

Q2 2022 Trader Client Sentiment Report

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Q2 2022 Executive Summary

With 2022 well underway, inflation and the geopolitical landscape have led to significant market turbulence, with most traders anticipating more volatility ahead along with a possible market correction.

Key Q2 Themes

- The majority of traders (53%) have a bearish outlook on 2022's second quarter and fewer than half (43%) feel it's a good time to invest.
- At a sector level, traders are most bullish on Energy and most bearish on Real Estate and Consumer Discretionary.
- Inflation remains traders' No. 1 concern (20%), though geopolitical issues are not far behind (15%).
- The conflict in Ukraine is top of mind for traders, with more than half of anticipating a "Russian Bear" market by 2022's end.
- The most popular hedge against geopolitical risk is cash investments; against inflation, the most popular hedge is real estate.

Q2'22 Trader Sentiment Snapshot

Good Time to Invest

43%



Better Off Financially

46%

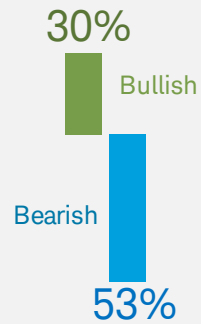
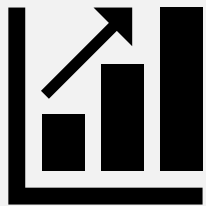


