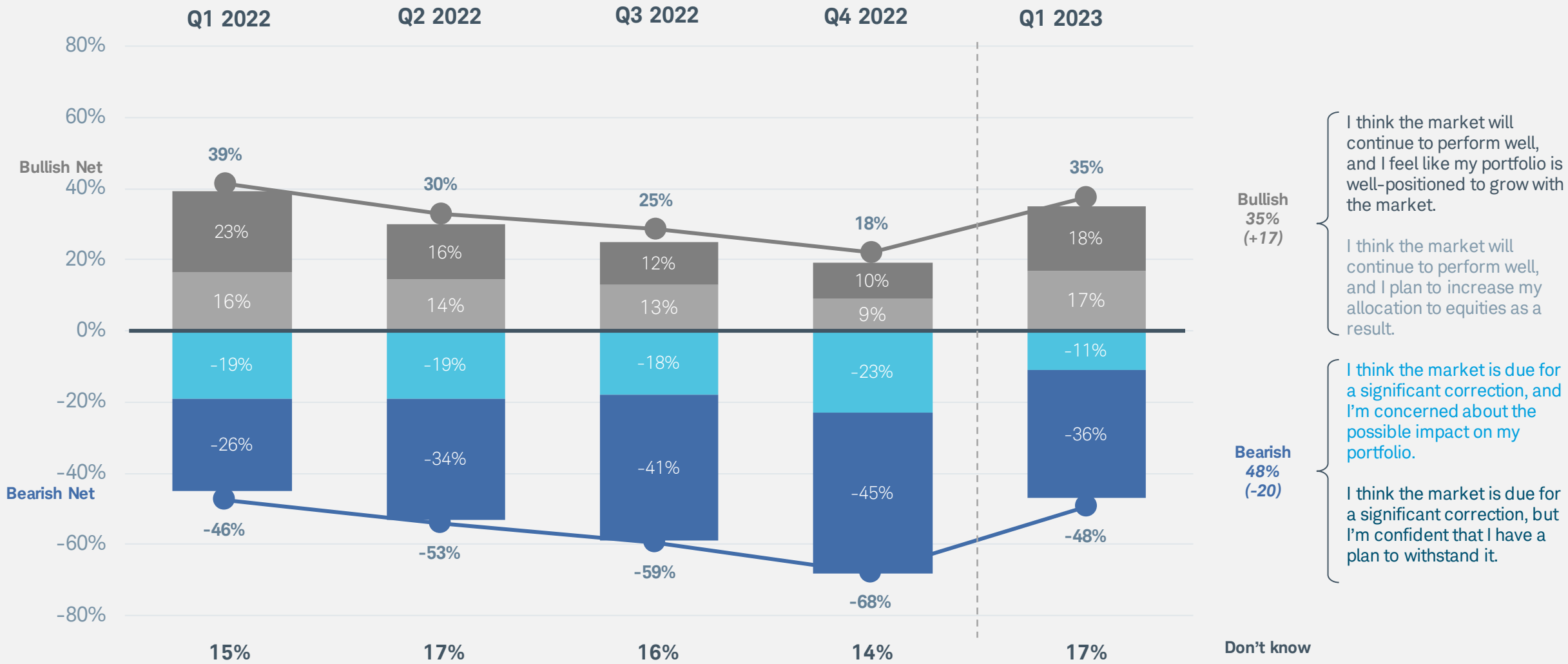


## Planned Actions For The Next 3 Months



# 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)

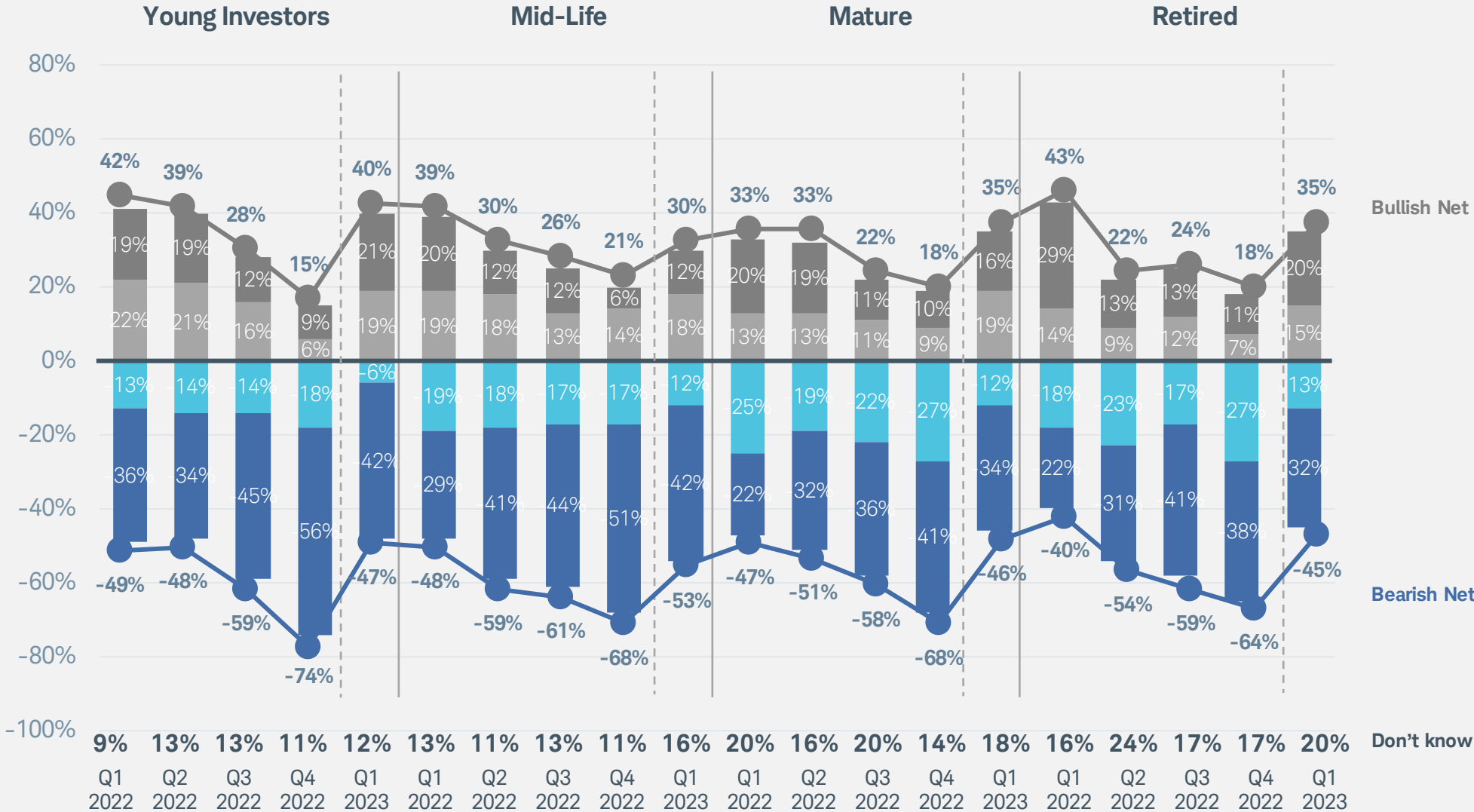


Base = Weighted Total (n=1,096)  
Q6. Thinking about the next 3 months, which statement best describes your outlook for the U.S. stock market?

# 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)



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.

