Q4 2023 Executive Summary

Sentiment among traders has turned more bearish vs. the previous quarter with fewer believing it is a good time to invest in equities and fewer feeling their financial standing has improved – though sentiment is still more bullish than this time last year.

Key Q4 Themes

- The political landscape in Washington, D.C. is weighing on traders' minds, with 21% citing it as their primary concern about investing compared to 16% who see Federal Reserve interest rate increases as the primary concern and 11% who are focused on the potential for a recession.

- Two-thirds still believe a U.S. recession in 2024 is at least somewhat likely, but many also expect inflation to come down next year.

- Compared to last year, traders are roughly split as to whether they are more optimistic or pessimistic about the economy in 2024.

- Many traders are dialing back on risk exposure and spending more time researching trades and vetting them with the tools available to them. But they are still more than twice as likely to be planning to move money into their investment portfolio than take money out.

- At the sector level, traders continue to be most bullish on energy, followed by IT and Healthcare, and most bearish on real estate, consumer discretionary, and finance.
  - Traders are relatively bullish on value stocks, AI stocks, and fixed income investments, and relatively bearish on crypto and international stocks.
Q4’ 23 Trader Sentiment Snapshot

**Good Time to Invest in Equities**
- 41%

**Better Off Financially**
- 33%

**Confident In Decisions**
- 64%

**3 Month Outlook**
- Bearish: 53%
- Bullish: 32%

**Primary Concern Next 3 Months**
- The political landscape in Washington D.C.: 21%
- The Fed raising interest rates: 16%
- The potential of a recession: 11%

**Planned Actions For The Next 3 Months**
- Move money into individual stocks: 45%
- Add money into my investment portfolio: 38%
- Move money into ETFs: 33%
- Move money into fixed income investments: 26%
- Move money into cash investments: 23%
- Move money into another type of investment vehicle: 16%
- Take money out of my investment portfolio: 14%
- Seek investing guidance or advice: 10%
- Move money into mutual funds: 10%
- Invest in cryptocurrency: 6%
- Create a written financial plan: 5%
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 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.

Note: Sentiment among traders shifted more bearish, with a 12-point decrease in bullishness in Q4.
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 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.

Young and mid-life investors are most bullish, although sentiment is down among all life stages.
Traders continue to be most bullish about the energy, IT and health care sectors; they are increasingly bearish on real estate.

Q23A. In your opinion, which term best describes the U.S. stock market for each of the following sectors over the next three months?
41% of traders think it’s a good time to invest in equities, down 10% from last quarter

**Believe This is a Very Good / Good Time to Invest**
- 64% of traders believe it is a very good time to invest.
- 41% believe it is a good time.

**Financial Standing vs. Year Ago**
- 9% are much better off.
- 25% are better off.
- 45% are about the same.
- 16% are worse off.
- 4% are much worse off.

**Extremely / Very Confident In Investment Decision Making**
- 64% of traders are extremely or very confident.

Base = Weighted Total (n=846)
Q1. In your opinion, is this a good time or bad time to invest in stocks, mutual funds and other equity-based investments?
Q2. How confident are you in making investment decisions for your household?
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 reach their financial goals

Confidence In Reaching Financial Goals

(Single response only)

Q10. Which statement best describes your confidence in reaching your financial goals?

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

Base = Weighted Total (n=846)
Q10. Which statement best describes your confidence in reaching your financial goals?
The political landscape in Washington, D.C. is the top investing concern for traders followed by interest rate increases, the potential for a recession, and inflation.

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

- **27% Inflation/Increased Interest Rates Related Concerns**
- 21% The political landscape in Washington D.C.
- 16% The Fed raising interest rates
- 11% The potential of a recession
- 11% Inflation
- 8% I think the market is overdue for a significant correction
- 7% Uncertainty due to market volatility
- 5% Geopolitical or global macroeconomic issues
- 4% Performance of U.S. corporate earnings
- 4% Issues related to my own personal situation
- 3% The Fed holding interest rates steady
- 2% Potential for more bank failures
- 2% The state of the commercial real estate market
- 2% US-China tensions
- 1% The Fed cutting interest rates
- <1% Impact of weather-related/natural disasters
- 5% Other
- 6% I do not have any concerns around money and investing in the next 3 months

Base = Weighted Total (n=846)
Q7. What is your primary concern around money and investing within the next 3 months?
Despite more than half of traders believing that now is not a good time to invest in equities, nearly half plan to move money into individual stocks.

**Portfolio Changes Planned In Next Three Months**  
(Multiple responses allowed)

<table>
<thead>
<tr>
<th>Action</th>
<th>Last Year (n=813)</th>
<th>Last Quarter (n=768)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOVE MONEY NET</td>
<td>72%</td>
<td></td>
</tr>
<tr>
<td>Into individual stocks</td>
<td>45%</td>
<td>52%</td>
</tr>
<tr>
<td>Into ETFs</td>
<td>33%</td>
<td>36%</td>
</tr>
<tr>
<td>Into fixed income investments</td>
<td>26%</td>
<td>22%</td>
</tr>
<tr>
<td>Into cash investments</td>
<td>23%</td>
<td>22%</td>
</tr>
<tr>
<td>Into another type of investment vehicle</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>Into mutual funds</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>Invested in cryptocurrency</td>
<td>6%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Base = Weighted Total (n=846)  
Q20. Which of the following actions, if any, do you plan to do over the next 3 months?
Special Issues
- Economic Outlook
- Trading Trends and Landscape
- Education
Two-thirds of traders still believe a U.S. recession is at least somewhat likely in 2024 and a third believe the Fed will achieve a “soft landing”

