

# Q2 2023 Trader Client Sentiment Report

*charles*  
SCHWAB

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# 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/macro-economic 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%

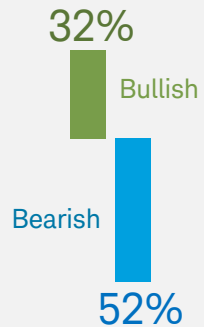


Confident In Decisions

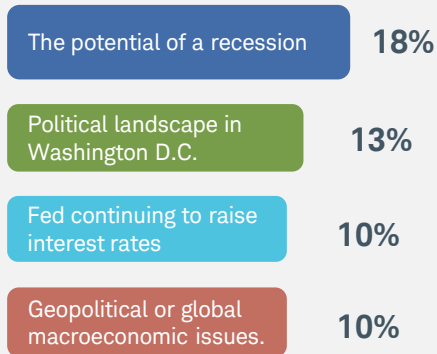
62%



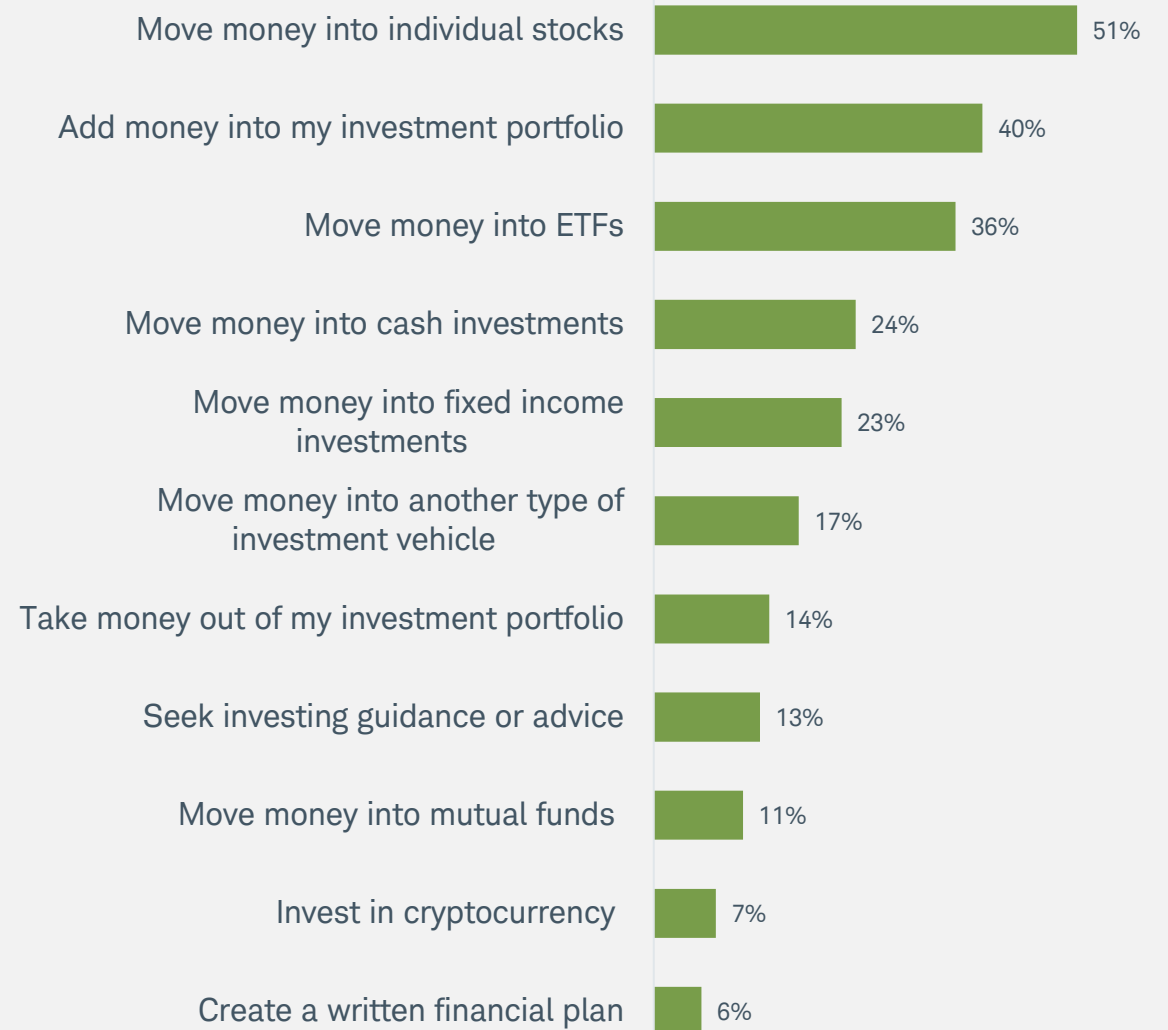
## 3 Month Outlook



## Primary Concern Next 3 Months

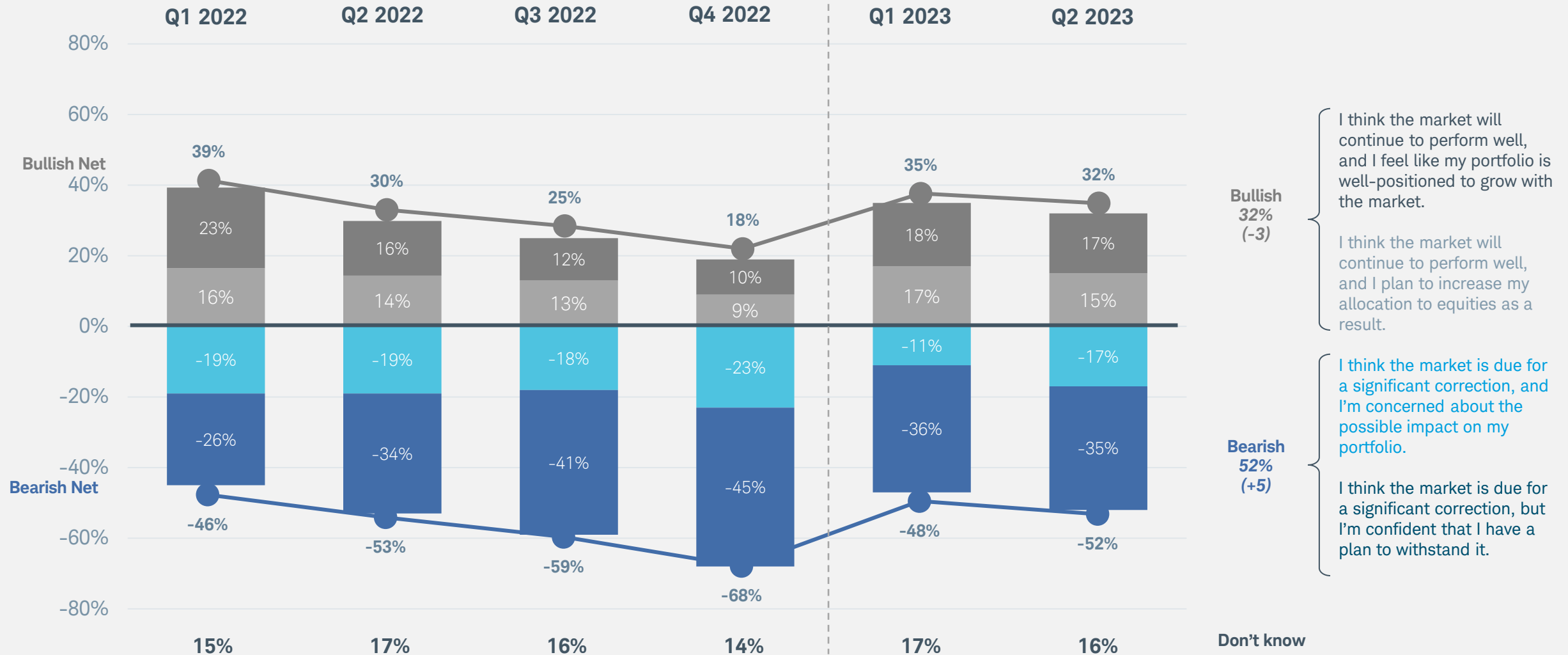


## Planned Actions for the Next 3 Months



# 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)

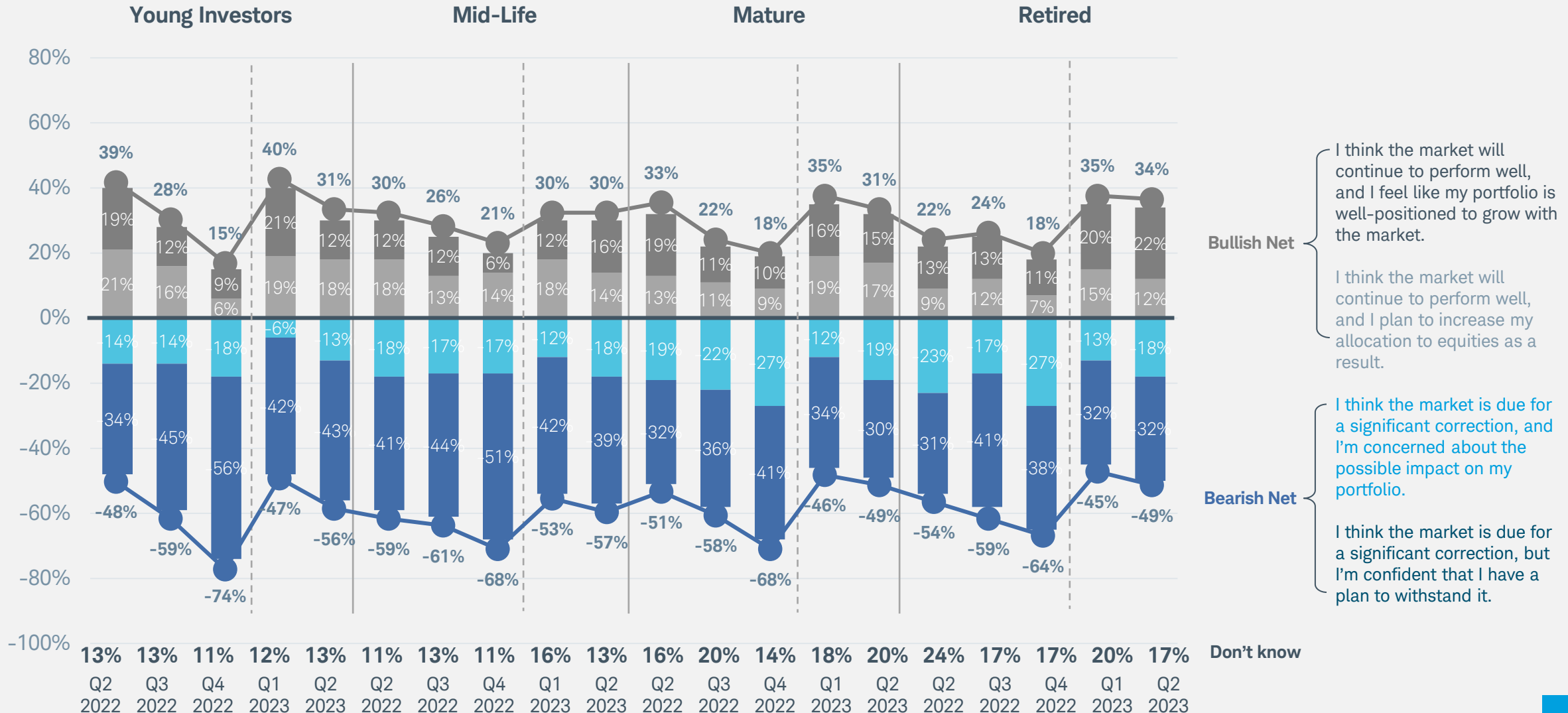


Base = Weighted Total (n=1,083)