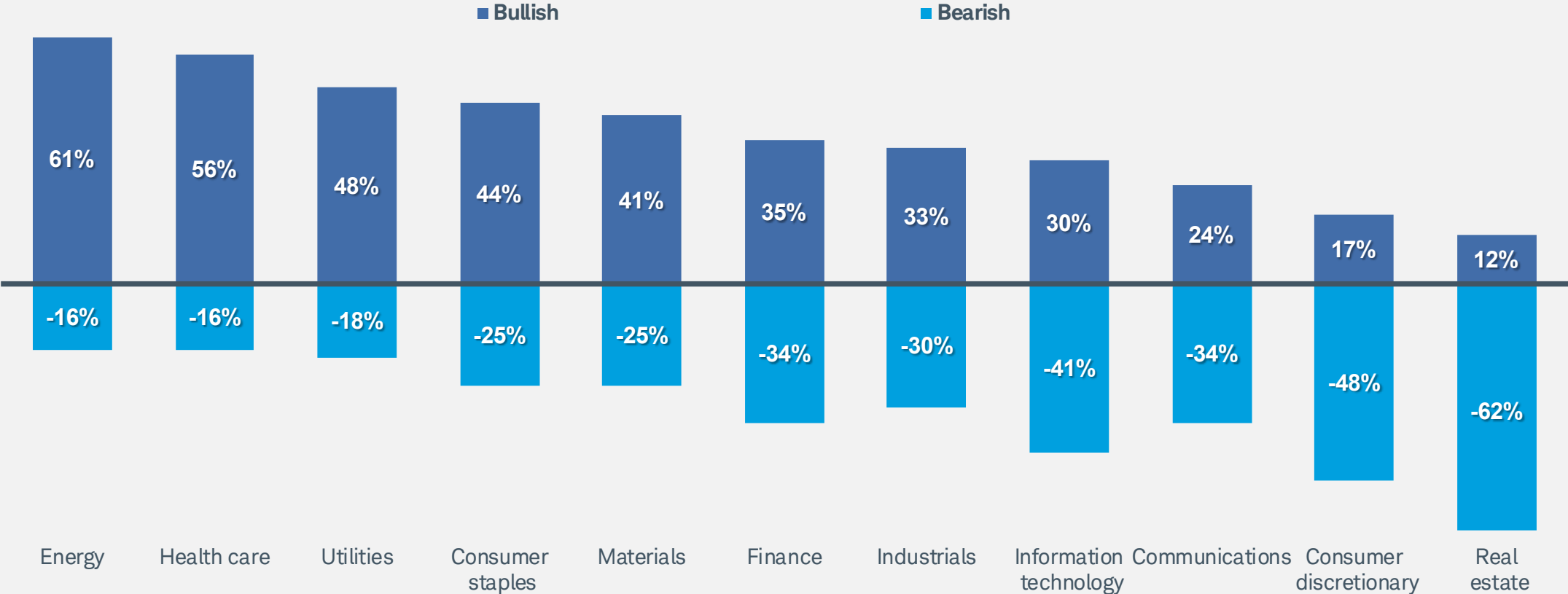
I think the market is due for a significant correction, and I'm concerned about the possible impact on my portfolio.

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

Base = Weighted Total (n=1,096)  
 Q6. Thinking about the next 3 months, which statement best describes your outlook for the U.S. stock market?