Confident In Decisions

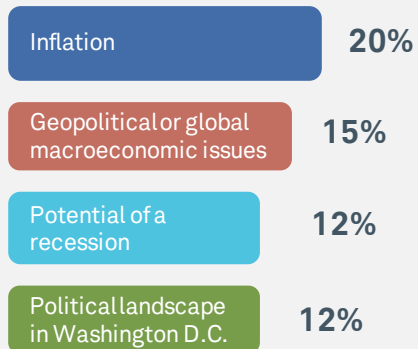
61%



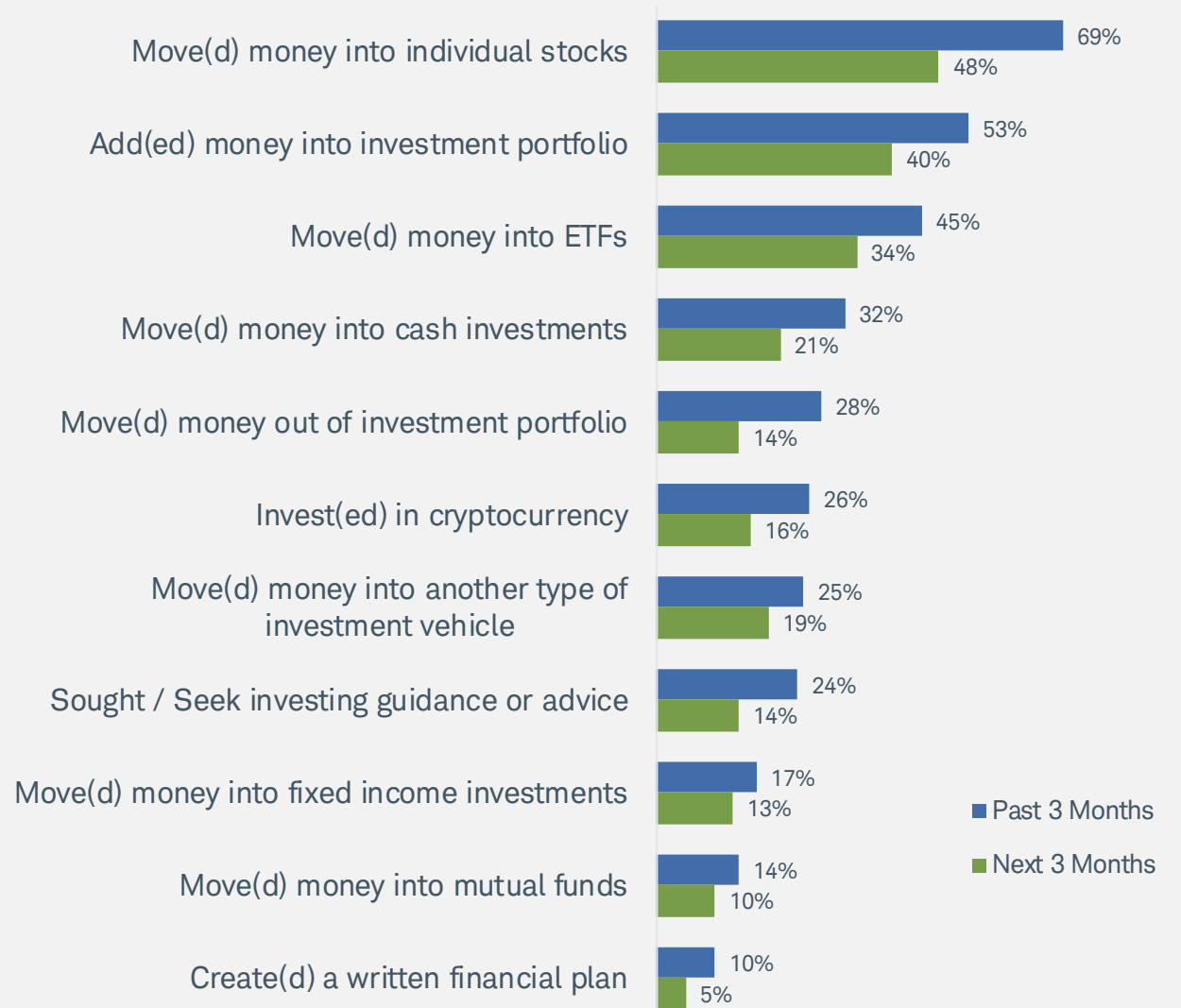
3 Month Outlook



Primary Concern Next 3 Months

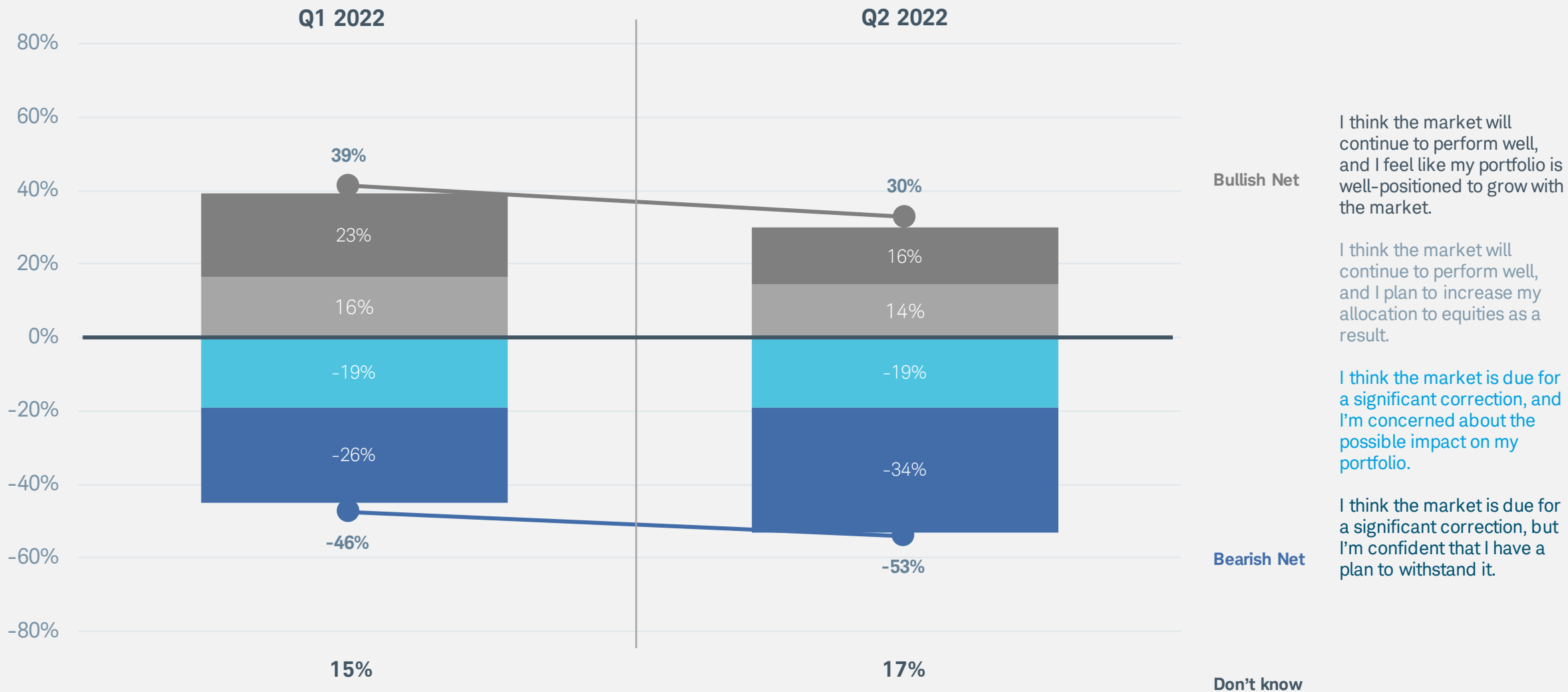


Past 3 Month/Next 3 Month Actions



Traders are less bullish in Q2 '22, with more than half anticipating a significant correction

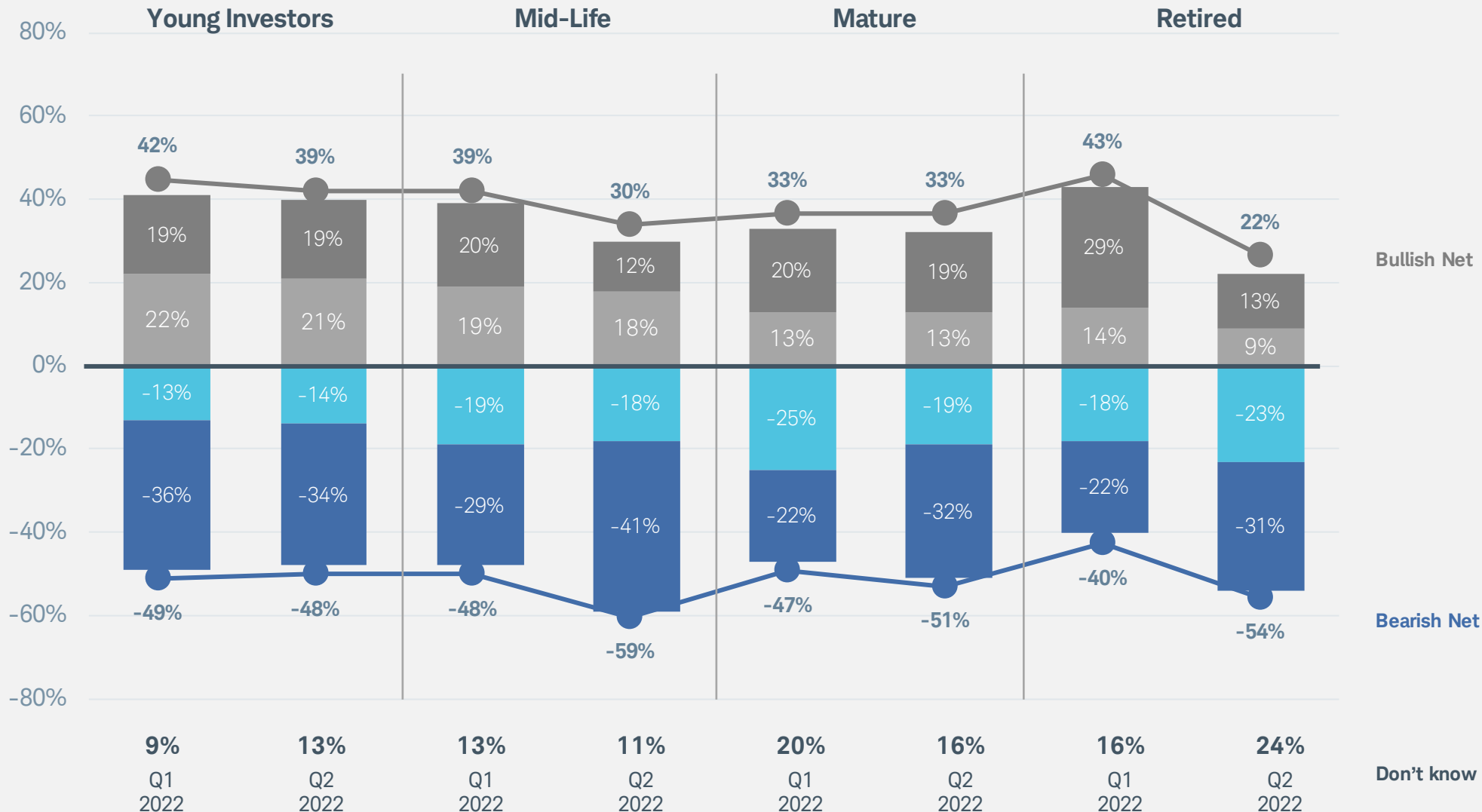
Outlook For U.S. Stock Market (Single response only; Among Trader Sample)



Traders in mid-life are the most bearish, while young traders are the most optimistic

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.

