

Q3 2023 Trader Client Sentiment Report

charles
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Q3 2023 Executive Summary

Sentiment among traders is decidedly rosier in Q3, with just over half of traders feeling it's a good time to invest in equities and most (53%) reporting a stronger financial standing year-over-year.

Key Q3 Themes

- Sentiment among traders is on the upswing, with a 12-point increase in bullishness in Q3 compared to Q2 '23. Sentiment has risen among traders in all life stages, although mature and mid-life traders are most bullish.
- Traders remain confident in their ability to reach their financial goals and most (63%) are confident in their investment decision-making.
- The potential for an economic recession, rising interest rates and the political landscape are among traders' primary investing concerns. Most (69%) traders see a recession as likely, but of those, most expect it to last less than a year.
- Inflation data is the most important economic data in shaping traders' market or economic outlook, and while few expect inflation to worsen during the remainder of the year, most (80%) predict it will rise, remain historically high or stay at current levels.
- Artificial Intelligence (AI) is a significant area of interest for traders. Just over half (51%) are bullish on AI stocks at a category level, two-thirds of traders (66%) see AI as potentially having a significant or massive impact on the market within the next three years, and 35% are already factoring a company's use of AI into their stock analysis.

Q3'23 Trader Sentiment Snapshot

Good Time to Invest

51%



Better Off Financially

53%

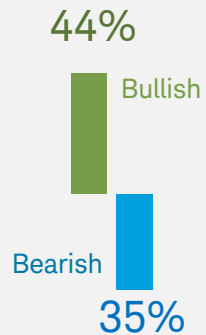


Confident In Decisions

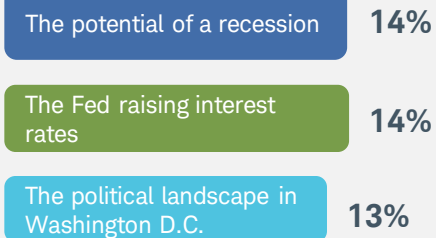
63%



3 Month Outlook



Primary Concern Next 3 Months

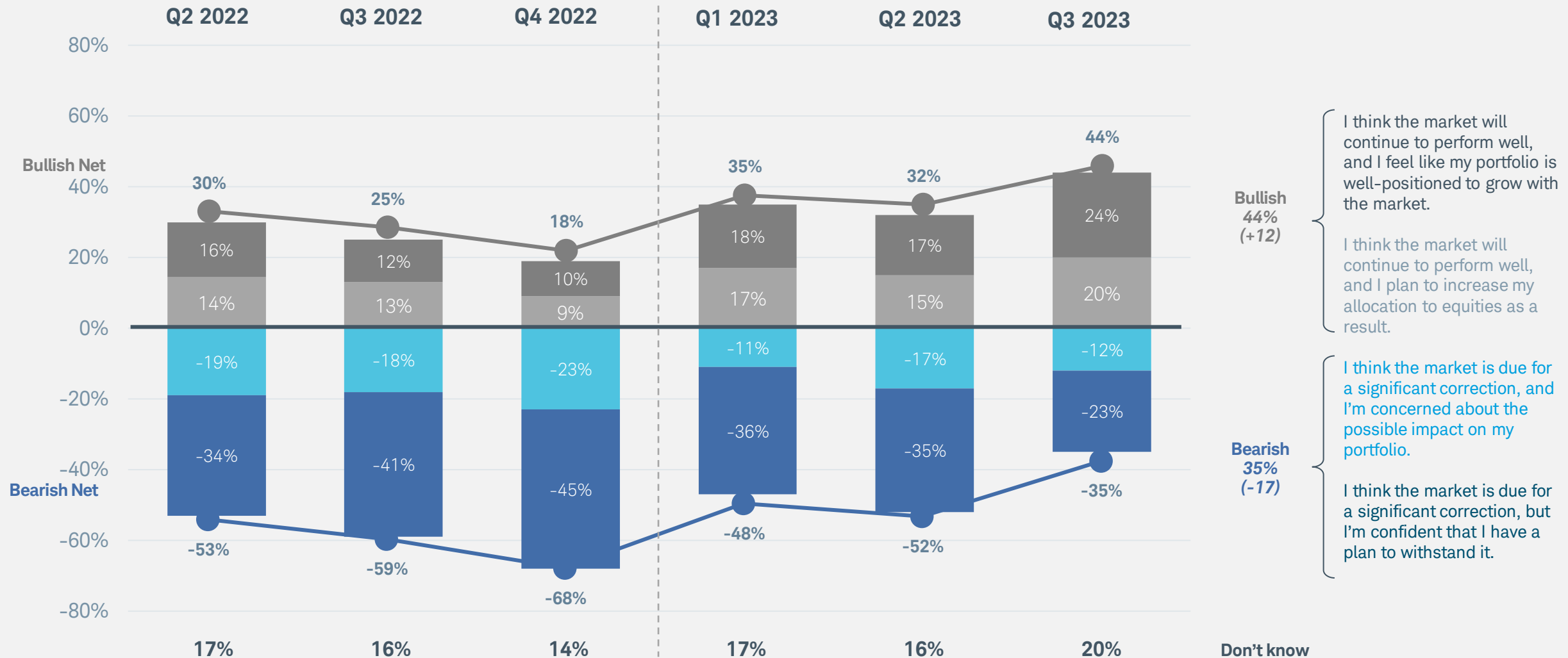


Planned Actions For The Next 3 Months



Sentiment among traders is on the upswing, with a 12-point increase in bullishness in Q3