# Traders are bullish on Energy, Health Care and Utilities; bearish on Real Estate, Consumer Discretionary and Information Technology sectors

**Sector Sentiment Over Next 3 Months**  
*(Among Trader Sample)*



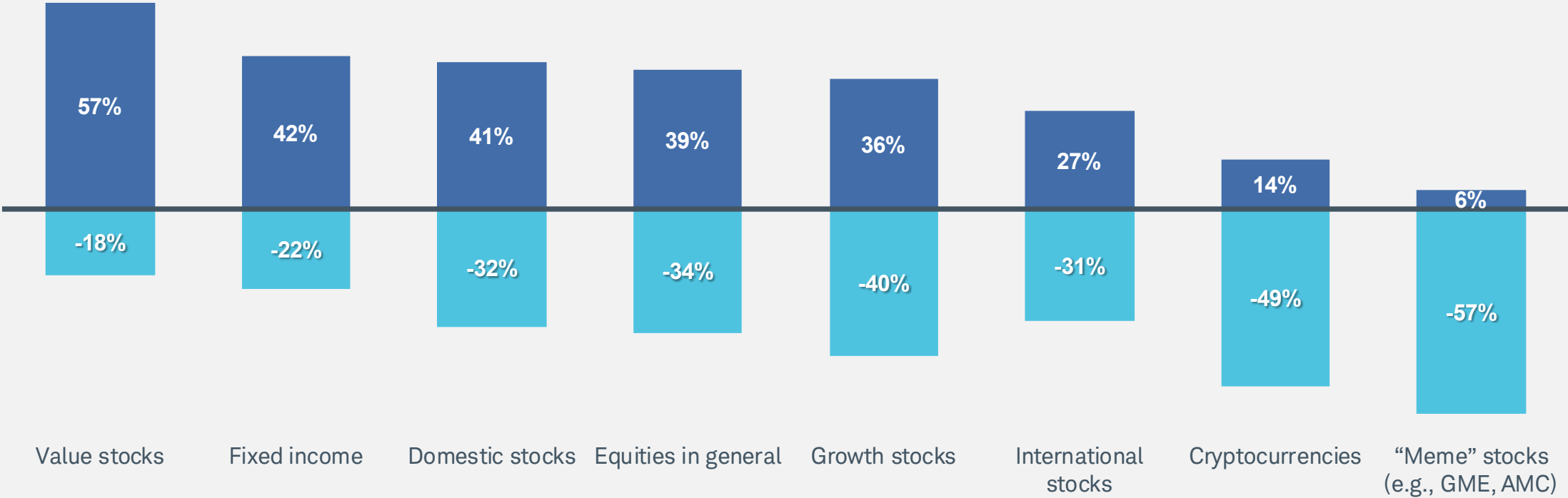
Base = Weighted Total (n=1,096)  
 Q23A. In your opinion, which term best describes the U.S. stock market for each of the following sectors over the next three months?

# Traders are bearish about “Meme” Stocks and Crypto, seeing more opportunity in Value Stocks and Fixed Income

## Category Sentiment for 2023

(Among Trader Sample)

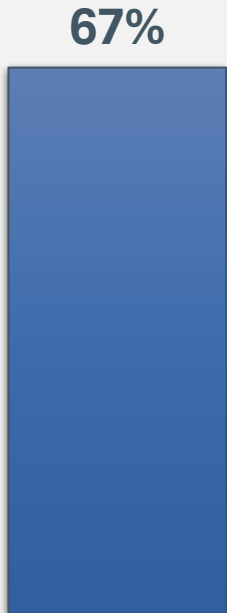
■ Bullish ■ Bearish



Base = Weighted Total (n=1,096)  
QAT\_123\_9. Are you bullish, bearish or uncertain across each of the following for 2023?

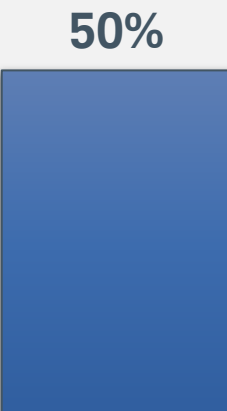
# Two-thirds of traders are confident in their decision-making, and while most (75%) are doing better or the same financially versus a year ago, they are split on whether this is a good time to invest in equities