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

# 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)



**Bullish Net** — 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.

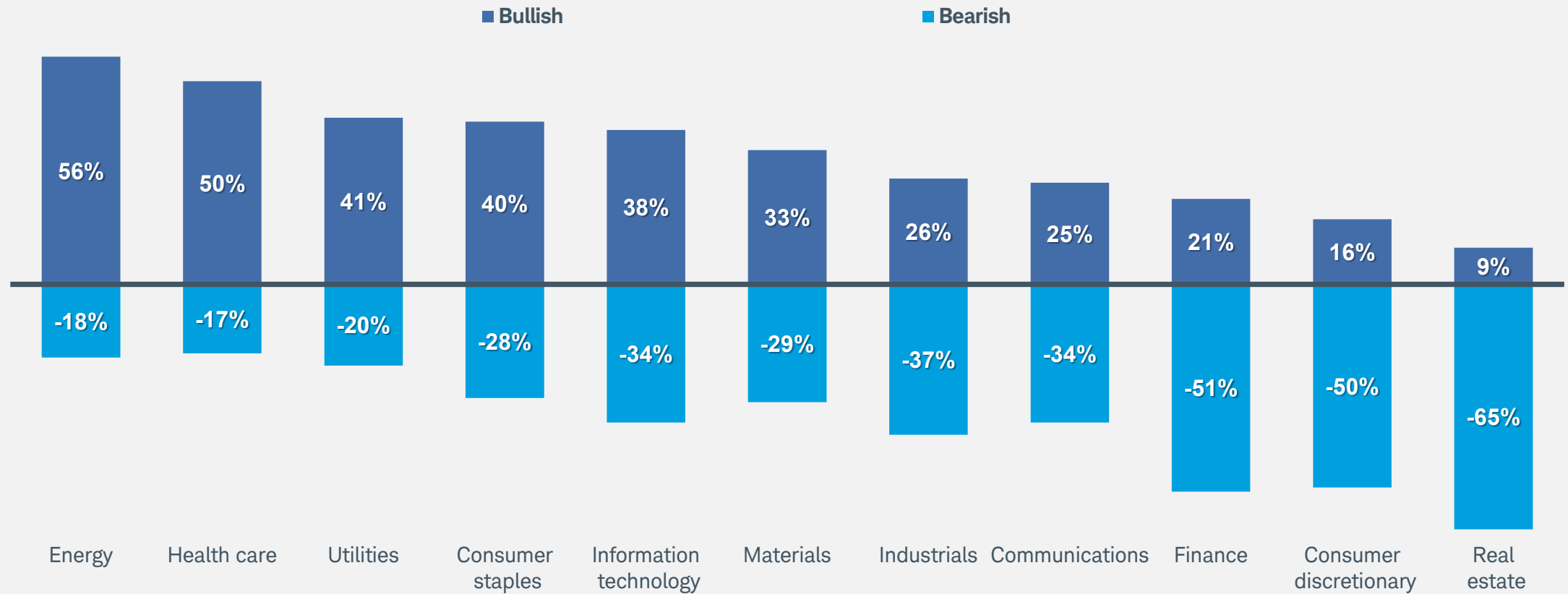
**Bearish Net** — I think the market is due for a significant correction, and I'm concerned about the possible impact on my portfolio.

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=1,083)  
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 and bearish on Finance, Consumer Discretionary and Real Estate Sectors

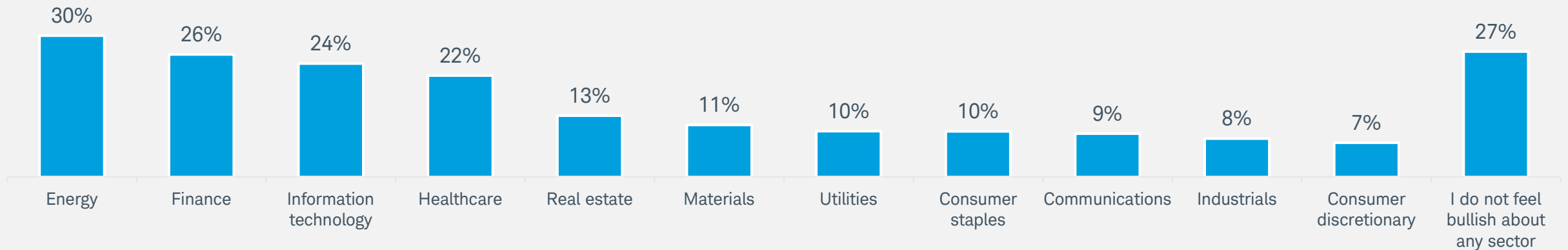
## Sector Sentiment Over Next 3 Months (Among Trader Sample)



Base = Weighted Total (n=1,083)  
Q23A. In your opinion, which term best describes the U.S. stock market for each of the following sectors over the next three months?

# 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)*

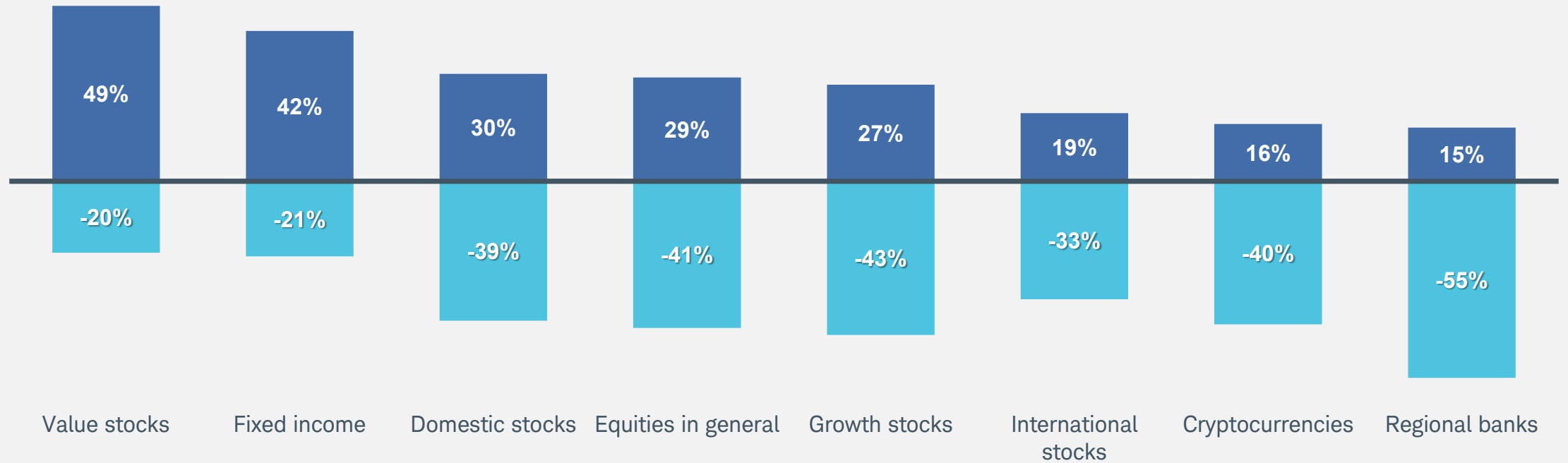


Base = Weighted Total (n=1,083)  
QAT\_Q223\_8. In your opinion, are there sectors about which you're bullish on that can be bought at a discount right now?

# Traders are bearish about Regional Banks, Crypto and bullish on Value Stocks, Fixed Income

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

■ Bullish ■ Bearish

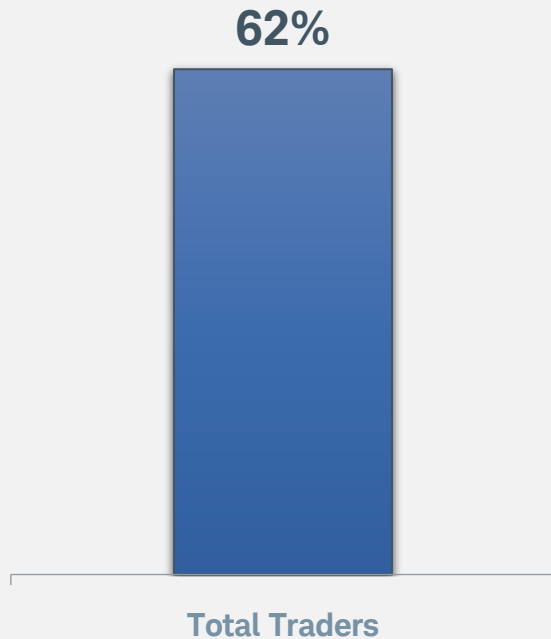


Base = Weighted Total (n=1,083)  
QAT\_223\_9. Are you bullish or bearish on each of the following for the next 3 months?