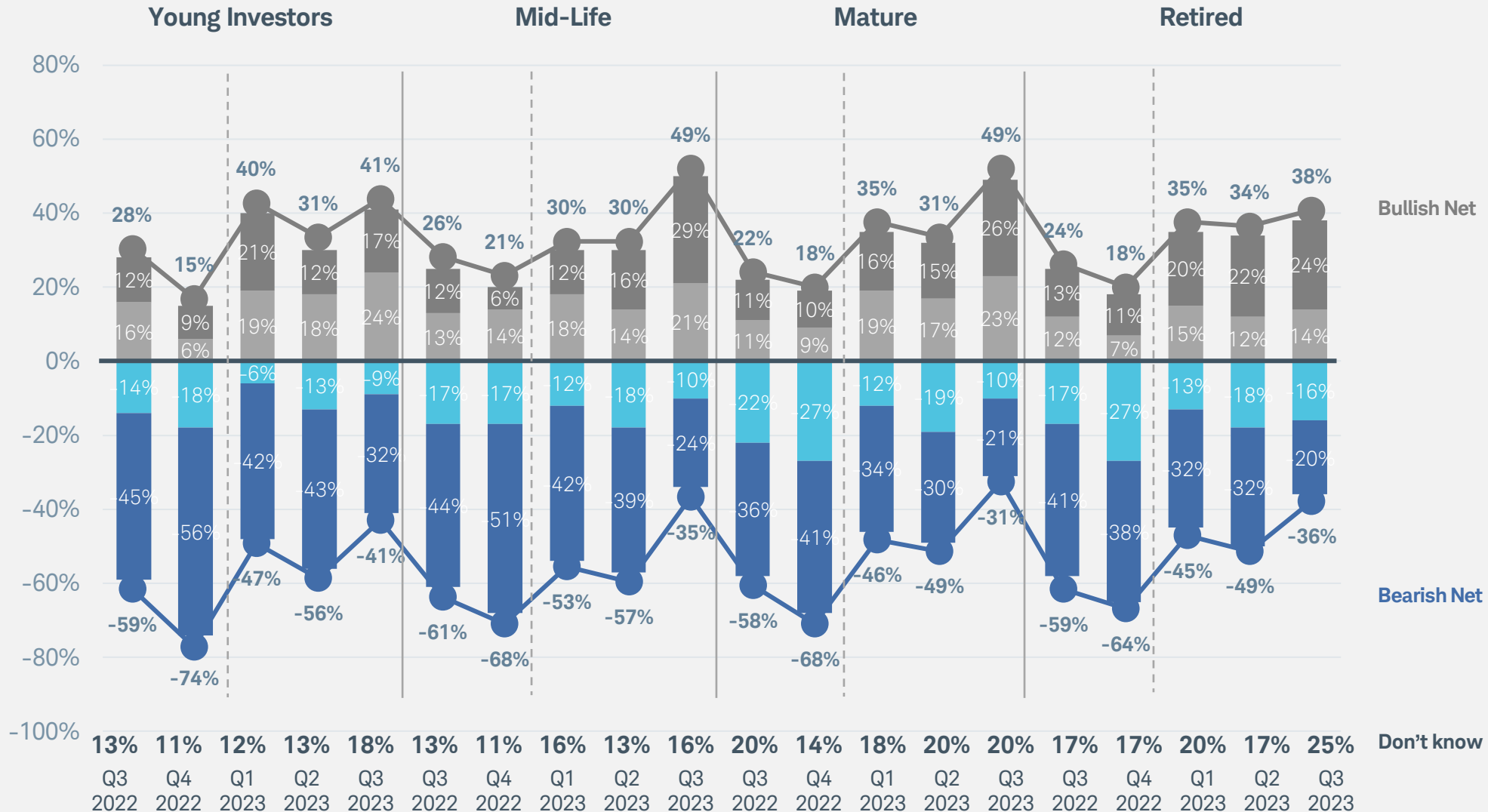
Outlook For U.S. Stock Market (Single response only; Among Trader Sample)



Base = Weighted Total (n=768)
Q6. Thinking about the next 3 months, which statement best describes your outlook for the U.S. stock market?

Mature and mid-life traders are most bullish, although sentiment has risen among all life stages

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.

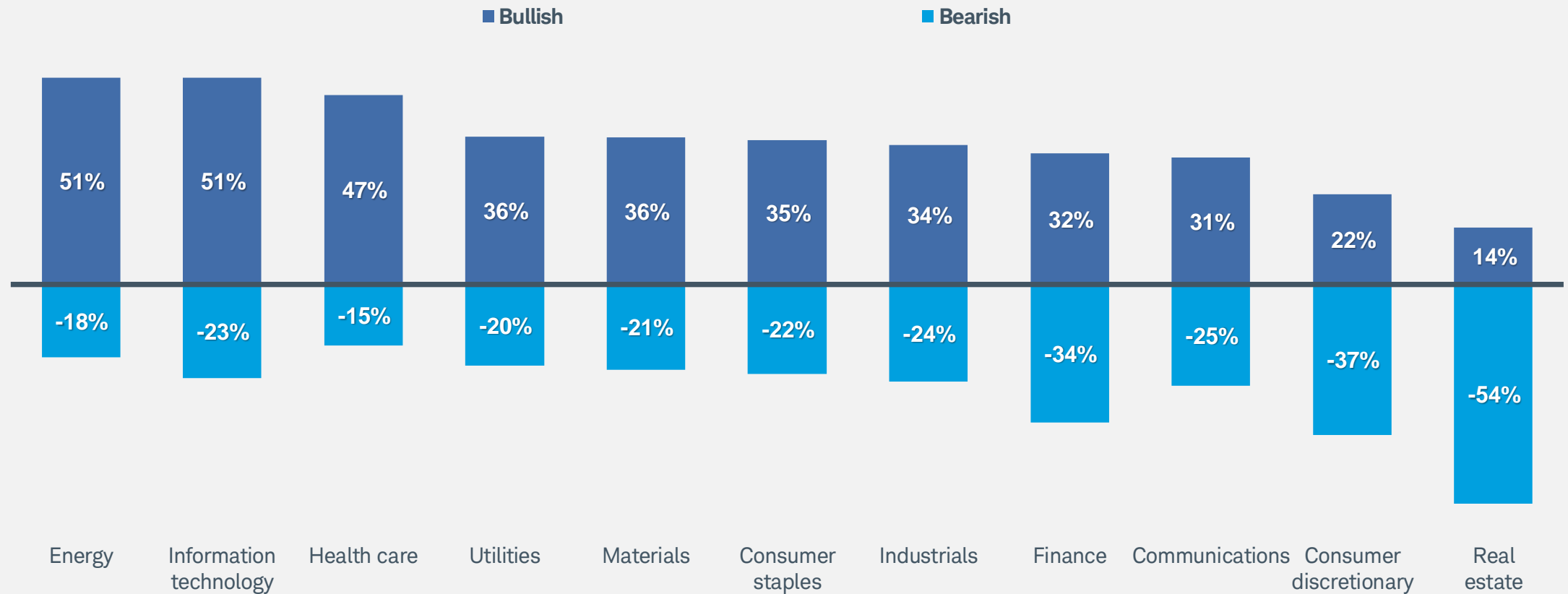
I think the market is due for a significant correction, but I'm confident that I have a plan to withstand it.