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



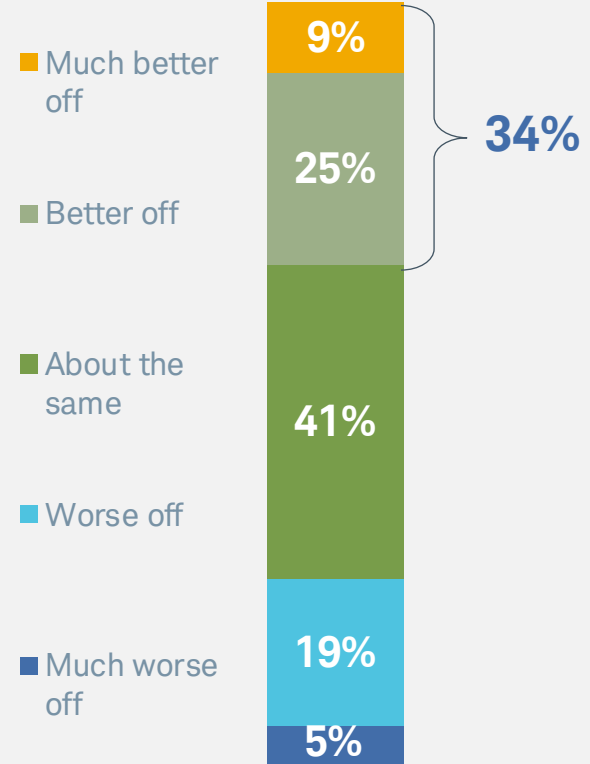
Total Traders

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



Total Traders

**Financial Standing vs. Year Ago**  
 (Among Trader Sample)

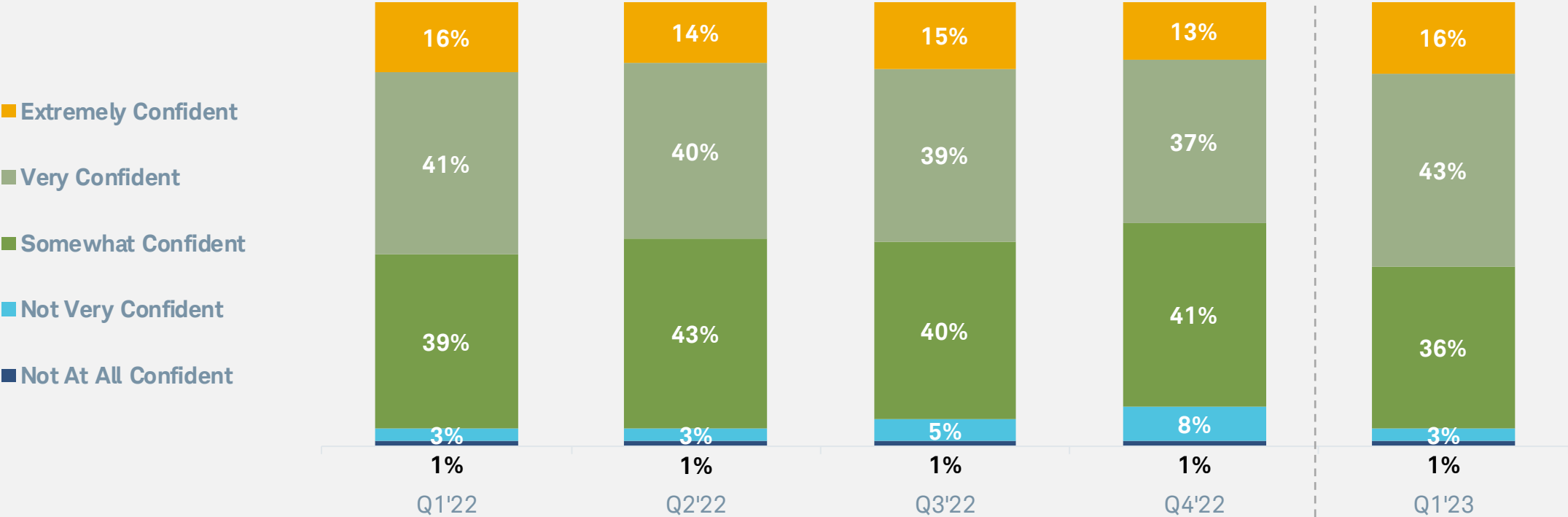


Base = Weighted Total (n=1,096)  
 Q4. How confident are you in making investment decisions for your household?  
 Q1. In your opinion, is this a good time or bad time to invest in stocks, mutual funds and other equity-based investments?  
 Q3. In terms of how you are getting along financially, would 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)*



Base = Weighted Total (n=1,096)  
Q10. Which statement best describes your confidence in reaching your financial goals?

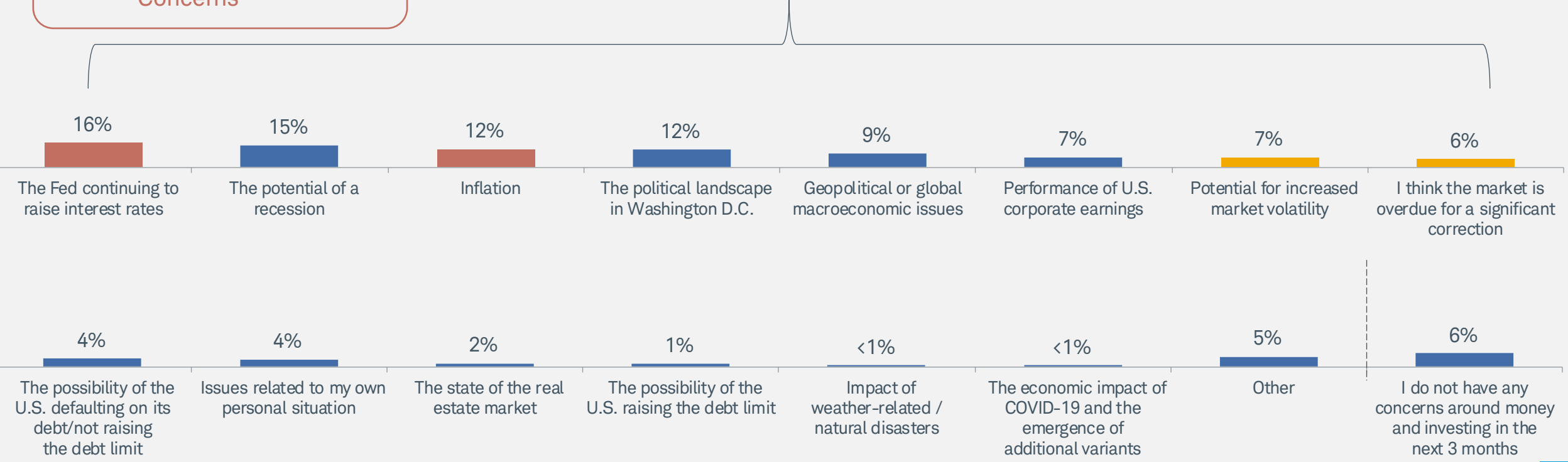
# Traders' concerns are dominated by inflation, the threat of recession and potential for continued interest rate hikes from the Fed