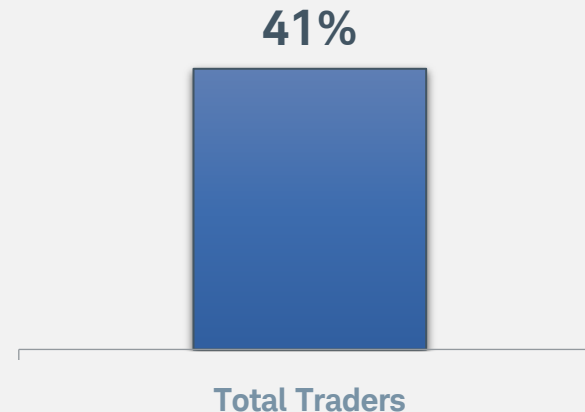


# Many traders don't see this as a good time to invest in equities, but nearly 2/3 are confident in their decision-making and most report the same or improved financial standing

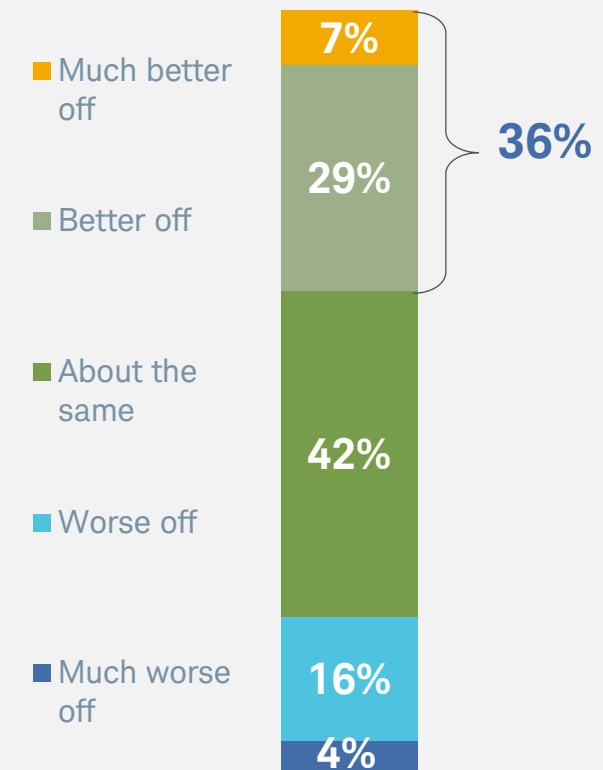
**Q2 2023: Confidence in Investment Decision Making**  
(% Extremely/Very Confident; Among Trader Sample)



**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)



Base = Weighted Total (n=1,083)

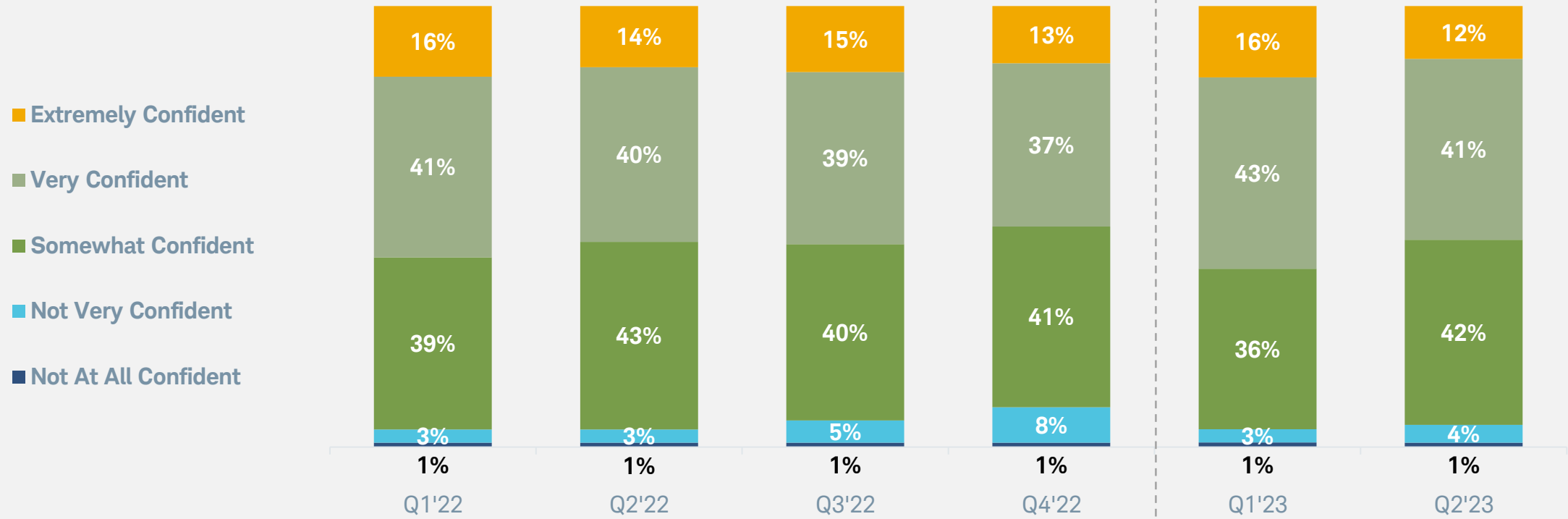
Q4. How confident are you in making investment decisions for your household?