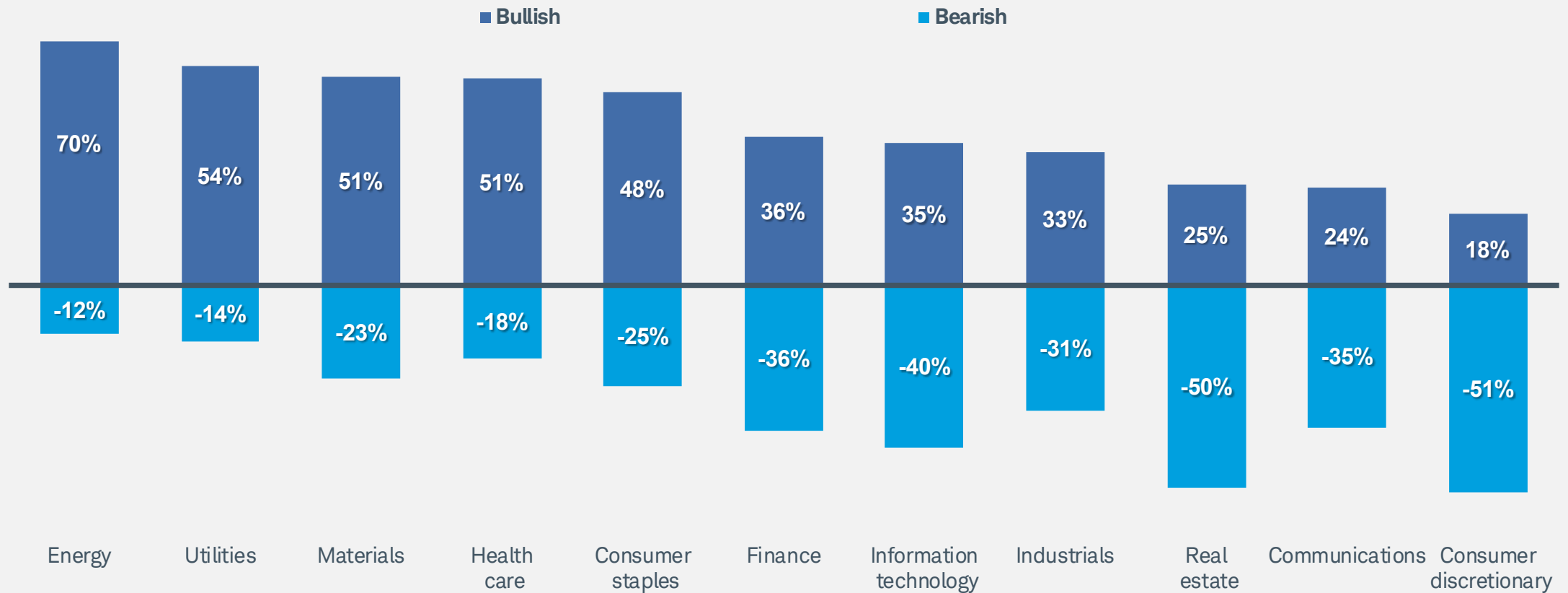
I think the market will continue to perform well, and I plan to increase my allocation to equities as a result.

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.

Traders are most bullish on the Energy sector and most bearish on Real Estate and Consumer Discretionary

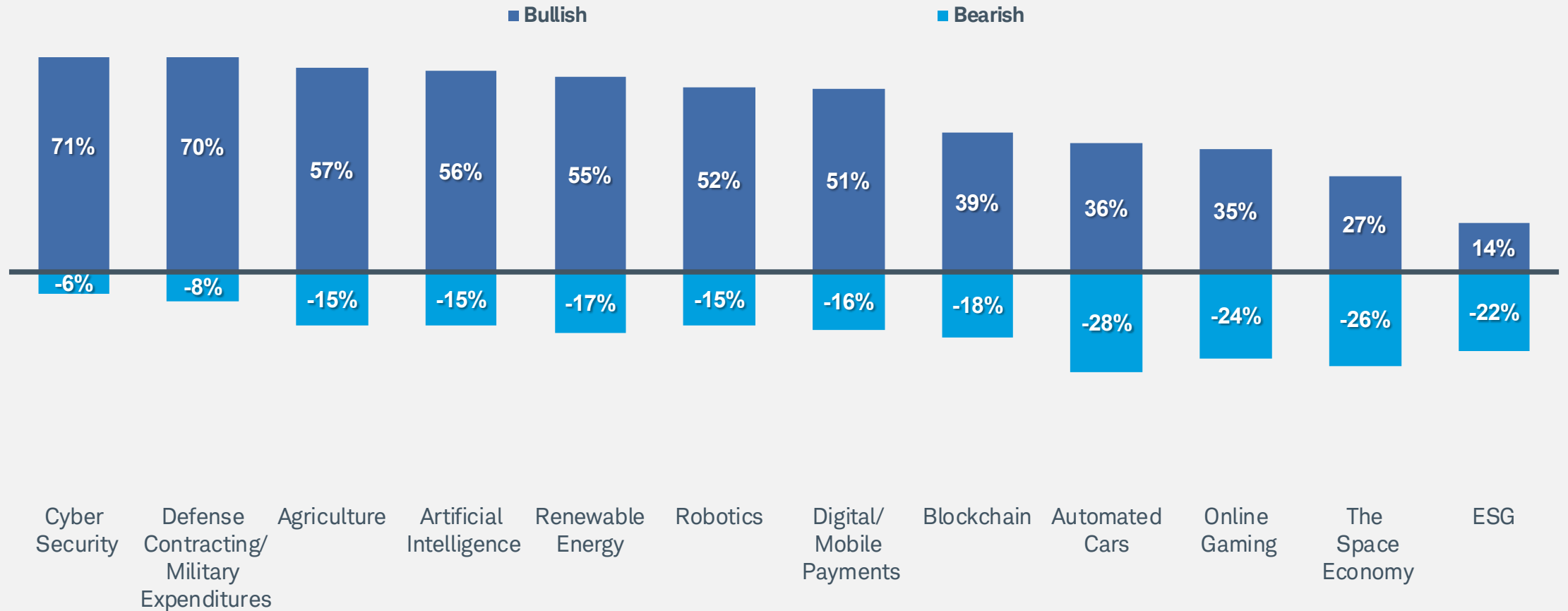
Sector Sentiment Over Next 3 Months
(Trader Sample)



Base = Weighted Total (n=875)
Q23A. In your opinion, which term best describes the U.S. stock market for each of the following sectors over the next three months?