## Primary Concern About Investing

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

**29%** Inflation/Increased Interest Rates Related Concerns

Note: Percentages based among those with a concern

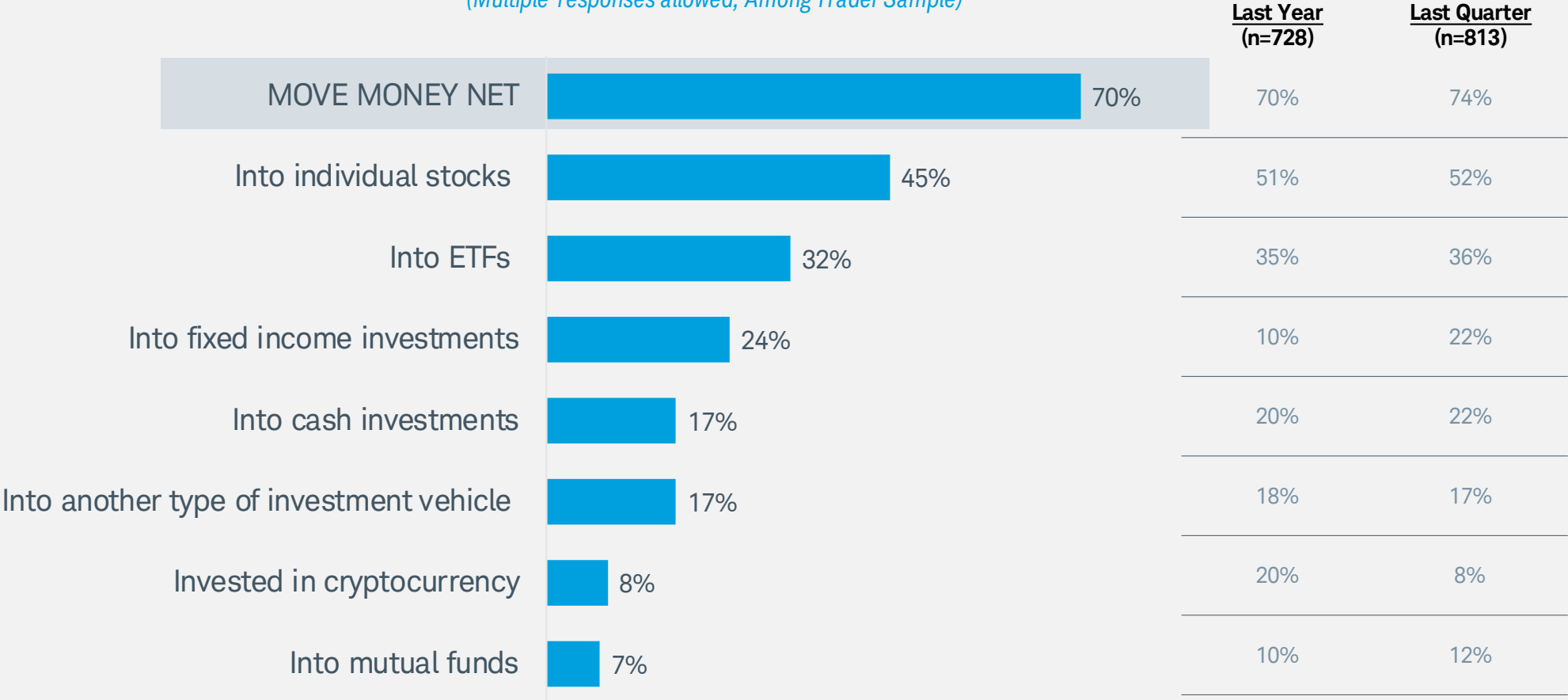


Base = Weighted Total (n=1,096)  
 Q7. What is your primary concern around money and investing within the next 3 months?