Base = Weighted Total (n=768)

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

Traders are most bullish about the Energy, Information Technology and Health Care sectors; more than half are bearish on Real Estate

Sector Sentiment Over Next 3 Months (Among Trader Sample)



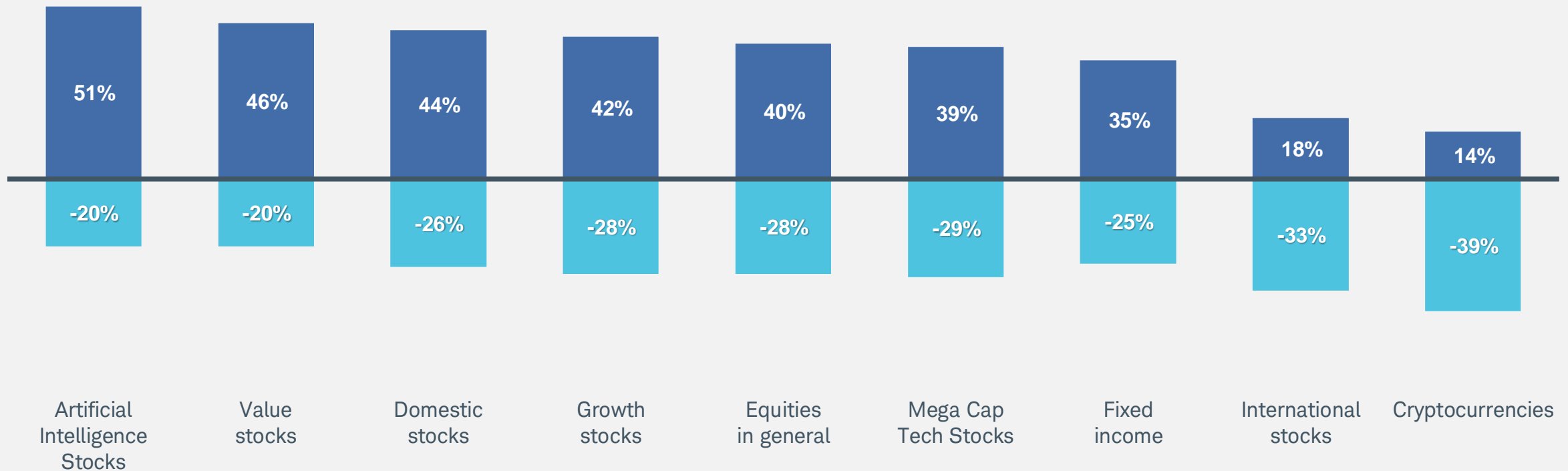
Base = Weighted Total (n=768)
Q23A. In your opinion, which term best describes the U.S. stock market for each of the following sectors over the next three months?

Most traders have a rosy outlook on AI stocks while comparatively few favor cryptocurrencies

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

■ Bullish

■ Bearish

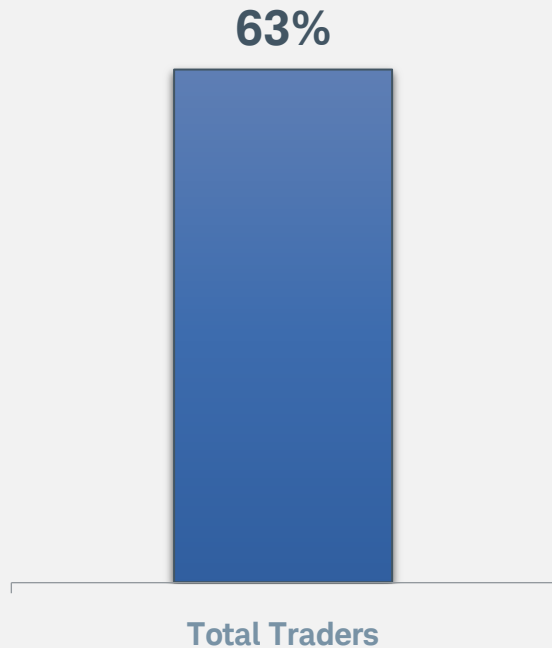


Base = Weighted Total (n=768)
QAT_Q323_7. Are you bullish or bearish on each of the following for the next 3 months?

Most traders report an improved financial standing compared to one year ago and a slim majority (51%) report it's a good time to invest in equities

Q3 2023: Confidence in Investment Decision Making

(% Extremely/Very Confident; Among Trader Sample)



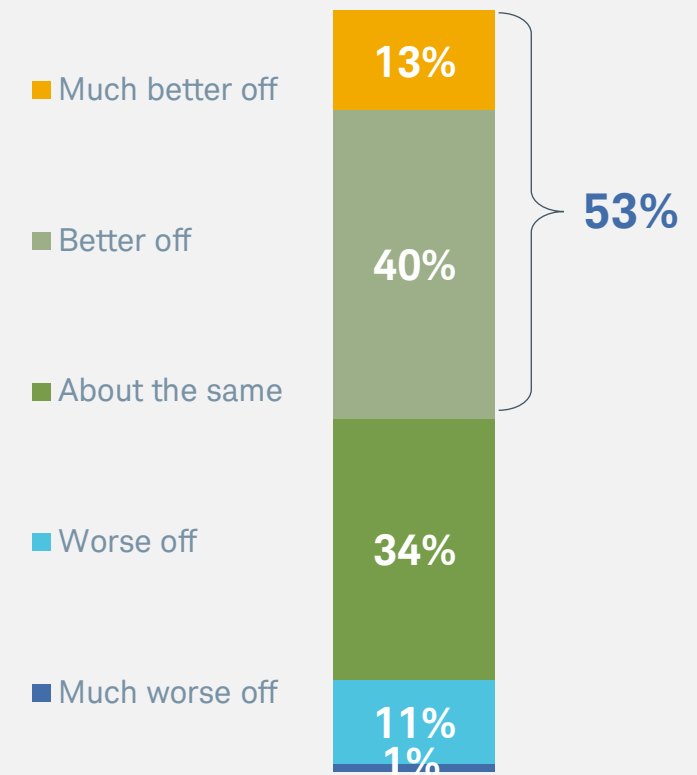
Q3 2023: Is this a Good or Bad Time to Invest?