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)*



Base = Weighted Total (n1,083)  
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)

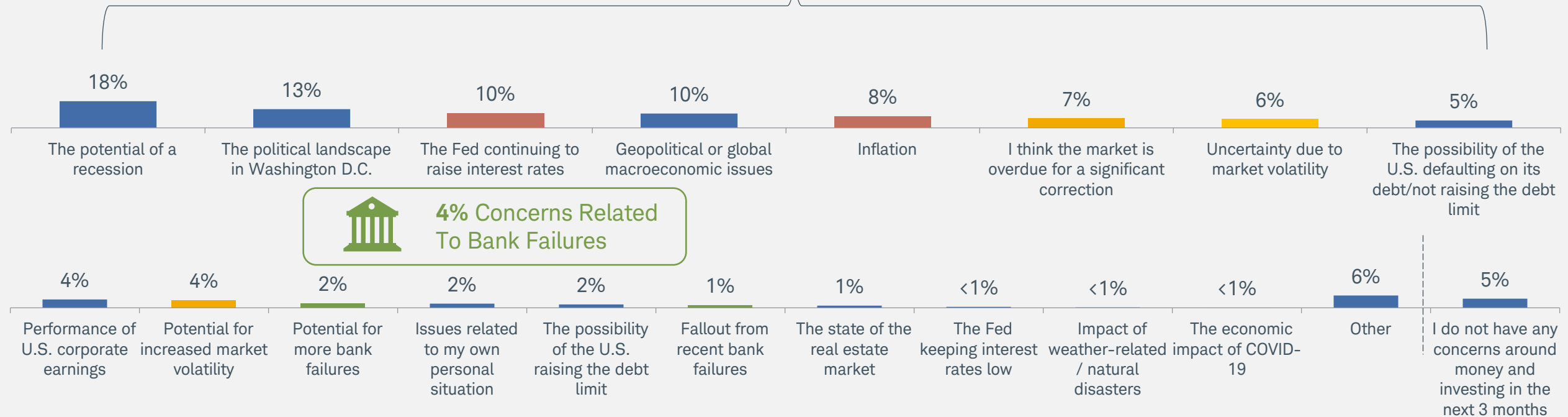
Note: Percentages based among those with a concern



**18% Inflation/Increased Interest Rates Related Concerns**



**4% Concerns Related To Bank Failures**

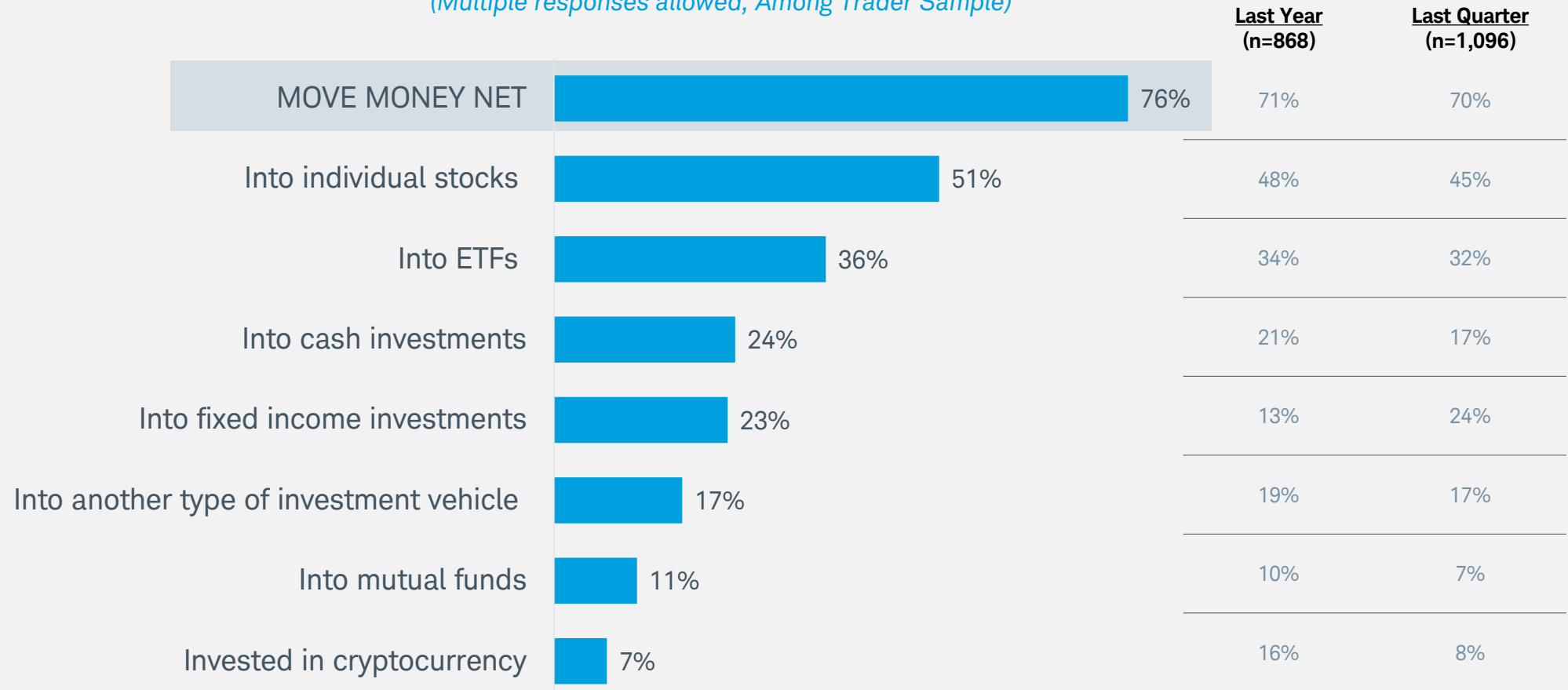


Base = Weighted Total (n=1,083)  
 Q7. What is your primary concern around money and investing within the next 3 months?

# While many have reservations about investing in equities in Q2, more than half of traders report they will move money into individual stocks

## Portfolio Changes Planned in Next 3 Months

(Multiple responses allowed; Among Trader Sample)



Base = Weighted Total (n=1,083)  
Q20. Which of the following actions do you plan to do over the next 3 months?