# 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)



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

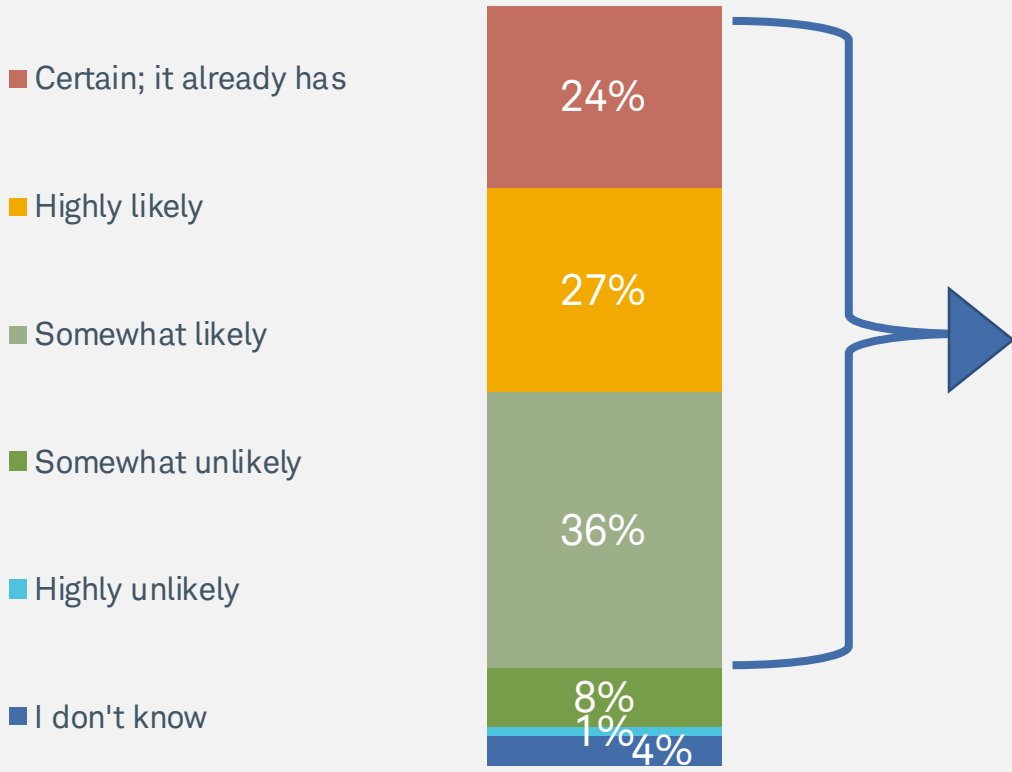


## Special Issues

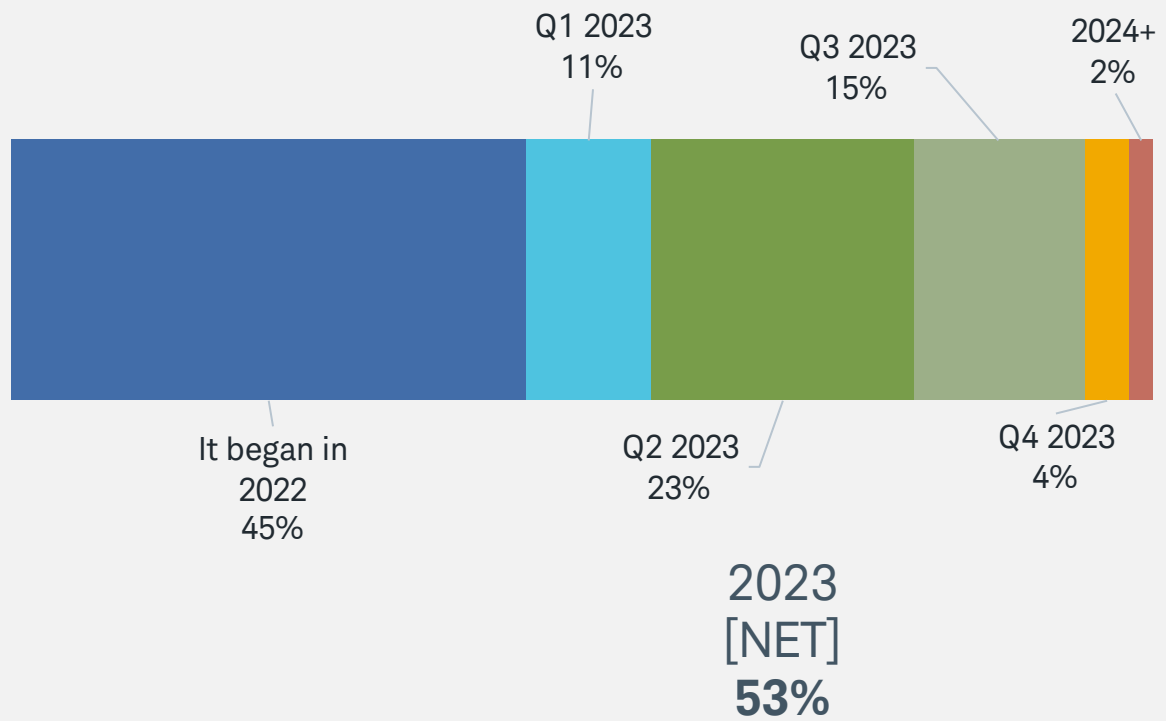
- Recession Likelihood, Timing, Expectations, & Trading Approach
- Bullish Market Indicators
- 2023 Outlook

# 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)*



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

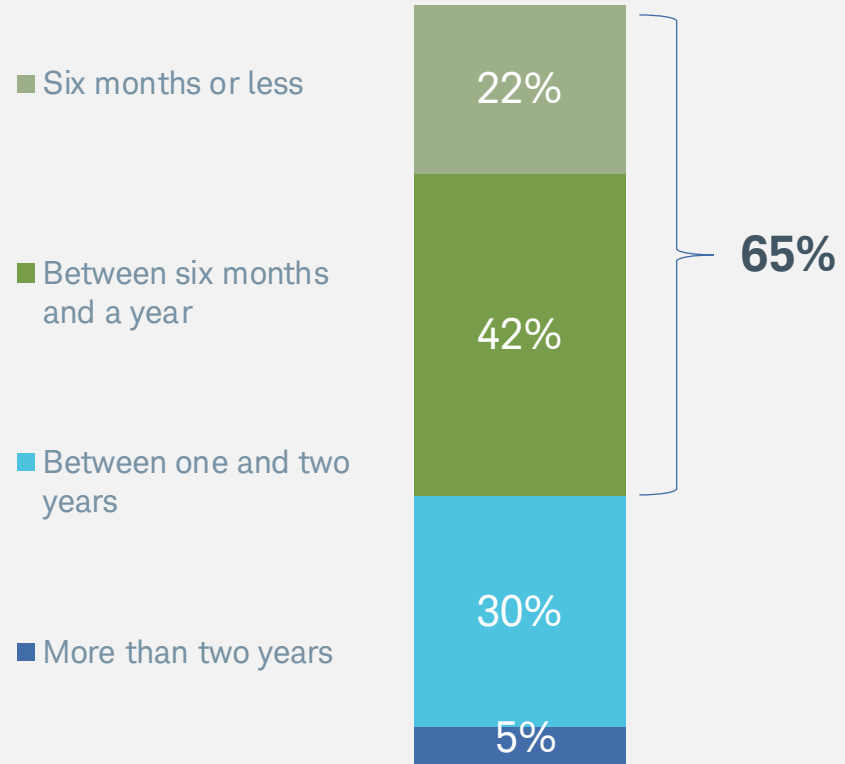


Base = Weighted Total (n=1,096); Base = Recession Is At Least Somewhat Likely (n=950)^  
 QAT\_Q123\_1. What, in your opinion, is the likelihood that the US economy will officially enter a recession?  
 QAT\_Q123\_2. When do you expect the recession to begin?