(% Very Good/Good; Among Trader Sample)



Financial Standing vs. Year Ago

(Among Trader Sample)



Base = Weighted Total (n=768)

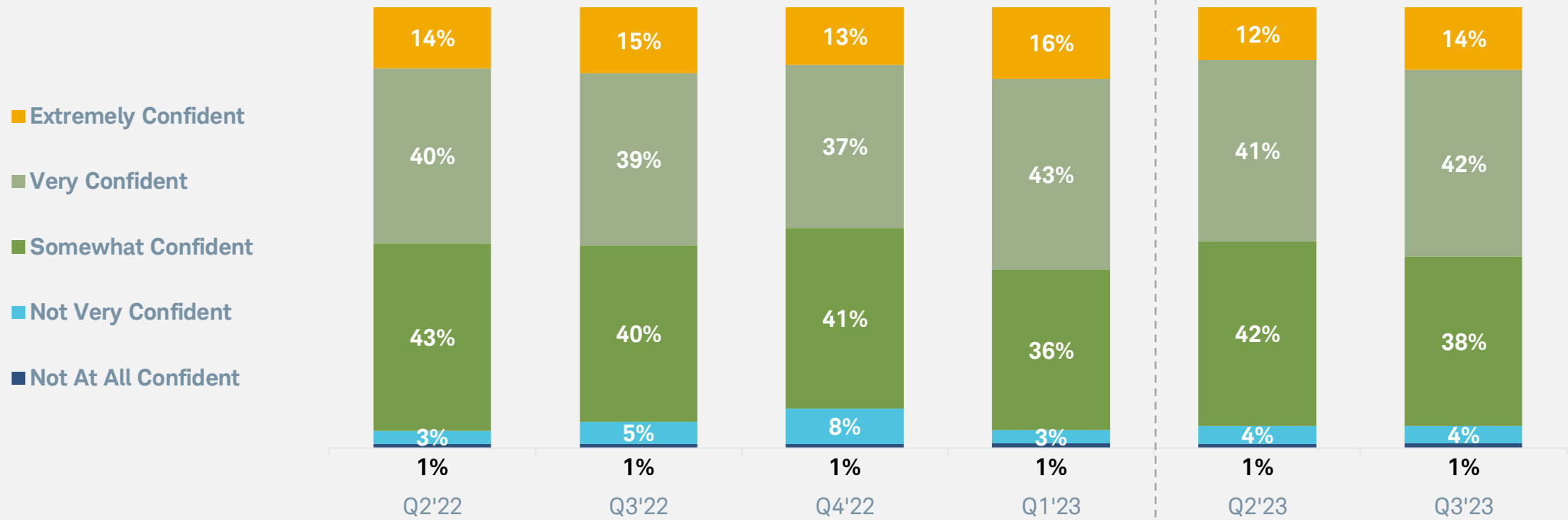
Q4. How confident are you in making investment decisions for your household?

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 remain overwhelmingly confident in their ability to achieve their financial goals

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



Base = Weighted Total (n=768)
 Q10. Which statement best describes your confidence in reaching your financial goals?

The potential for an economic recession, rising interest rates and the political landscape are among traders' primary investing concerns

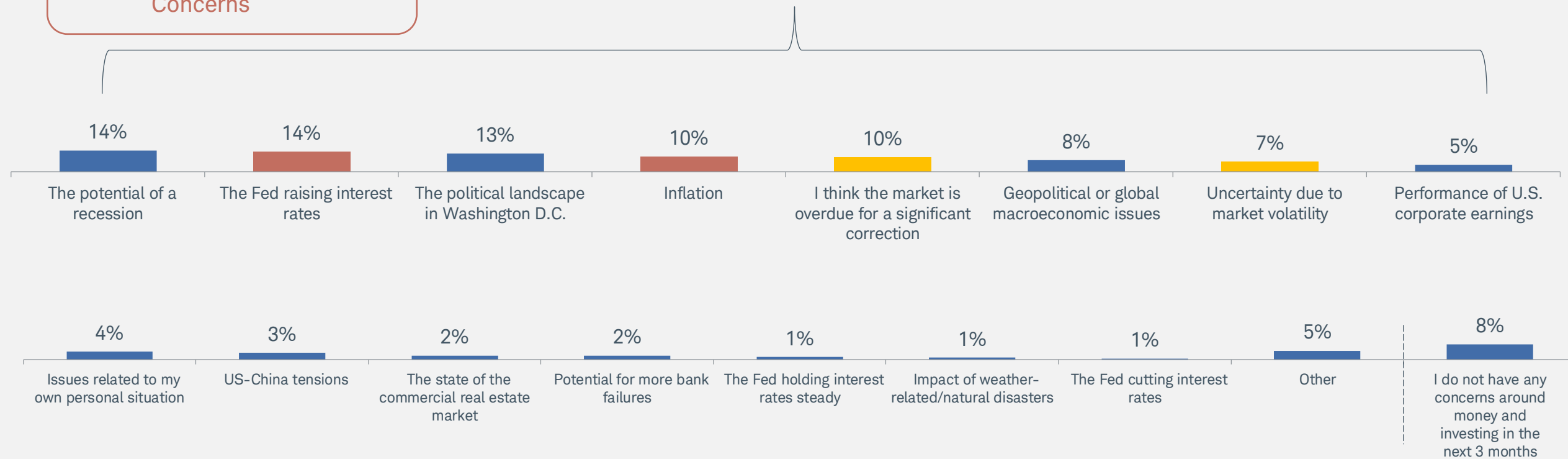
Primary Concern About Investing

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



24% Inflation/Increased Interest Rates Related Concerns

Note: Percentages based among those with a concern



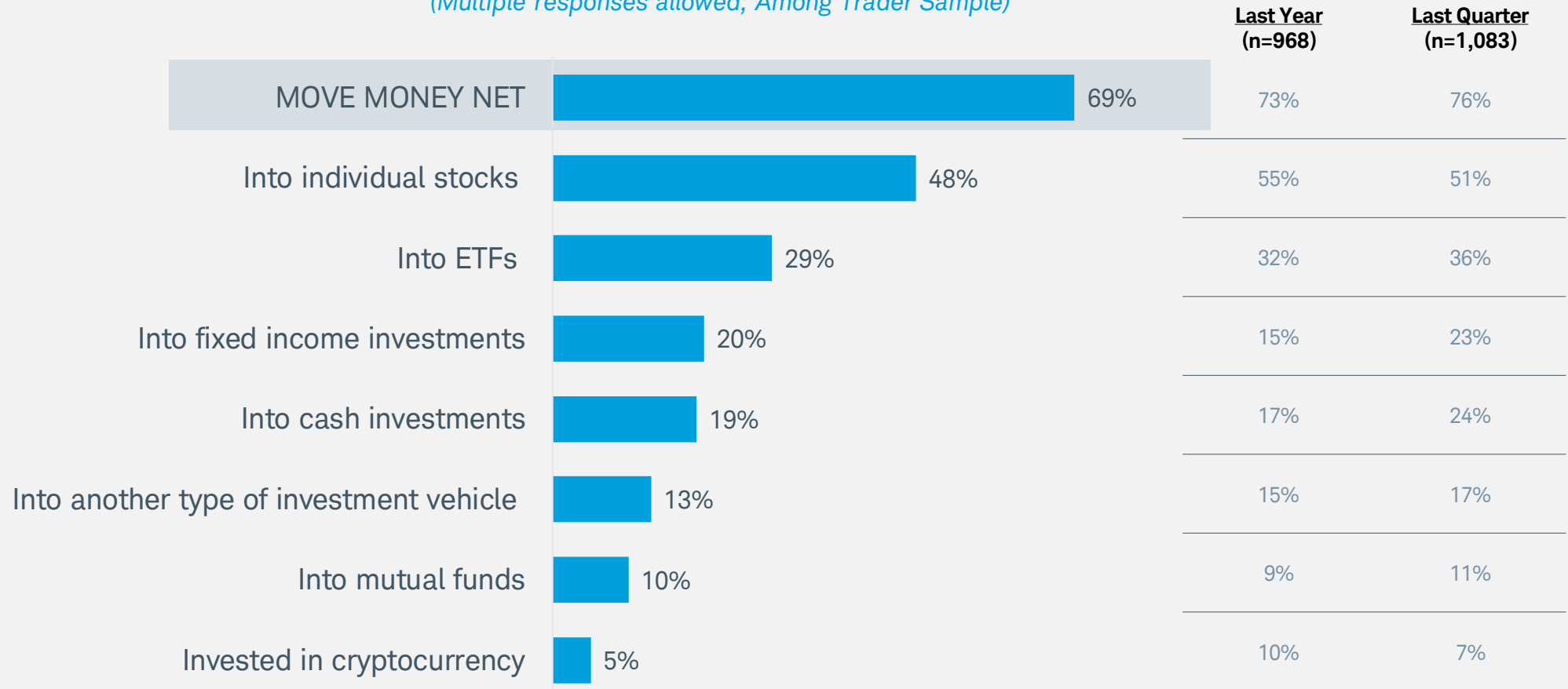
Base = Weighted Total (n=768)