At a category level, traders are bullish on Cyber Security and Defense Contracting, bearish on Automated Cars and the Space Economy

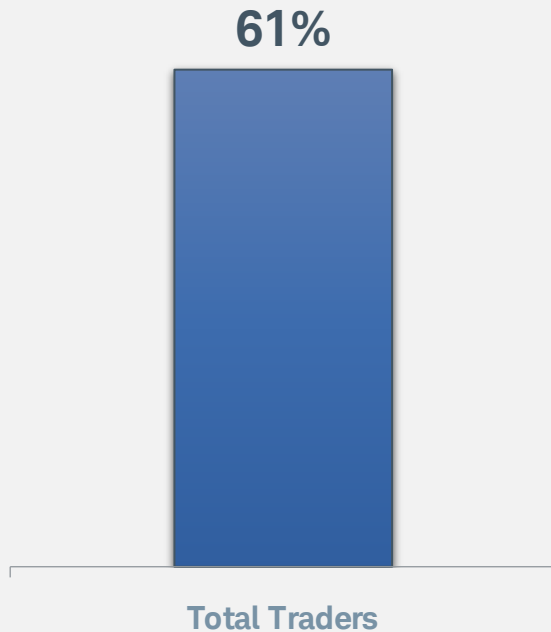
Category Sentiment for 2022
(Trader Sample)



Base = Weighted Total (n=875)
QAT_Q222_10. Are you bullish, bearish or uncertain across each of the following areas in 2022?

Over 60 percent of traders are confident in investment decision making; less than half say it is a good time to invest in equity-based investments

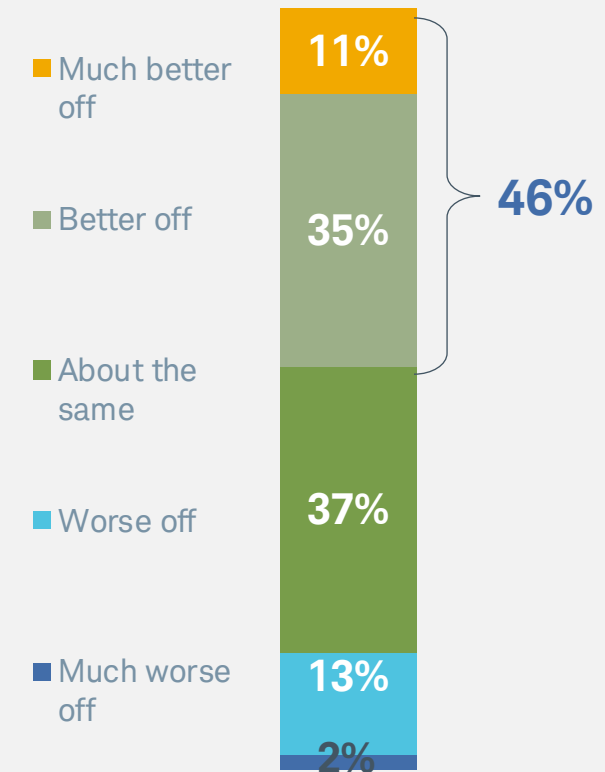
Q2 2022: Confidence in Investment Decision Making
(% Extremely/Very Confident)



Q2 2022: Is this a Good or Bad Time to Invest?
(% Very Good/Good)



Financial Standing vs. Year Ago



Base = Weighted Total (n=875)

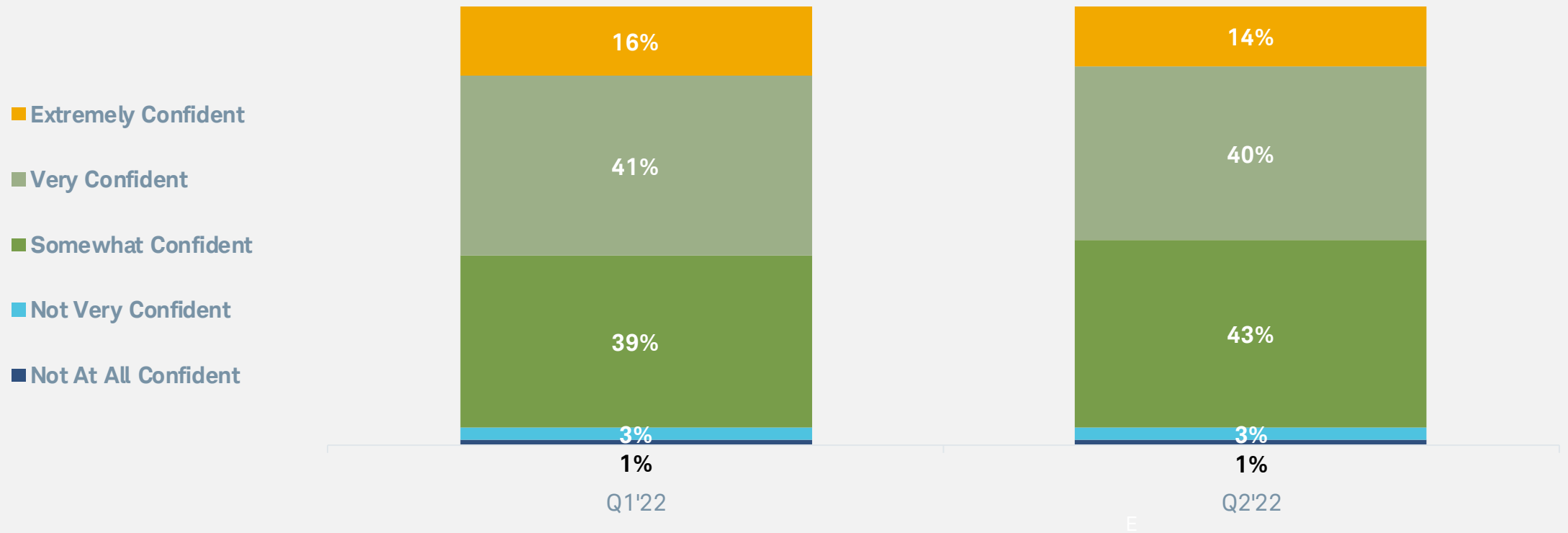
Q4. How confident are you in making investment decisions for your household?

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?