# 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

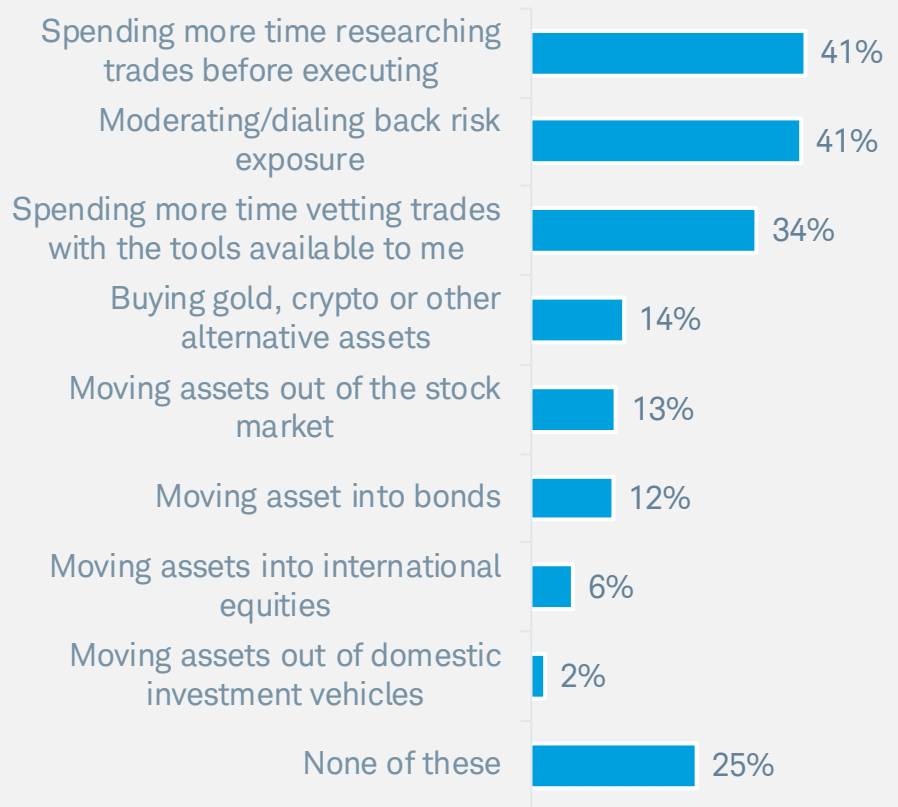
## Expected Length of Recession

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



## Recession Expectations Impact On Trading Approach^

(Single response only; Among Trader Sample)

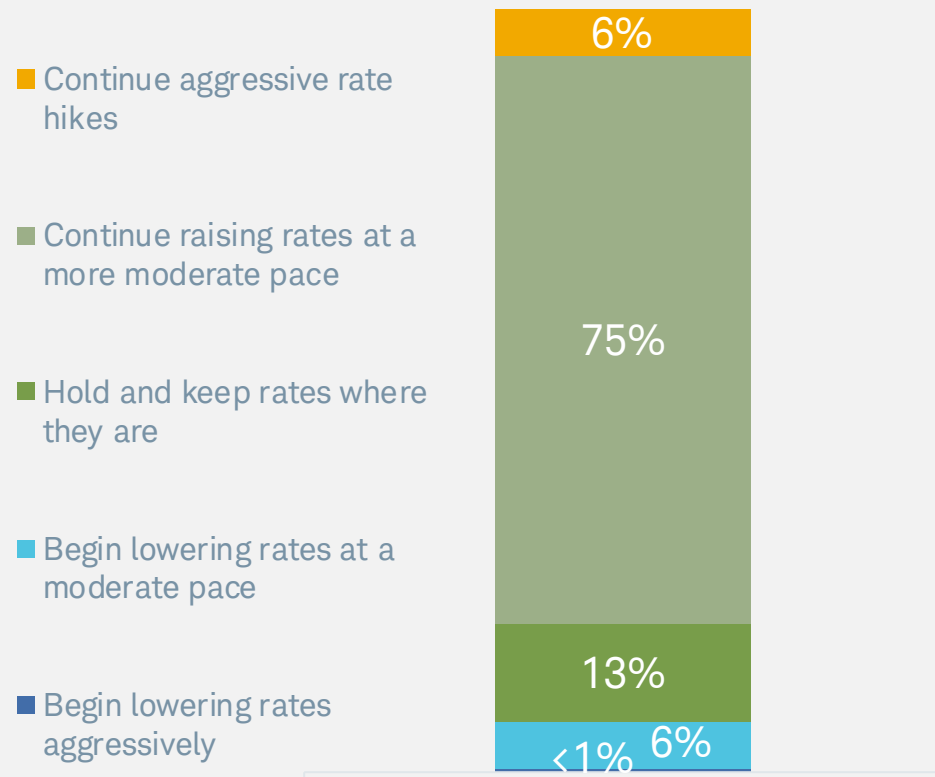


Base = Recession Is At Least Somewhat Likely (n=950); Base = Weighted Total (n=1,096)^  
 QAT\_Q123\_3. How long do you expect the recession to last?  
 QAT\_Q123\_4. How are your recession expectations impacting or driving your approach to trading?