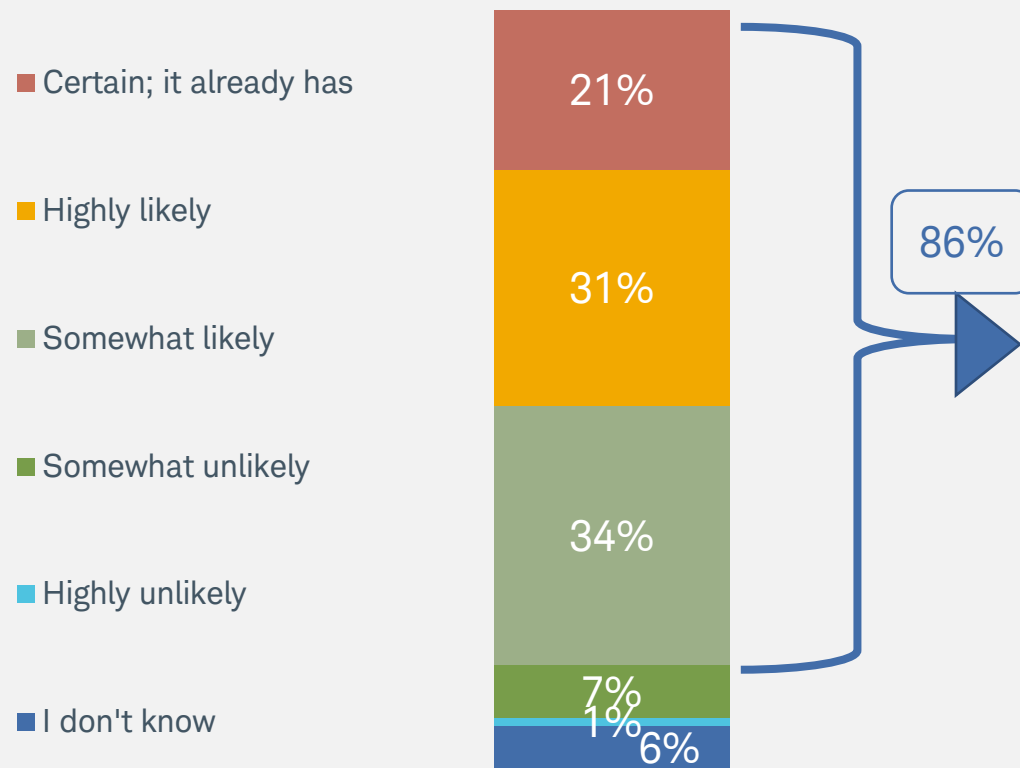
## Special Issues

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

# Most traders (86%) view a recession as likely or having already begun, although this number is virtually unchanged from Q1 '23 (87%)

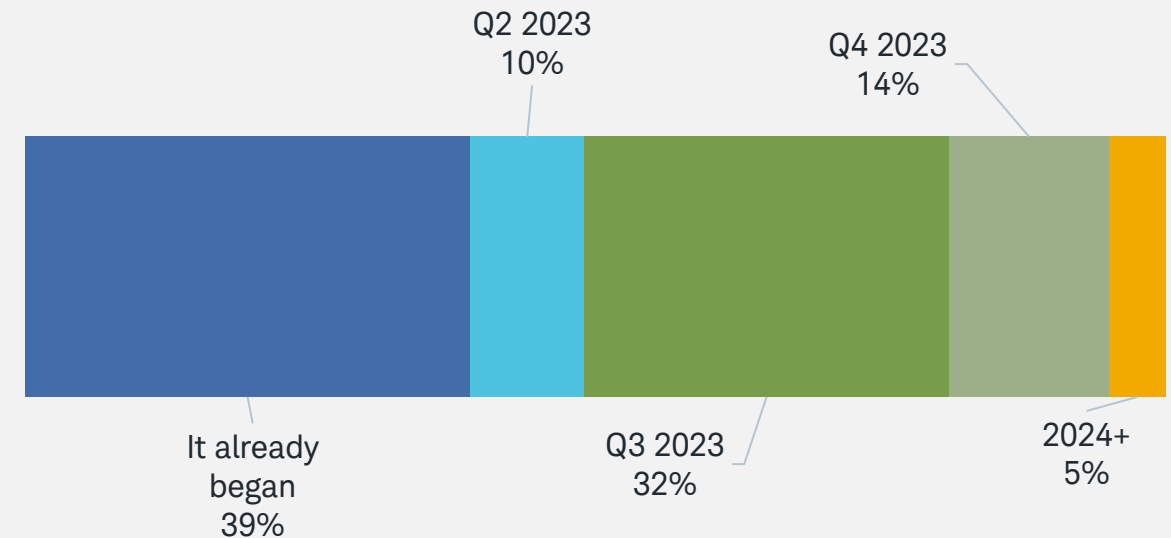
## Expected Likelihood of US Recession

(Single response only; Trader Sample)



## Expected Beginning of Recession^

(Single response only; Among Those Expecting A Recession)

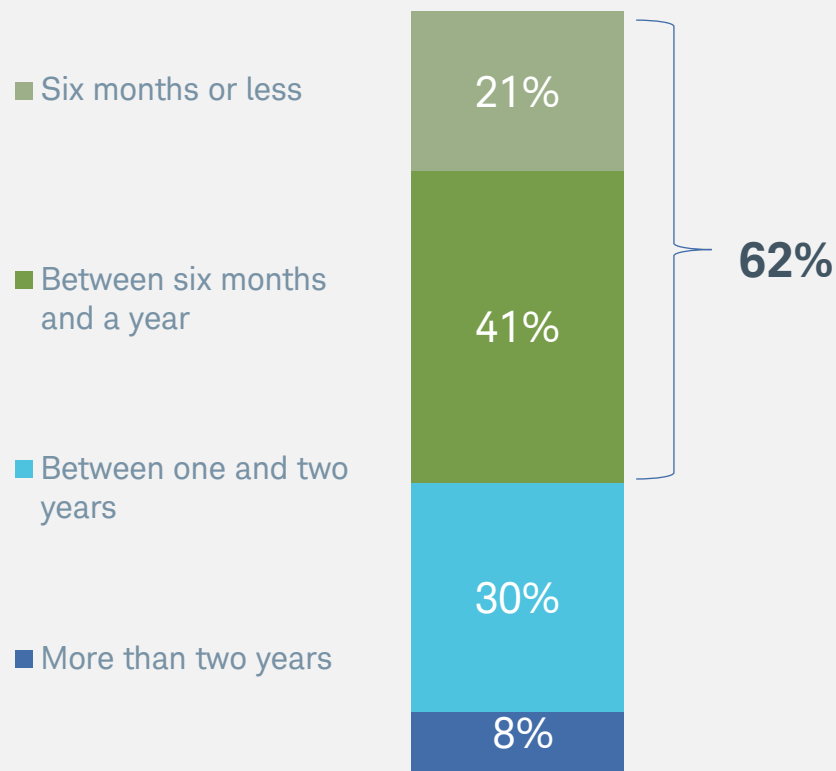


Base = Weighted Total (n=1,083); Base = Recession Is At Least Somewhat Likely (n=925)  
 QAT\_Q223\_1. What, in your opinion, is the likelihood that the US economy will officially enter a recession?  
 QAT\_Q223\_2. When do you expect the recession to begin?