Despite market turbulence, traders remain very confident in reaching their financial goals

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




Base = Weighted Total (n=875)

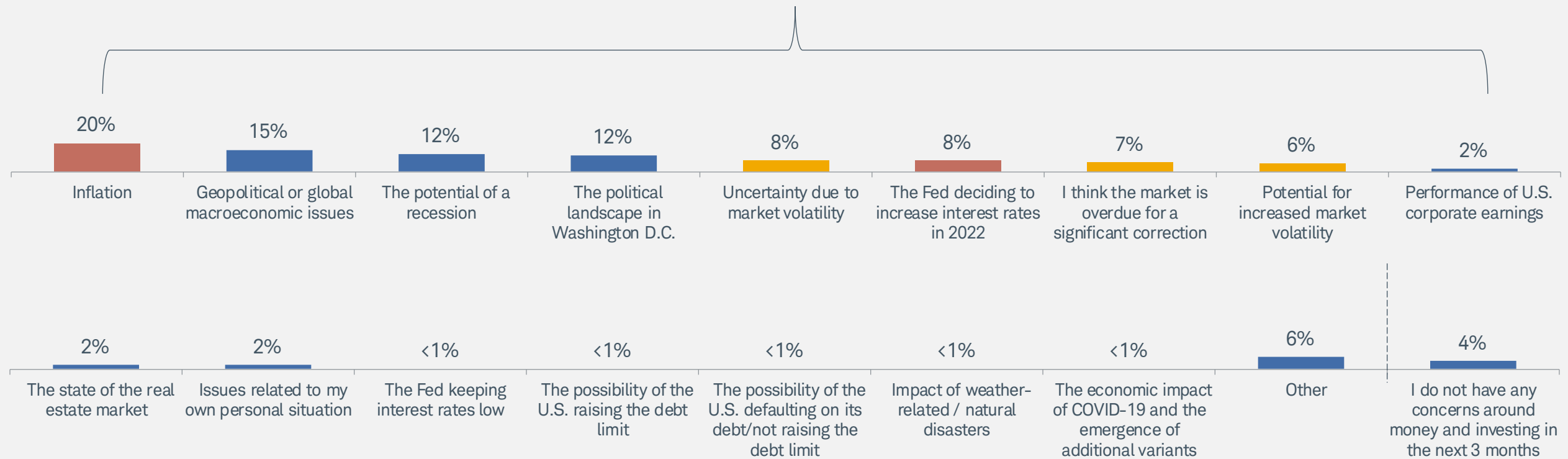
Q10. Which statement best describes your confidence in reaching your financial goals?

Inflation remains traders' primary concern, although geopolitical issues are not far behind

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

 **28%** Inflation or Increased Interest Rates Related Concerns

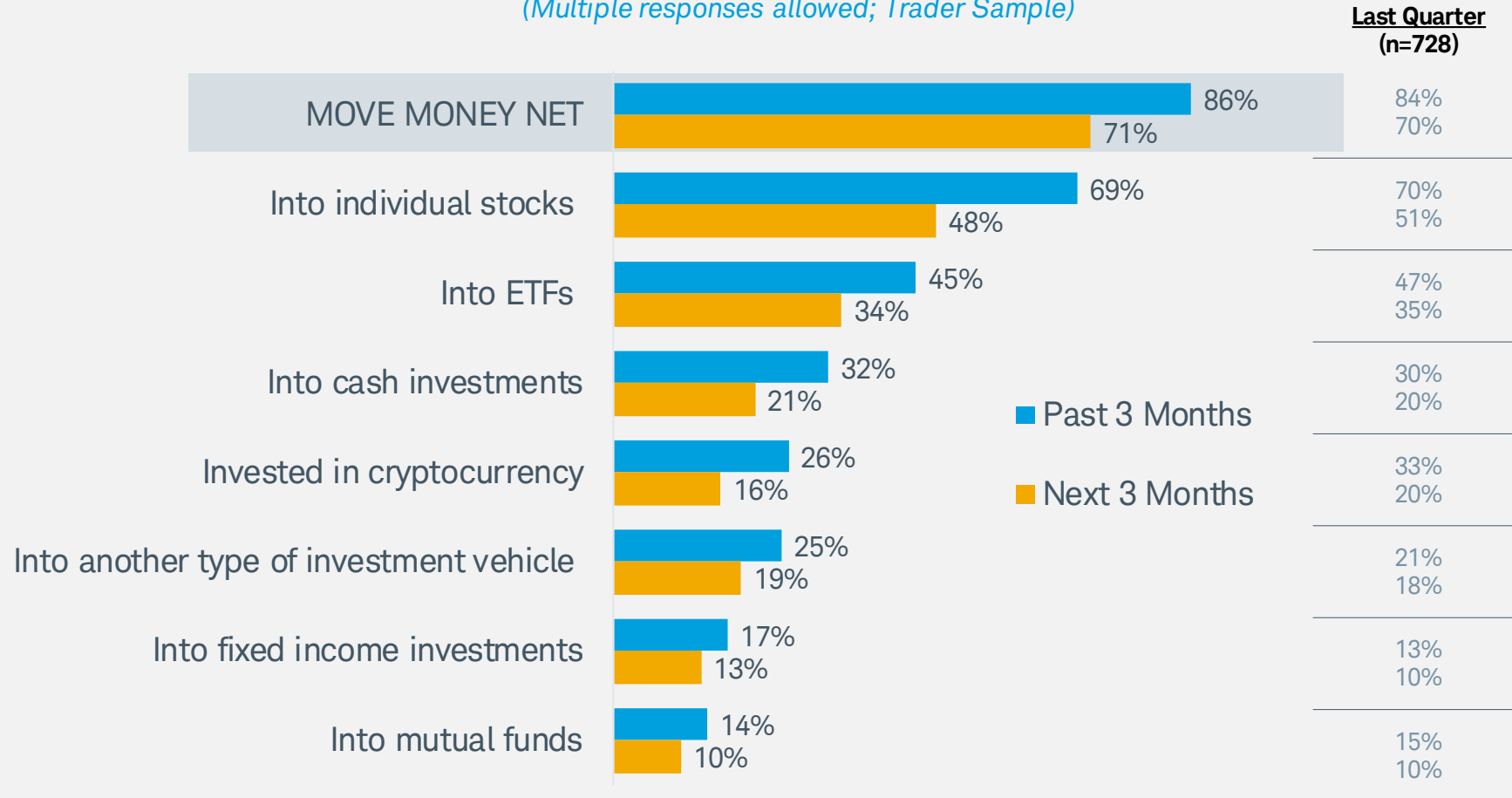
Note: Percentages based among those with a concern



In the past three months, traders moved money mostly into individual stocks, followed by ETFs; significantly fewer plan to move money into equities in Q2

Portfolio Changes - Past 3 Months & Planned in Next 3 Months

(Multiple responses allowed; Trader Sample)



