Q2 2023
Trader Client Sentiment Report
Q2 2023 Executive Summary

Sentiment among traders slipped in Q2 ‘23, but remains up from the lowest levels seen in 2022, and most remain confident in their decision-making and ability to reach their goals.

Key Q2 Themes

- The potential for a recession, the political landscape, inflation combined with rising interest rates, and geopolitical/macroeconomic issues are top concerns for traders.
  - Few traders state bank failures are their primary concern (4%); while they lean strongly bearish on regional banks, some feel there are discounts to be had in the Finance sector.
  - Most traders feel an economic recession in the US is at least somewhat likely and believe a recession has already begun or will begin by Q3‘23.
- In the next three months and throughout 2023 traders feel most bullish about value stocks and fixed income investments. They are most bearish about regional banks, growth stocks, equities in general, and crypto.
- At the sector level, traders are bullish about Energy and Health Care and most bearish about Real Estate, Finance, and Consumer Discretionary.
**Q2’23 Trader Sentiment Snapshot**

**Good Time To Invest**
- 41%

**Better Off Financially**
- 36%

**Confident In Decisions**
- 62%

**3 Month Outlook**

**Primary Concern Next 3 Months**
- The potential of a recession: 18%
- Political landscape in Washington D.C.: 13%
- Fed continuing to raise interest rates: 10%
- Geopolitical or global macroeconomic issues: 10%

**Planned Actions for the Next 3 Months**

- Move money into individual stocks: 51%
- Add money into my investment portfolio: 40%
- Move money into ETFs: 36%
- Move money into cash investments: 24%
- Move money into fixed income investments: 23%
- Move money into another type of investment vehicle: 17%
- Take money out of my investment portfolio: 14%
- Seek investing guidance or advice: 13%
- Move money into mutual funds: 11%
- Invest in cryptocurrency: 7%
- Create a written financial plan: 6%
Traders are more bearish in Q2 ‘23, but sentiment stays above lows from 2022

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

Base = Weighted Total (n=1,083)
Q6. Thinking about the next 3 months, which statement best describes your outlook for the U.S. stock market?

Don’t know 15% 17% 16% 14% 17% 16%
Bullish Net 39% 30% 25% 18% 35% 32%
Bearish Net -26% -34% -41% -45% -36% -35%

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.

Traders are more bearish in Q2 ‘23, but sentiment stays above lows from 2022

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Young and mid-life traders are Q2’s most bearish

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.

Don’t know

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Traders are bullish on Energy, Health Care and Utilities and bearish on Finance, Consumer Discretionary and Real Estate Sectors.
About one quarter of traders believe the Finance sector can be bought at a discount right now.

Bullish Sectors At Discount
(Multiple response; Among Trader Sample)

- Energy: 30%
- Finance: 26%
- Information technology: 24%
- Healthcare: 22%
- Real estate: 13%
- Materials: 11%
- Utilities: 10%
- Consumer staples: 10%
- Communications: 9%
- Industrials: 8%
- Consumer discretionary: 7%
- I do not feel bullish about any sector: 27%

Base = Weighted Total (n=1,083)
QAT_Q223_B. In your opinion, are there sectors about which you’re bullish on that can be bought at a discount right now?
Traders are bearish about Regional Banks, Crypto and bullish on Value Stocks, Fixed Income

Category Sentiment For The Next 3 Months  
(Among Trader Sample)

- **Value stocks**: Bullish 49%, Bearish -20%
- **Fixed income**: Bullish 42%, Bearish -21%
- **Domestic stocks**: Bullish 30%, Bearish -39%
- **Equities in general**: Bullish 29%, Bearish -41%
- **Growth stocks**: Bullish 27%, Bearish -43%
- **International stocks**: Bullish 19%, Bearish -33%
- **Cryptocurrencies**: Bullish 16%, Bearish -40%
- **Regional banks**: Bullish 15%, Bearish -55%

Base = Weighted Total (n=1,083)  
QAT_223_9. Are you bullish or bearish on each of the following for the next 3 months?
Many traders don’t see this as a good time to invest in equities, but nearly 2/3 are confident in their decision-making and most report the same or improved financial standing.

Q2 2023: Confidence in Investment Decision Making
(% Extremely/Very Confident; Among Trader Sample)

Q2 2023: Is this a Good or Bad Time to Invest in equities?
(% Very Good/Good; Among Trader Sample)

Financial Standing vs. Year Ago
(Among Trader Sample)

- Much better off: 7%
- Better off: 29%
- About the same: 42%
- Worse off: 4%
- Much worse off: 16%

Base = Weighted Total (n=1,083)
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 maintain confidence in reaching their financial goals