**Expected Likelihood of US Recession in 2024**
(Single response only)

- Very likely: 23%
- Somewhat likely: 43%
- Somewhat unlikely: 17%
- Very unlikely: 11%
- I don’t know: 6%

**Expected Likelihood That Fed Will Achieve “Soft Landing” in 2024**
(Single response only)

- Very likely: 37%
- Somewhat likely: 35%
- Somewhat unlikely: 11%
- Very unlikely: 3%
- I don’t know: 21%

Base = Weighted Total (n=846)
QAT_Q423_1. What is the likelihood that the US economy will officially enter a recession in 2024?
QAT_Q423_2. What is the likelihood that the Fed will achieve a “soft landing” for the economy in 2024?
Most traders expect inflation to come down or remain the same next year, while just over one-third are most optimistic about the economy in 2024.
Traders are most bullish on value stocks, AI and fixed income and most bearish on crypto and international stocks

**Sentiment Over Next Three Months**

*Single response only*

<table>
<thead>
<tr>
<th>Category</th>
<th>Bullish</th>
<th>Bearish</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value stocks</td>
<td>47%</td>
<td>25%</td>
<td>28%</td>
</tr>
<tr>
<td>Artificial Intelligence stocks</td>
<td>45%</td>
<td>26%</td>
<td>29%</td>
</tr>
<tr>
<td>Fixed income</td>
<td>40%</td>
<td>26%</td>
<td>34%</td>
</tr>
<tr>
<td>Mega Cap tech stocks</td>
<td>38%</td>
<td>33%</td>
<td>29%</td>
</tr>
<tr>
<td>Equities in general</td>
<td>38%</td>
<td>38%</td>
<td>24%</td>
</tr>
<tr>
<td>Domestic stocks</td>
<td>37%</td>
<td>36%</td>
<td>26%</td>
</tr>
<tr>
<td>Growth stocks</td>
<td>35%</td>
<td>38%</td>
<td>26%</td>
</tr>
<tr>
<td>International stocks</td>
<td>16%</td>
<td>41%</td>
<td>43%</td>
</tr>
<tr>
<td>Cryptocurrencies</td>
<td>12%</td>
<td>43%</td>
<td>45%</td>
</tr>
</tbody>
</table>

*Base = Weighted Total (n=846)*

QAT_Q423_5. Are you bullish or bearish on each of the following for the next 3 months?
Almost half (44%) of traders are moderating or dialing back their risk exposure based on their expectations for the economy.

### Impact of Expectations for the Economy On Trading Approach

(Multiple responses allowed)

- **Moderating/Dialing back risk exposure**: 44%
  - Spending more time researching trades before executing: 33%
  - Spending more time vetting trades with the tools available to me: 27%
  - Taking on more risk: 11%
  - Buying gold, crypto or other alternative assets: 10%
  - Selling gold, crypto or other alternative assets: <1%

- **[NET] Moving assets out**
  - Moving assets out of the stock market: 13%
  - Moving assets out of bonds: 10%
  - Moving assets out of domestic investment vehicles: 1%
  - Moving assets out of international equities: 1%

- **[NET] Moving assets into**
  - Moving assets into bonds: 34%
  - Moving assets into the stock market: 16%
  - Moving assets into domestic investment vehicles: 6%
  - Moving assets into international equities: 4%
  - Moving assets into a brokerage account at another firm: 3%
  - Other: 10%
  - No impact: 17%

Base = Weighted Total (n=846)

QAT_Q423_8. How are your expectations for the economy impacting or driving your approach to trading?
More than half of traders frequently use education content or tools before executing trades

Usage of Education Content/Trading Tools
(Single response only)

- 19% Every time
- 35% Frequently
- 25% Every so often
- 15% Rarely
- 6% Never

Base = Weighted Total (n=846)
QAT_Q423_10. How often do you use education content or tools before executing trades?
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
- Q4 study was fielded October 3rd–9th, 2023

**Sample:**
- 853 Active Traders (clients who actively trade equities or trade options, futures, or forex).
  - Of the 853 Active Traders, 464 traders using TD Ameritrade, 389 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>760 (89%)</th>
<th>Female</th>
<th>54 (6%)</th>
<th>No answer</th>
<th>39 (5%)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Affluence</th>
<th>UHNW ($10M+)</th>
<th>22 (3%)</th>
<th>HNW ($1M-$&lt;10M)</th>
<th>376 (44%)</th>
<th>Mass Affluent ($250K-$&lt;1M)</th>
<th>235 (28%)</th>
<th>Core ($&lt;250K)</th>
<th>213 (25%)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Active Trader</th>
<th>853 (100%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td>853 (100%)</td>
</tr>
<tr>
<td>Not Active</td>
<td>0 (0%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Life Stage</th>
<th>Younger Investor (&lt;40)</th>
<th>116 (14%)</th>
<th>Mid-Life (40-55)</th>
<th>243 (29%)</th>
<th>Mature (55+ not retired)</th>
<th>206 (25%)</th>
<th>Retired</th>
<th>261 (32%)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Financial Consultant Relationship</th>
<th>Has Financial Consultant</th>
<th>271 (32%)</th>
<th>Does not have Financial Consultant</th>
<th>582 (68%)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Employed full-time</th>
<th>294 (35%)</th>
<th>Employed part-time</th>
<th>19 (2%)</th>
<th>Self-employed</th>
<th>130 (15%)</th>
<th>Retired/Semi-retired</th>
<th>337 (40%)</th>
<th>Other</th>
<th>22 (3%)</th>
<th>No answer</th>
<th>51 (6%)</th>
</tr>
</thead>
</table>

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