# 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

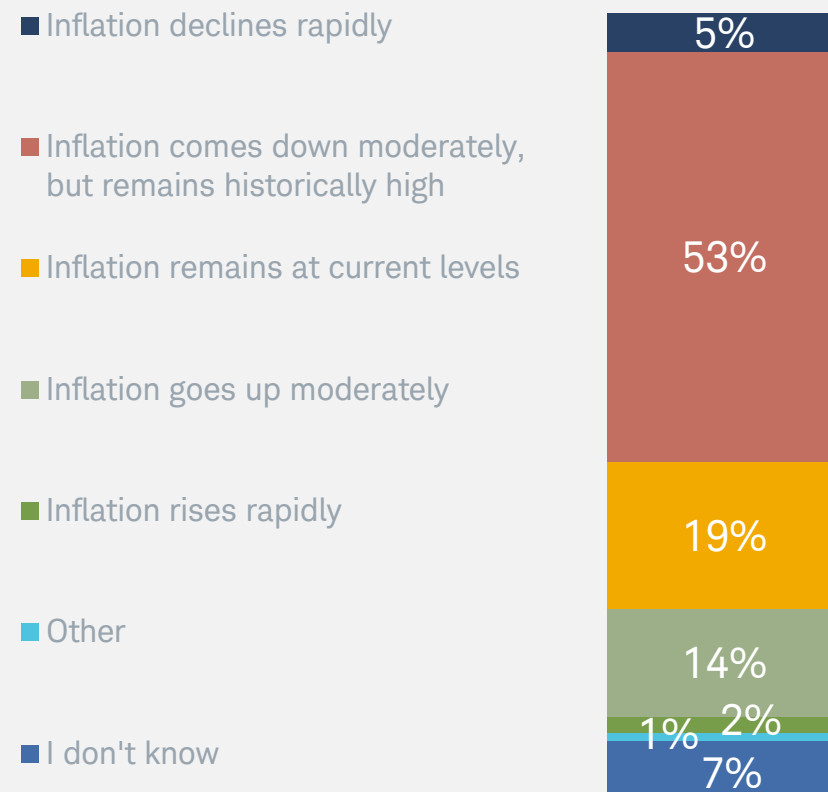
## Expected Length of Recession^

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



## Expected Inflation Scenarios In 2023

(Single response only; Among Trader Sample)



Base = Recession Is At Least Somewhat Likely (n=925)^; Base = Weighted Total (n=1,083)

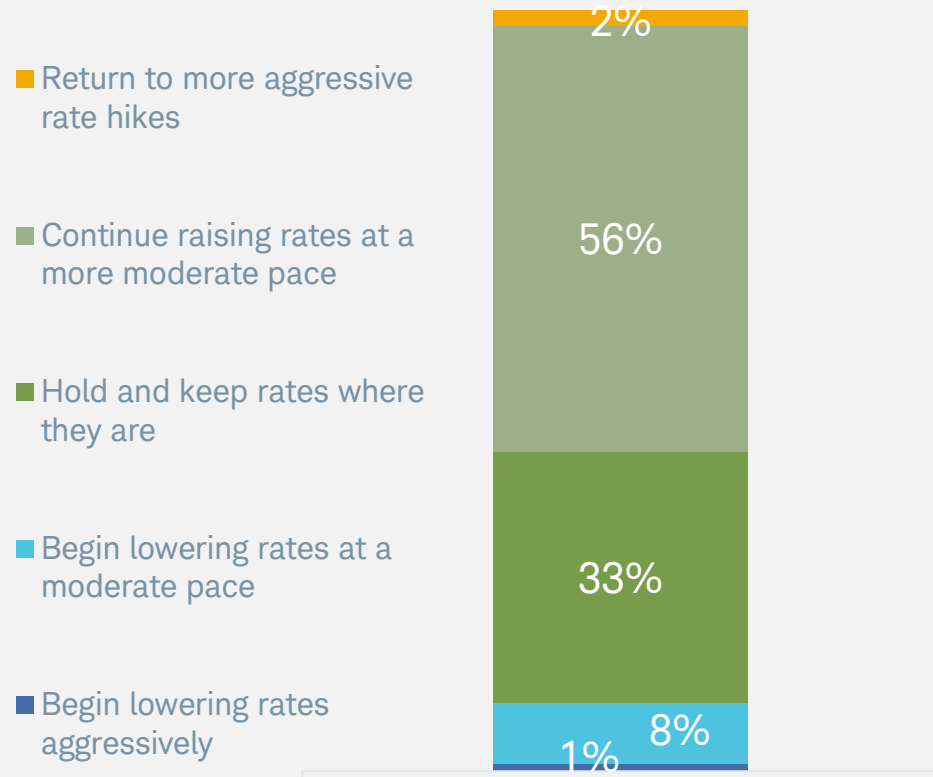
QAT\_Q223\_3. How long do you expect the recession to last?

QAT\_Q223\_4 Which of the following inflation scenarios aligns with your expectations for the remainder of this year?

# 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

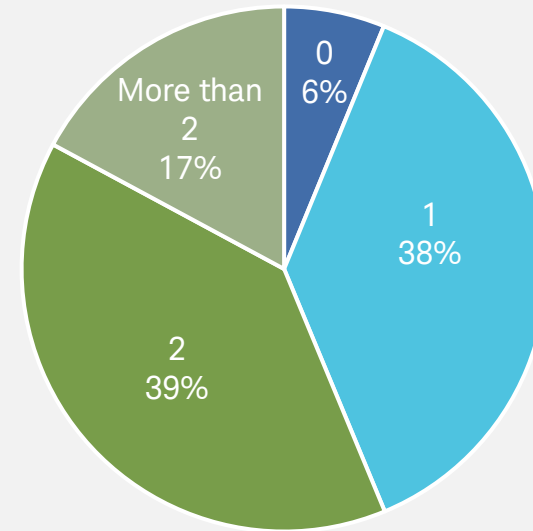
## Expected Interest Rate Actions By Fed

(Single response only; Among Trader Sample)



## Expected Number of Increases Before Stopping or Lowering Rates

(Single response only; Among Trader Sample)



Base = Weighted Total (n=1,083)

QAT\_Q223\_5. What do you expect the Fed will do with interest rates for the remainder of this year?