# 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

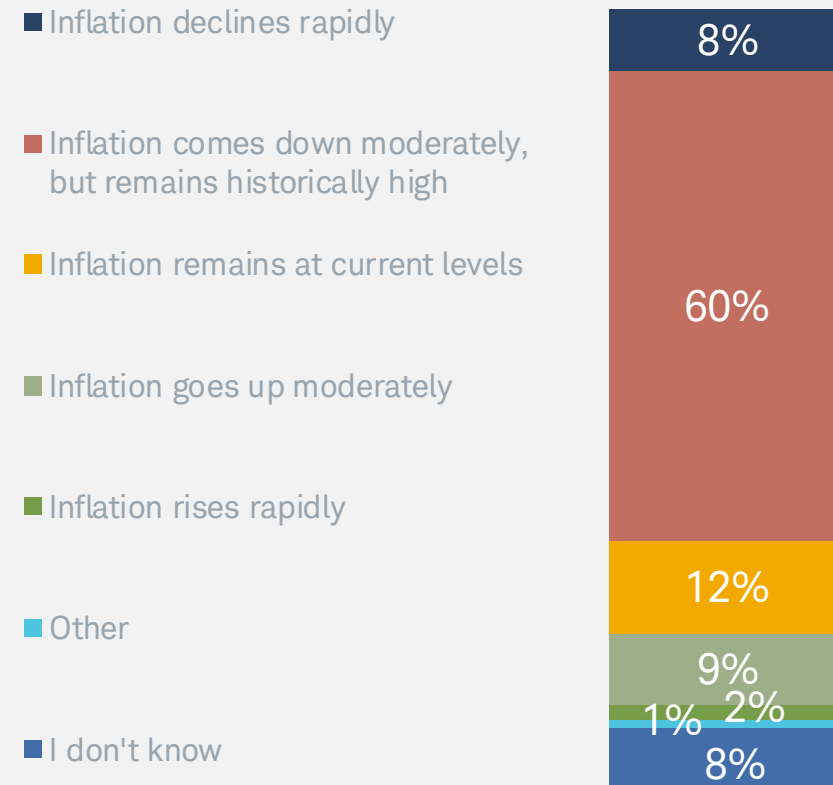
## Expected Interest Rate Actions by Fed

(Single response only; Among Trader Sample)



## Expected Inflation Scenarios in 2023

(Single response only; Among Trader Sample)



Base = Weighted Total (n=1,096)

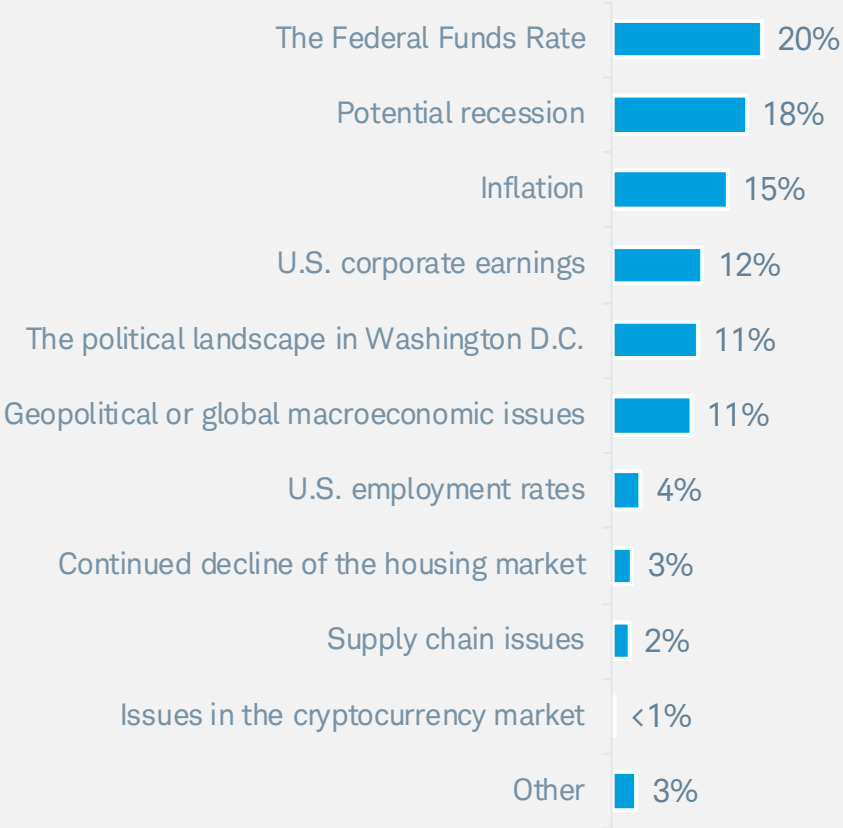
QAT\_Q123\_11. What do you expect the Fed will do with interest rates this year?

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

## Factors Expected To Have Biggest Impact On Stock Market In 2023

(Single response only; Among Trader Sample)



Base = Weighted Total (n=1,096)  
QAT\_Q123\_10. Which of the following do you expect will have the biggest impact on the stock market in 2023?





# Methodology & Sample Information

# Methodology and Respondent Demographics

## 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 17<sup>th</sup>-27<sup>th</sup>, 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.

<b>Gender</b>		<b>Affluence</b>		<b>Active Trader</b>	
Male	966 (88%)	HNW (\$1M+)	345 (31%)	Active	1,096 (100%)
Female	81 (7%)	Affluent (\$250K-<\$1M)	325 (30%)	Not Active	
No answer	49 (4%)	Foundational (<\$250K)	426 (39%)		
<b>Life Stage</b>		<b>Financial Consultant Relationship</b>		<b>Employment Status</b>	
Younger Investor (<40)	208 (19%)	Has Financial Consultant	224 (20%)	Employed full-time	446 (41%)
Mid-Life (40-55)	306 (28%)	Does not have Financial Consultant	872 (80%)	Employed part-time	22 (2%)
Mature (55+ not retired)	287 (26%)			Self-employed	176 (7%)
Retired	267 (24%)			Retired/semi-retired	357 (33%)
				Other	33 (3%)
				No answer	62 (6%)