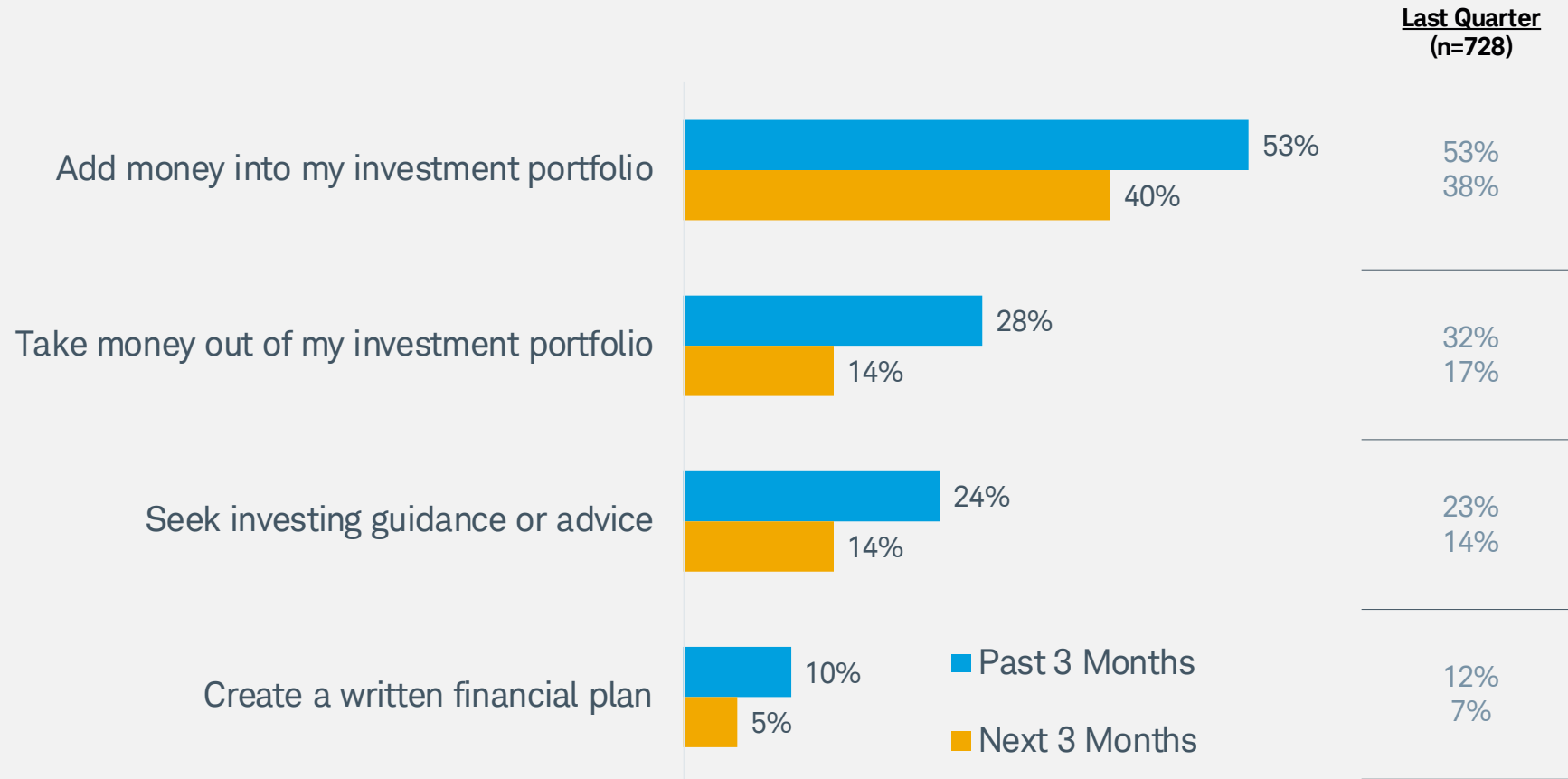
Base = Weighted Total (n=875)

Q5. Which of the following actions have you taken, if any, in the past 3 months?/Q20. Which of the following actions do you plan to do over the next 3 months?

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Last quarter, more than half of traders added money into their investment portfolio

Actions - Taken Past 3 Months & Planned in Next 3 Months (Multiple responses allowed; Trader Sample)



Base = Weighted Total (n=875)

Q5. Which of the following actions have you taken, if any, in the past 3 months?/Q20. Which of the following actions do you plan to do over the next 3 months?



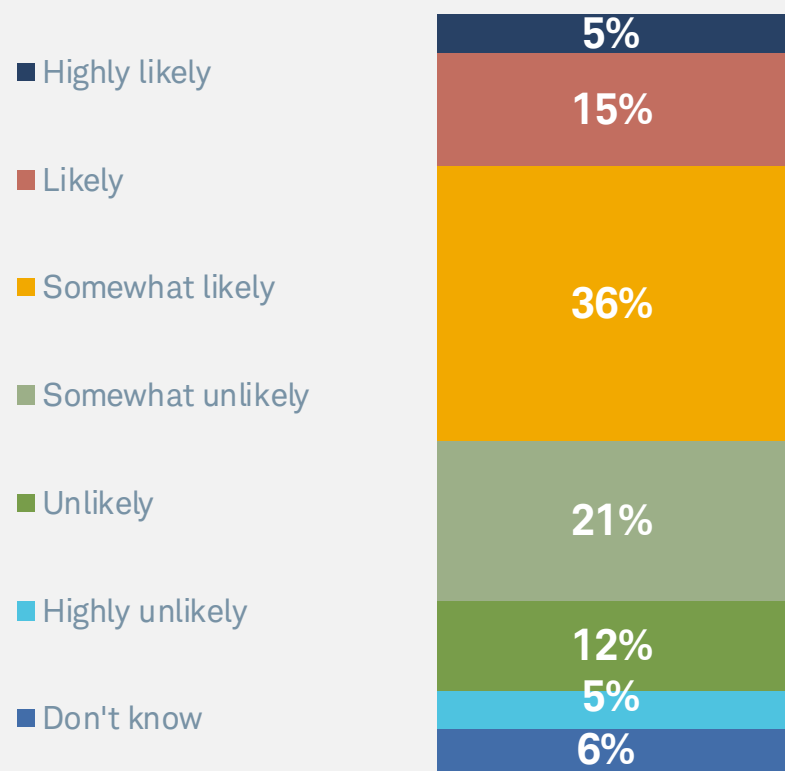
Special Issues – Conflict In Ukraine

- Russian Bear Likelihood & Impact
- Hedging Against Geopolitical Risk & Impact of Instability on Crypto
- Changes In Investing Strategy Due To Rising Oil Prices
- Fossil Fuel Market Disruption
- Rising Interest Rates & Inflation
- Hedging Against Inflation
- Future Market Sentiments By Industry