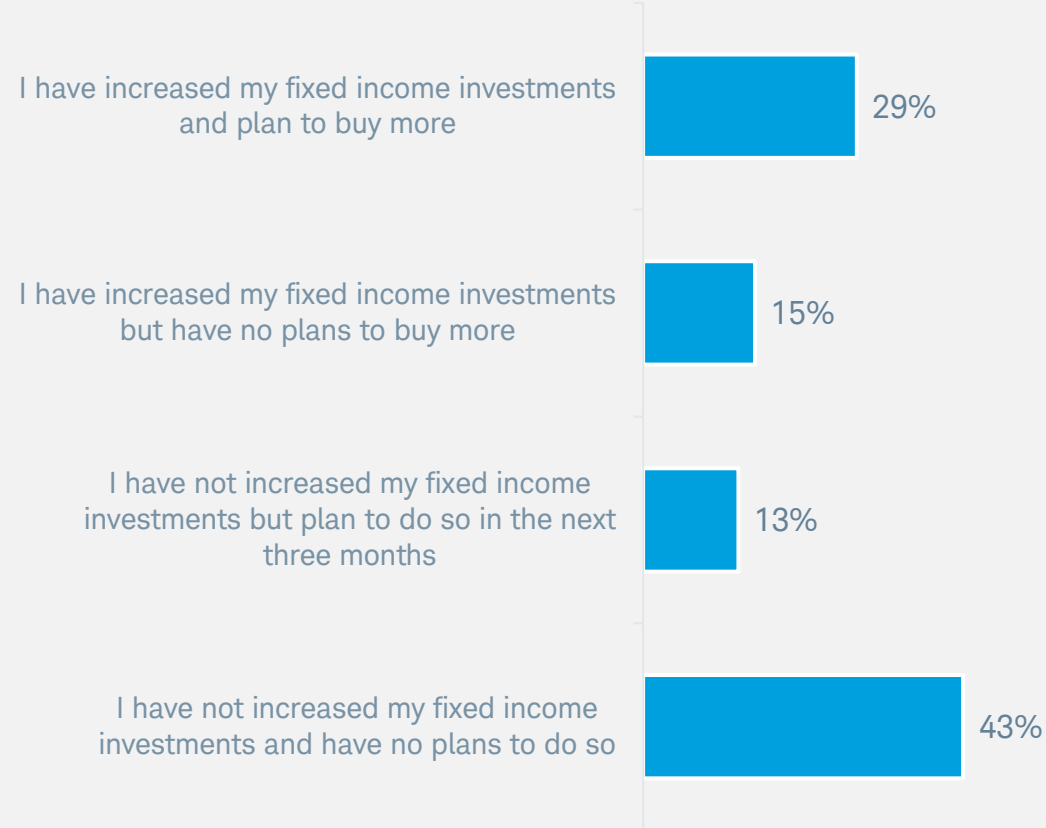
QAT\_Q223\_5A. How many more rate increases do you expect the Fed to make before they stop or begin lowering rates?



# 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)

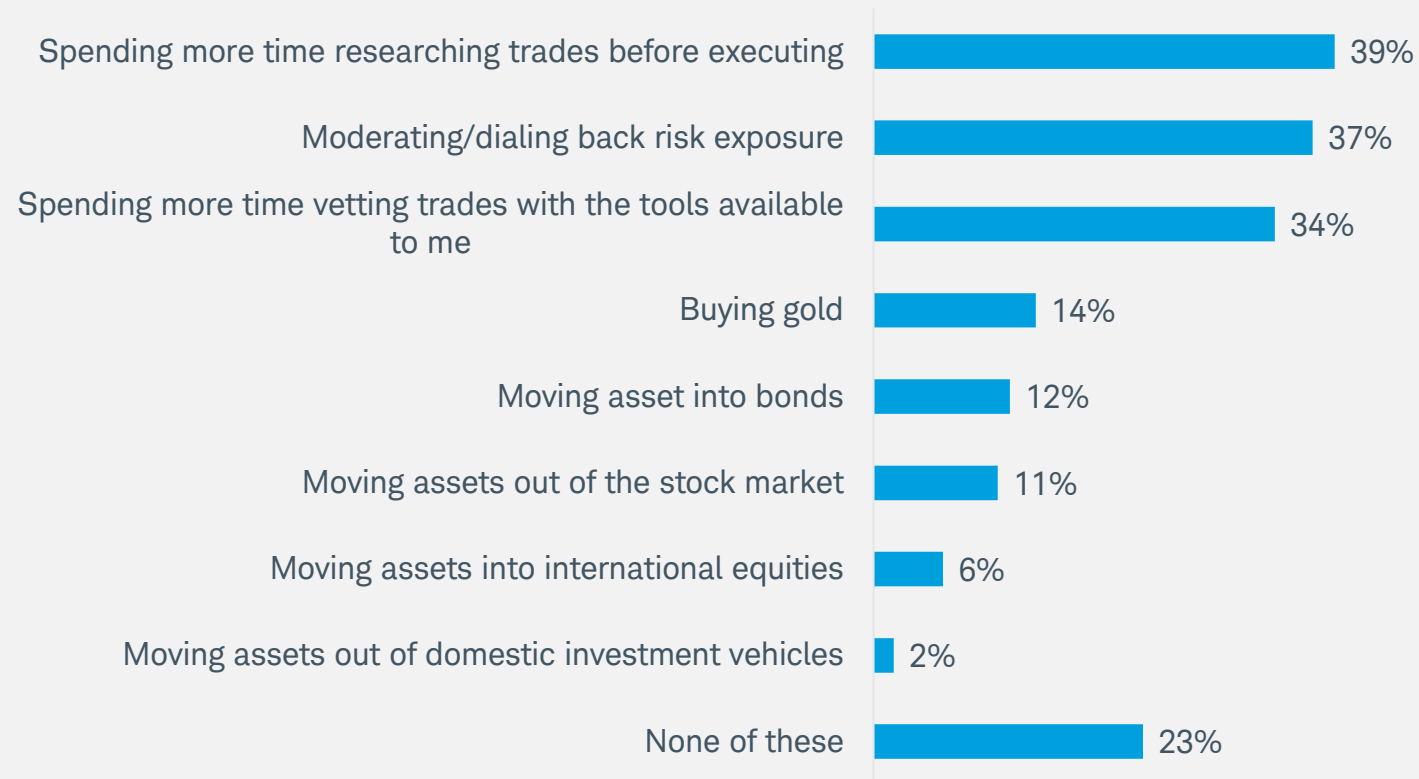


Base = Weighted Total (n=1,083)

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)*





# 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 5<sup>th</sup> – May 3<sup>rd</sup>, 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.

<b>Gender</b>		<b>Affluence</b>		<b>Active Trader</b>	
Male	944 (87%)	HNW (\$1M+)	381 (35%)	Active	1,083 (100%)
Female	86 (8%)	Affluent (\$250K-<\$1M)	352 (33%)	Not Active	
No answer	53 (5%)	Foundational (<\$250K)	350 (32%)		
<b>Life Stage</b>		<b>Financial Consultant Relationship</b>		<b>Employment Status</b>	
Younger Investor (<40)	178 (16%)	Has Financial Consultant	266 (25%)	Employed full-time	431 (40%)
Mid-Life (40-55)	300 (28%)	Does not have Financial Consultant	817 (75%)	Employed part-time	28 (3%)
Mature (55+ not retired)	306 (28%)			Self-employed	176 (16%)
Retired	273 (25%)			Retired/semi-retired	353 (33%)
				Other	38 (4%)
				No answer	57 (5%)