Q7. What is your primary concern around money and investing within the next 3 months?

Despite being split on whether it's a good time to invest in equities, individual stocks remain the most popular destination for traders moving money

Portfolio Changes Planned in Next 3 Months

(Multiple responses allowed; Among Trader Sample)



Base = Weighted Total (n=768)
Q20. Which of the following actions, if any, do you plan to do over the next 3 months?



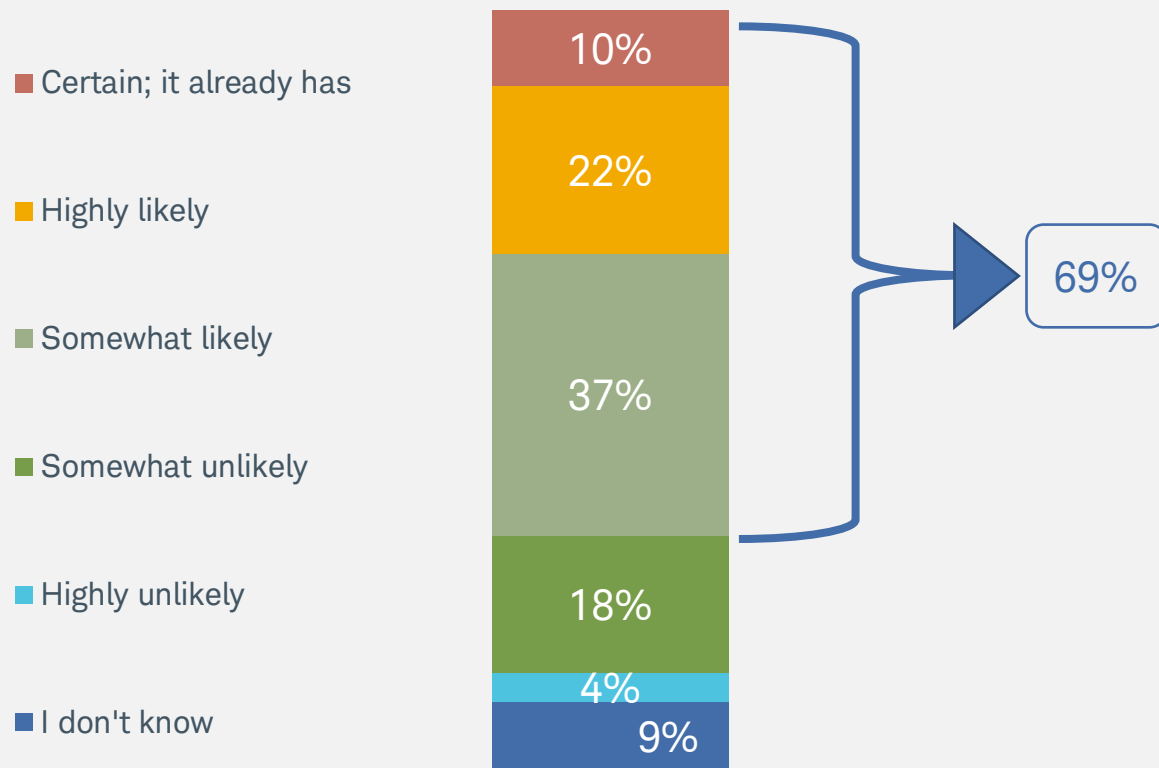
Special Issues

- Recession: Likelihood, Timing, & Expectations
- Trading Strategy:
 - Economic Data
 - Expectations of Economy
 - Impact of US-China Relations
- Technology Advancements:
 - Company use of Artificial Intelligence (AI)
 - Impact on The Market

Most (69%) traders see a recession as likely; of those traders, more than one in four report it has already begun

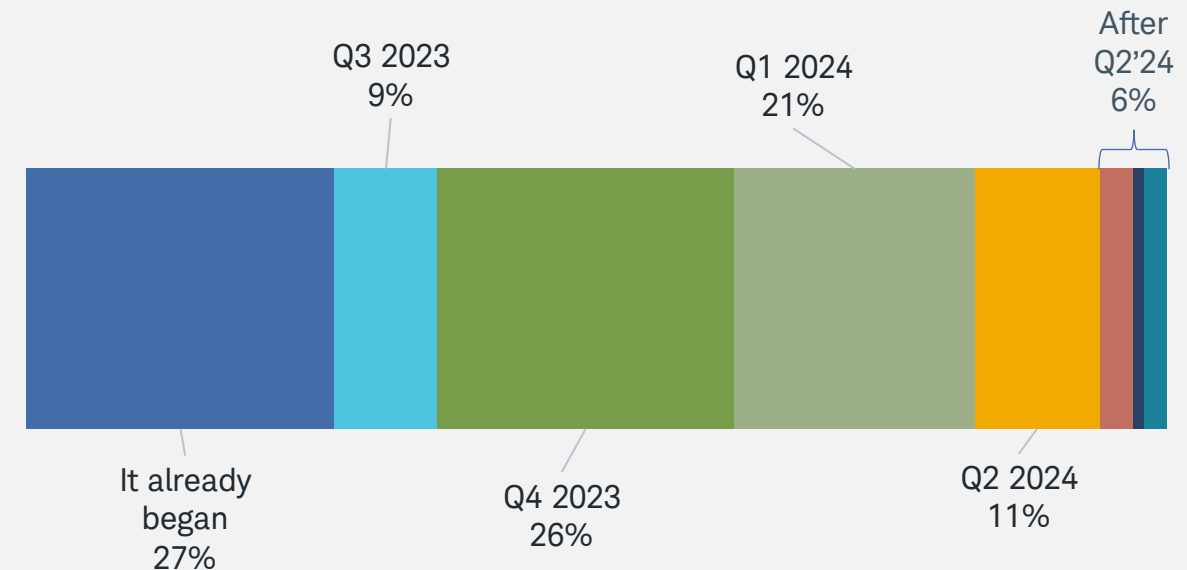
Expected Likelihood of US Recession

(Single response only; Among Trader Sample)