More than half of traders anticipate a “Russian Bear” market by the end of 2022

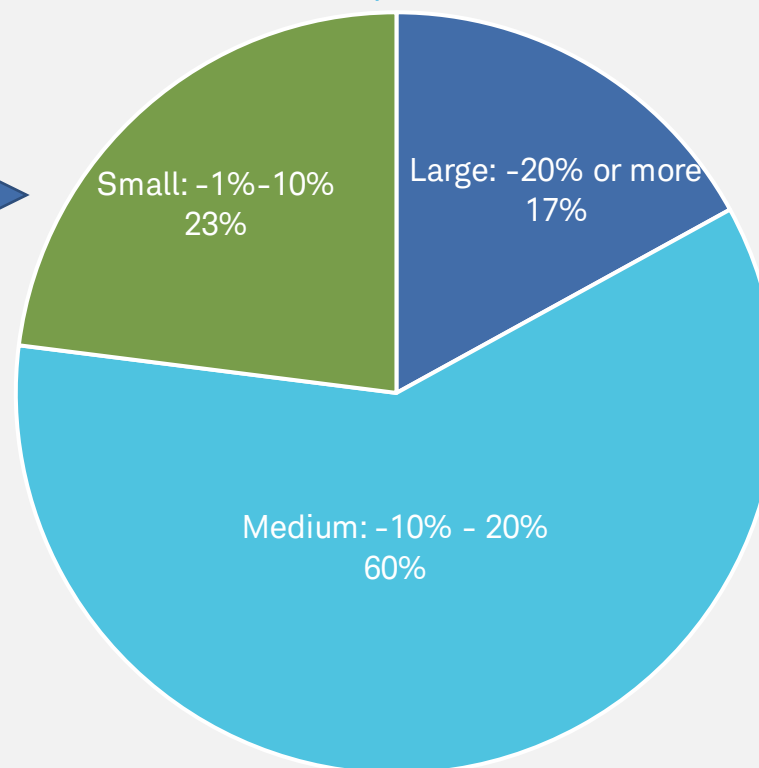
Expected Likelihood of a “Russian Bear”

(Single response only; Among Trader Sample)



Expected Size of Russian Bear

(Single response only; Among Trader Sample)



Base = Weighted Total (n=875); Base = Expect Russian Bear Market (n=489)^

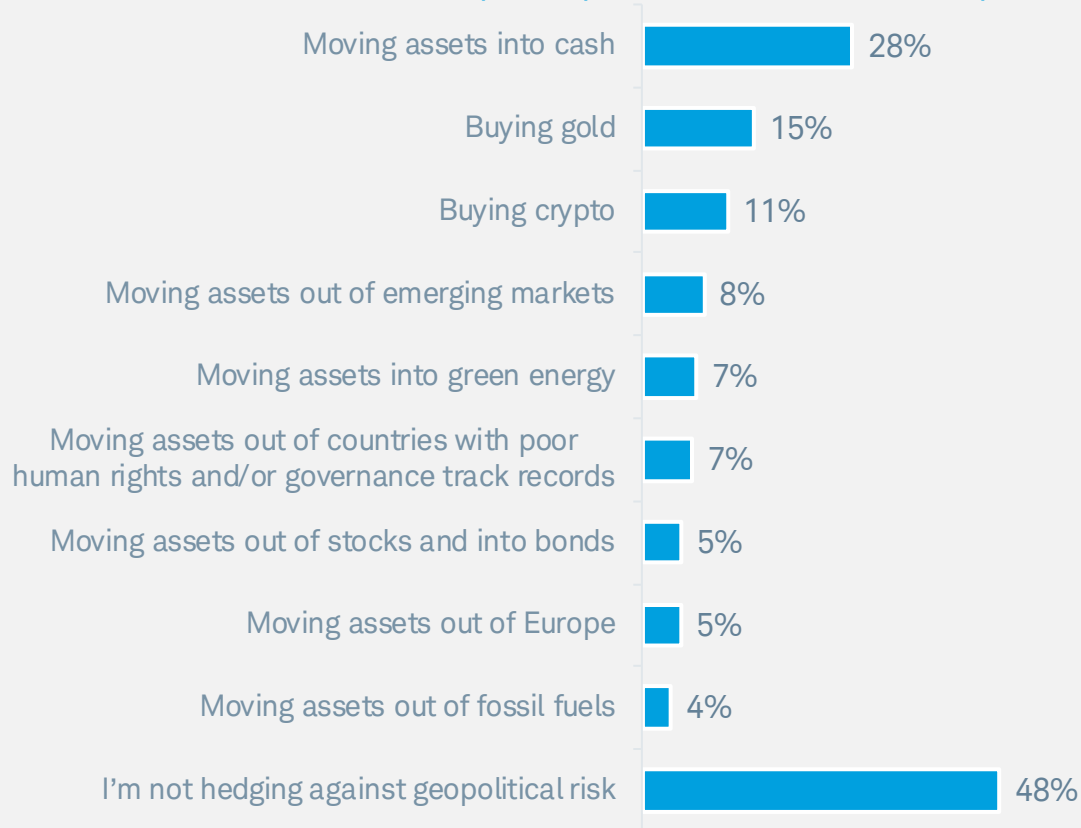
QAT_Q222_1. The geopolitical unrest resulting from Russia's invasion of Ukraine has put downward pressure on the capital markets. What do you think the likelihood is of a “Russian Bear,” meaning the major markets (Dow, S&P, Nasdaq) finish the year in bear territory largely because of the conflict? / QAT_Q222_2. What size Russian Bear do you expect?