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

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

Q1'22: 16% Extremely Confident, 41% Very Confident, 39% Somewhat Confident, 3% Not Very Confident, 3% Not At All Confident
Q2'22: 14% Extremely Confident, 40% Very Confident, 40% Somewhat Confident, 5% Not Very Confident, 3% Not At All Confident
Q3'22: 15% Extremely Confident, 39% Very Confident, 40% Somewhat Confident, 5% Not Very Confident, 4% Not At All Confident
Q4'22: 13% Extremely Confident, 37% Very Confident, 41% Somewhat Confident, 8% Not Very Confident, 1% Not At All Confident
Q1'23: 16% Extremely Confident, 43% Very Confident, 36% Somewhat Confident, 3% Not Very Confident, 1% Not At All Confident
Q2'23: 12% Extremely Confident, 41% Very Confident, 42% Somewhat Confident, 4% Not Very Confident, 1% Not At All Confident

Base = Weighted Total (n=1,083)
Q10. Which statement best describes your confidence in reaching your financial goals?
Traders’ concerns are primarily focused on the potential for a recession, the political landscape in Washington, D.C., and inflation.

**Primary Concern About Investing**

*Single response only; Among Those With A Concern; Among Trader Sample*

- **18% Inflation/Increased Interest Rates Related Concerns**
- **13% The potential of a recession**
- **10% The Fed continuing to raise interest rates**
- **10% Geopolitical or global macroeconomic issues**
- **8% Inflation**
- **7% I think the market is overdue for a significant correction**
- **6% Uncertainty due to market volatility**
- **5% The possibility of the U.S. defaulting on its debt/not raising the debt limit**

- **4% Concerns Related To Bank Failures**
- **4% Performance of U.S. corporate earnings**
- **2% Potential for increased market volatility**
- **2% Potential for more bank failures**
- **2% Issues related to my own personal situation**
- **2% The possibility of the U.S. raising the debt limit**
- **1% Fallout from recent bank failures**
- **1% The state of the real estate market**
- **<1% The Fed keeping interest rates low**
- **<1% Impact of weather-related/natural disasters**
- **<1% The economic impact of COVID-19**
- **6% Other**
- **5% I do not have any concerns around money and investing in the next 3 months**

Base = Weighted Total (n=1,083)

Q7. What is your primary concern around money and investing within the next 3 months?
While many have reservations about investing in equities in Q2, more than half of traders report they will move money into individual stocks.
Special Issues

- Recession Likelihood, Timing, Expectations, & Trading Approach
- Bullish Market Indicators
- 2023 Outlook
Most traders (86%) view a recession as likely or having already begun, although this number is virtually unchanged from Q1 ‘23 (87%).
Most traders (62%) who expect a recession believe it will last less than one year; More than half (58%) believe inflation will decline this year.

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

- Six months or less: 8%
- Between six months and a year: 41%
- Between one and two years: 30%
- More than two years: 21%

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

- Inflation declines rapidly: 5%
- Inflation comes down moderately, but remains historically high: 53%
- Inflation remains at current levels: 19%
- Inflation goes up moderately: 14%
- Inflation rises rapidly: 1%
- Other: 2%
- I don’t know: 7%
Few traders (9%) feel the Fed is likely to begin lowering interest rates this year, and about three-quarters (77%) see 1-2 more rate hikes on the horizon.
Over half (57%) of traders have increased their fixed income investments or plan to this quarter

How Interest Rate Environment Impacted Views On Fixed Income
(Single response only; Among Trader Sample)

- I have increased my fixed income investments and plan to buy more: 29%
- I have increased my fixed income investments but have no plans to buy more: 15%
- I have not increased my fixed income investments but plan to do so in the next three months: 13%
- I have not increased my fixed income investments and have no plans to do so: 43%

Base = Weighted Total (n=1,083)
QAT_Q223_6. How has the interest rate environment impacted your views on fixed income?
Traders’ market expectations are driving them to spend more time researching trades and to moderate risk exposure

How Expectations Are Impacting Trading Approach
(Multiple responses allowed; Among Trader Sample)

- Spending more time researching trades before executing: 39%
- Moderating/dialing back risk exposure: 37%
- Spending more time vetting trades with the tools available to me: 34%
- Buying gold: 14%
- Moving asset into bonds: 12%
- Moving assets out of the stock market: 11%
- Moving assets into international equities: 6%
- Moving assets out of domestic investment vehicles: 2%
- None of these: 23%

Base = Weighted Total (n=1,083)
QAT_Q223_7. How are your expectations impacting or driving your approach to trading?
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
- Q2 study was fielded April 5th – May 3rd, 2023

Sample:
- 1,083 Active Traders (clients who actively trade equities or trade options, futures, or forex).
  - Of the 1,083 Active Traders, 542 traders using TD Ameritrade, 541 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.

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<th>Mature (55+ not retired)</th>
<th>Retired</th>
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<td>300 (28%)</td>
<td>306 (28%)</td>
<td>273 (25%)</td>
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<th>Self-employed</th>
<th>Retired/semi-retired</th>
<th>Other</th>
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<tr>
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<td>431 (40%)</td>
<td>28 (3%)</td>
<td>176 (16%)</td>
<td>353 (33%)</td>
<td>38 (4%)</td>
<td>57 (5%)</td>
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