Expected Beginning of Recession^

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

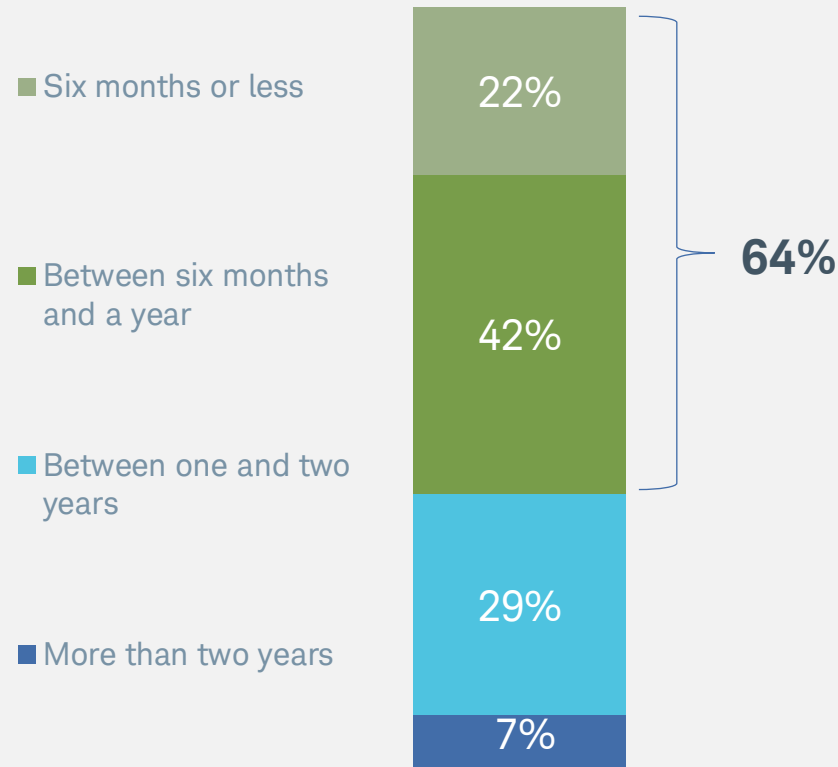


Base = Weighted Total (n=768); Base = Recession Is At Least Somewhat Likely (n=531)^
 QAT_Q323_1. What, in your opinion, is the likelihood that the US economy will officially enter a recession?
 QAT_Q323_2. When do you expect the recession to begin?

Most (64%) traders expecting a recession believe it will last less than a year; Few expect inflation to worsen, but most predict it will remain historically high or at current levels

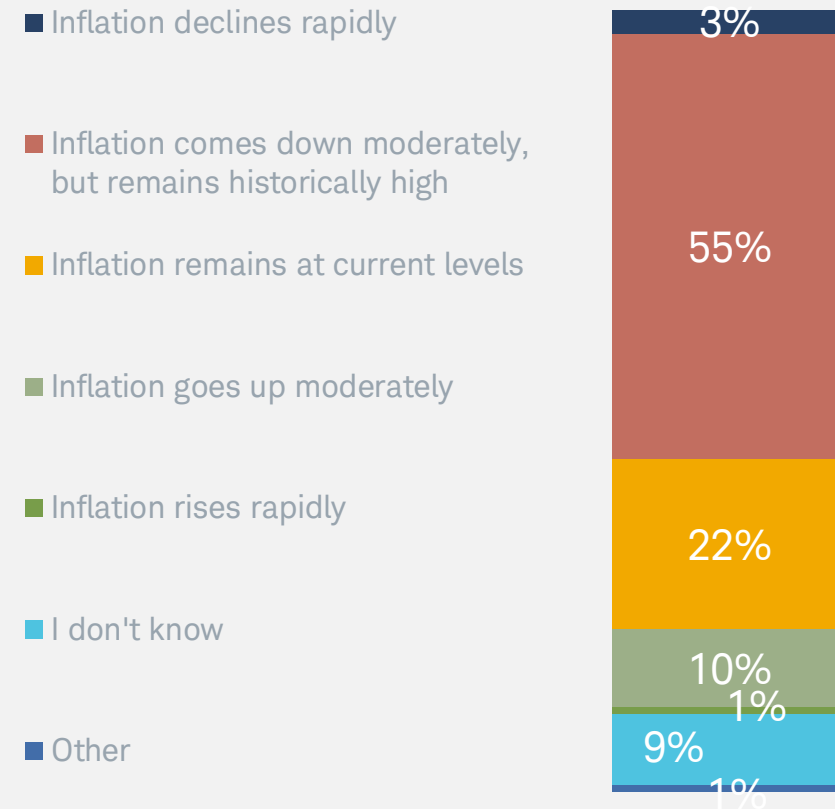
Expected Length of Recession^

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



Expected Inflation Scenarios In 2023

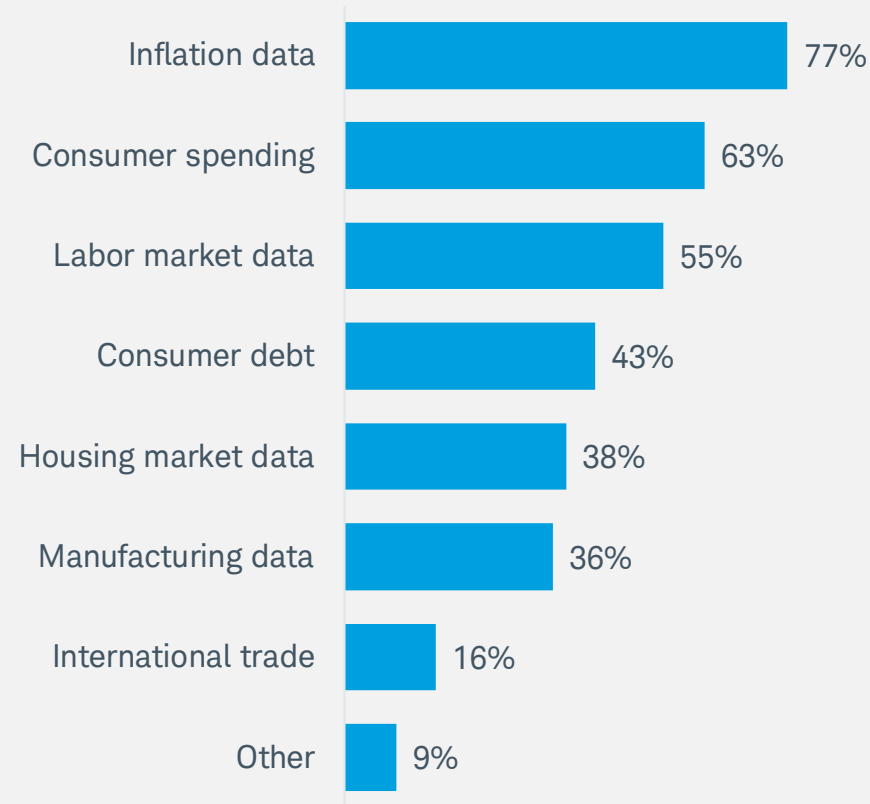
(Single response only; Among Trader Sample)



Base = Recession Is At Least Somewhat Likely (n=531)^; Base = Weighted Total (n=768)
 QAT_Q323_3. How long do you expect the recession to last?
 QAT_Q323_4 Which of the following inflation scenarios aligns with your expectations for the remainder of this year?

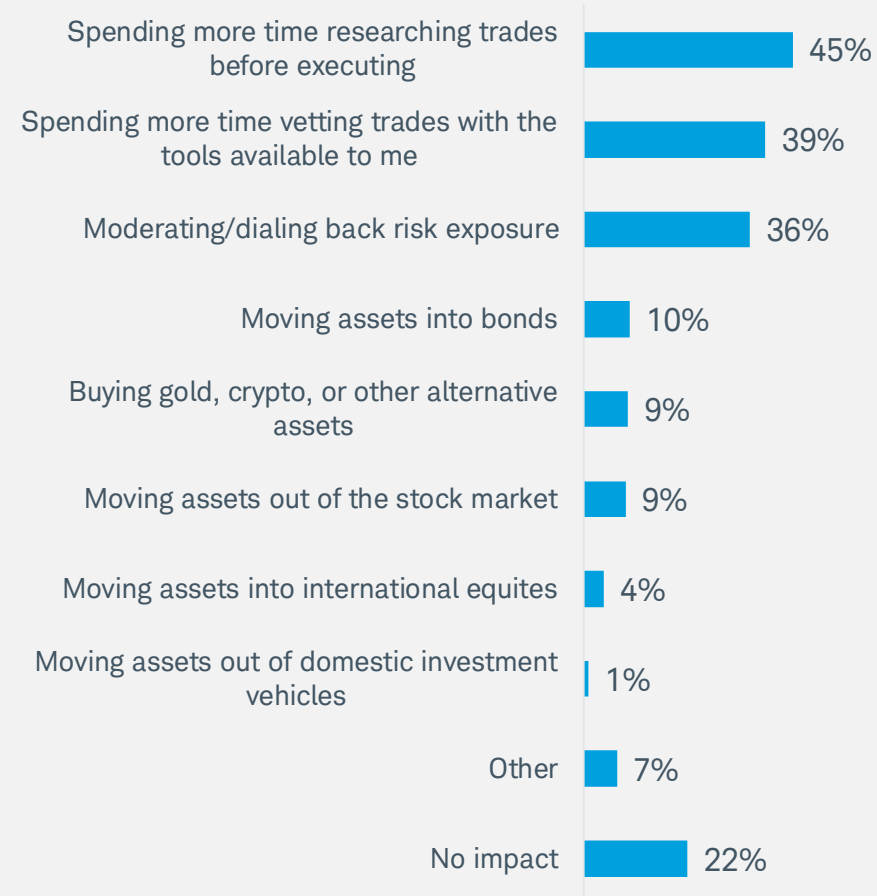
Inflation data is most important in shaping traders' market or economic outlook, followed by consumer spending and labor market insights

**Importance of Economic Data on
Market/Economic Outlook**
(Multiple response; Among Trader Sample)



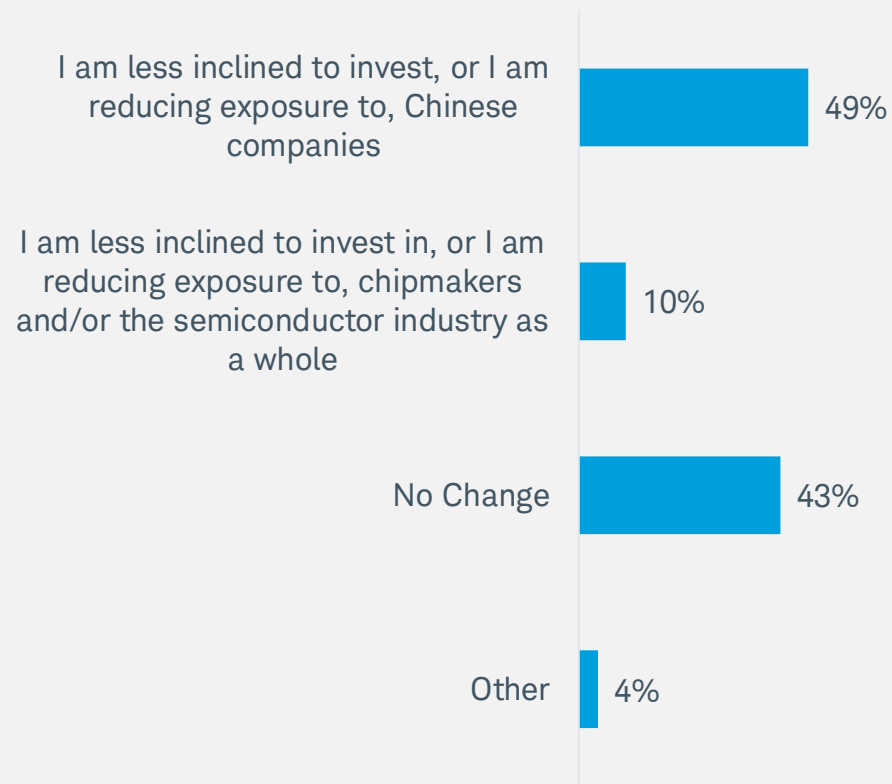
Traders' expectations for the economy are leading them to do more research and vetting of trades

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



U.S.-China tensions are making just less than half (49%) of traders less inclined to invest in, or to reduce exposure to, Chinese companies

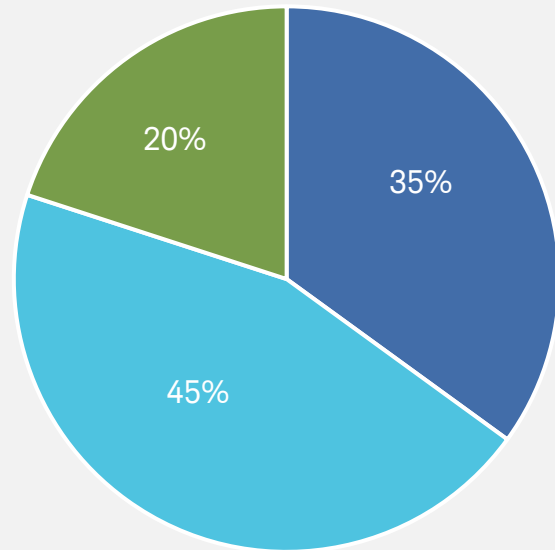
Impact from US-China Tensions on Trading Strategy *(Multiple responses allowed; Among Trader Sample)*



Two-thirds of traders (66%) see AI as potentially having a significant or massive impact on the market and 35% are already factoring a company's use of AI into their stock analysis

Factoring Company Use of AI into Stock Analysis

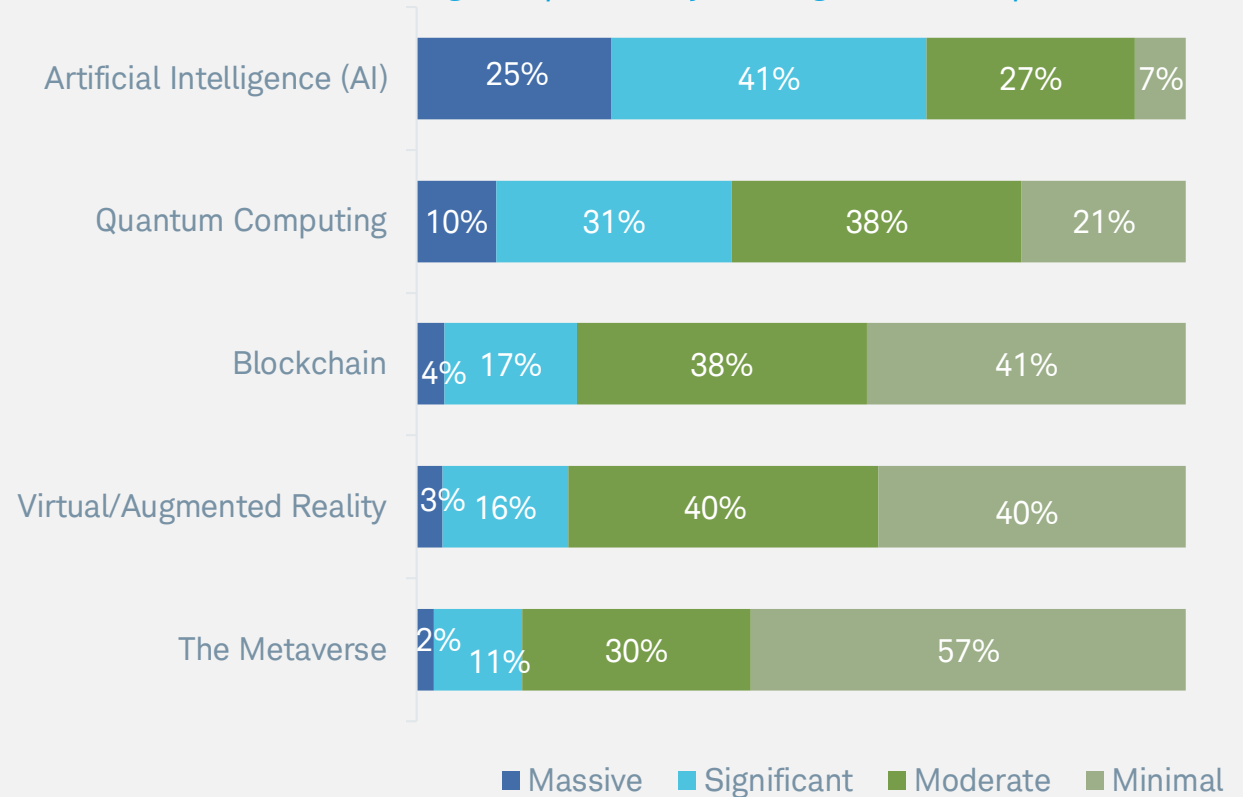
(Single response only; Among Trader Sample)



■ Yes ■ No ■ Not sure/Don't Know

Market Impact of Technologies Over Next 1-3 Years

(Single response only; Among Trader Sample)



■ Massive ■ Significant ■ Moderate ■ Minimal

Base = Weighted Total (n=768)

QAT_Q323_11. Is company use of AI something you are factoring into your stock analysis?

QAT_Q323_12. Using the scale, below how would you rate the potential market impact of each of the following technologies over the next 1-3 years?

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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
- Q3 study was fielded July 6th – August 3rd, 2023

Sample:

- 768 Active Traders (clients who actively trade equities or trade options, futures, or forex).
 - Of the 768 Active Traders, 419 traders using TD Ameritrade, 349 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.

<p>Gender</p> <p>Male 665 (87%)</p> <p>Female 65 (9%)</p> <p>No answer 38 (5%)</p>	<p>Affluence</p> <p>UHNW (\$10M+) 12 (<2%)</p> <p>HNW (\$1M-\$10M) 289 (38%)</p> <p>Mass Affluent (\$250K-<\$1M) 213 (28%)</p> <p>Core (<\$250K) 254 (33%)</p>	<p>Active Trader</p> <p>Active 768 (100%)</p> <p>Not Active</p>
<p>Life Stage</p> <p>Younger Investor (<40) 106 (14%)</p> <p>Mid-Life (40-55) 180 (24%)</p> <p>Mature (55+ not retired) 230 (31%)</p> <p>Retired 233 (31%)</p>	<p>Financial Consultant Relationship</p> <p>Has Financial Consultant 167 (22%)</p> <p>Does not have Financial Consultant 601 (78%)</p>	<p>Employment Status</p> <p>Employed full-time 285 (37%)</p> <p>Employed part-time 19 (3%)</p> <p>Self-employed 117 (15%)</p> <p>Retired/semi-retired 298 (39%)</p> <p>Other 17 (2%)</p> <p>No answer 32 (4%)</p>