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Nearly half of traders are not hedging specifically against geopolitical risk; others are turning largely to cash, gold and cryptocurrency

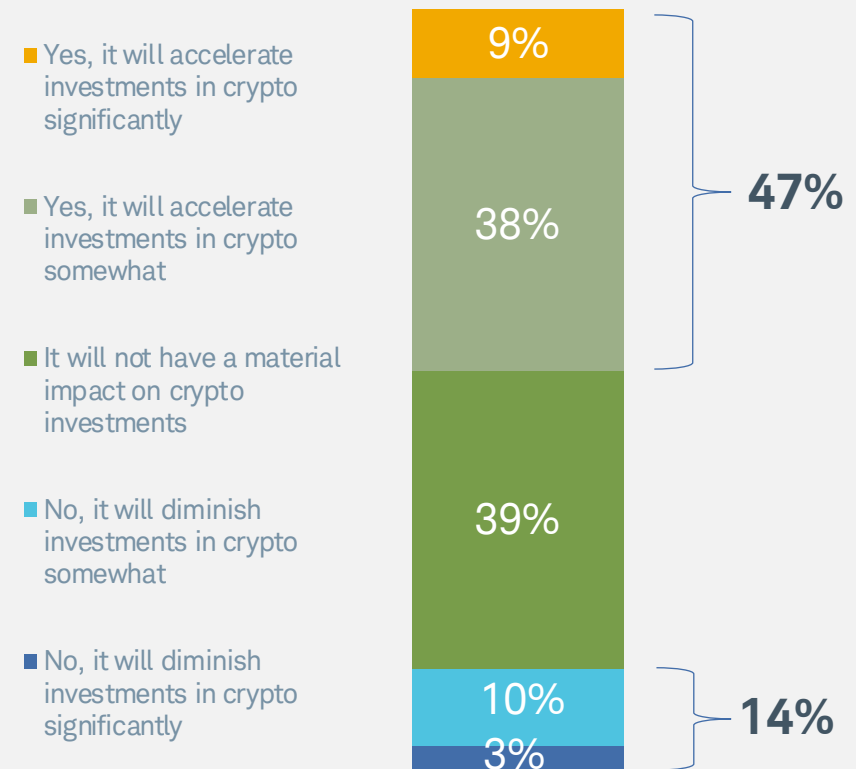
Actions Taken to Hedge Against Geopolitical Risk

(Multiple response; Among Trader Sample)



Impact of Geopolitical Instability on Crypto Investments

(Single response only; Among Trader Sample)



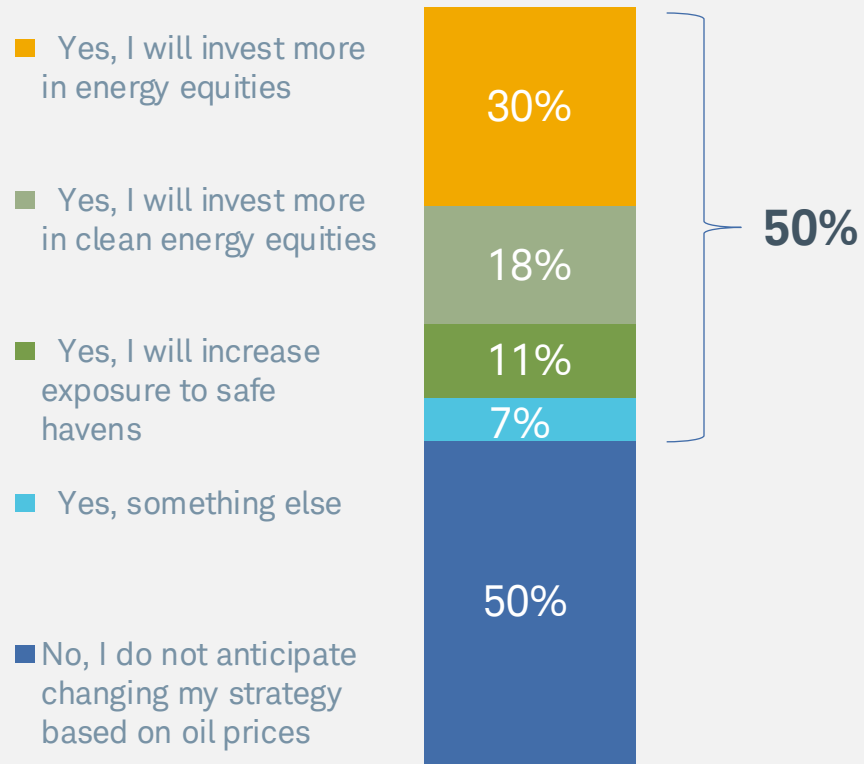
Base = Weighted Total (n=875)

QAT_Q222_3. Are you taking any of the following actions specifically to hedge against geopolitical risk? / QAT_Q222_6. Do you think geopolitical instability will accelerate investments in cryptocurrencies?

Traders see acceleration on the horizon for Green Energy as oil prices surge

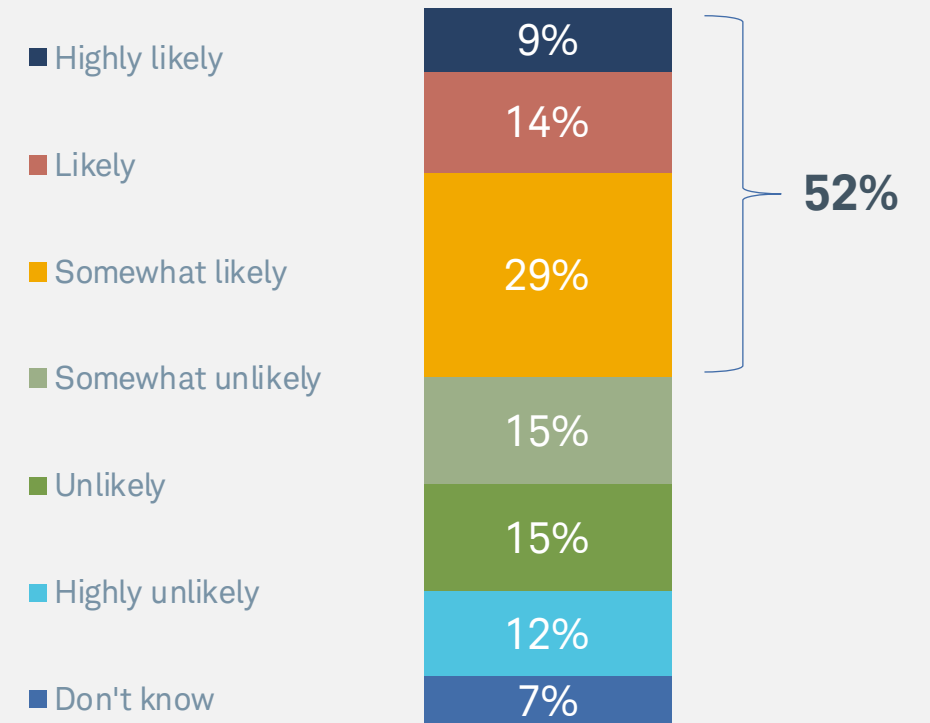
Impact on Strategy if Oil Prices Continue to Rise

(Single response only; Among Trader Sample)



Likelihood Fossil Fuel Market Disruption Leads to Acceleration in Green Energy Sector in 2022

(Single response only; Among Trader Sample)



Base = Weighted Total (n=875)

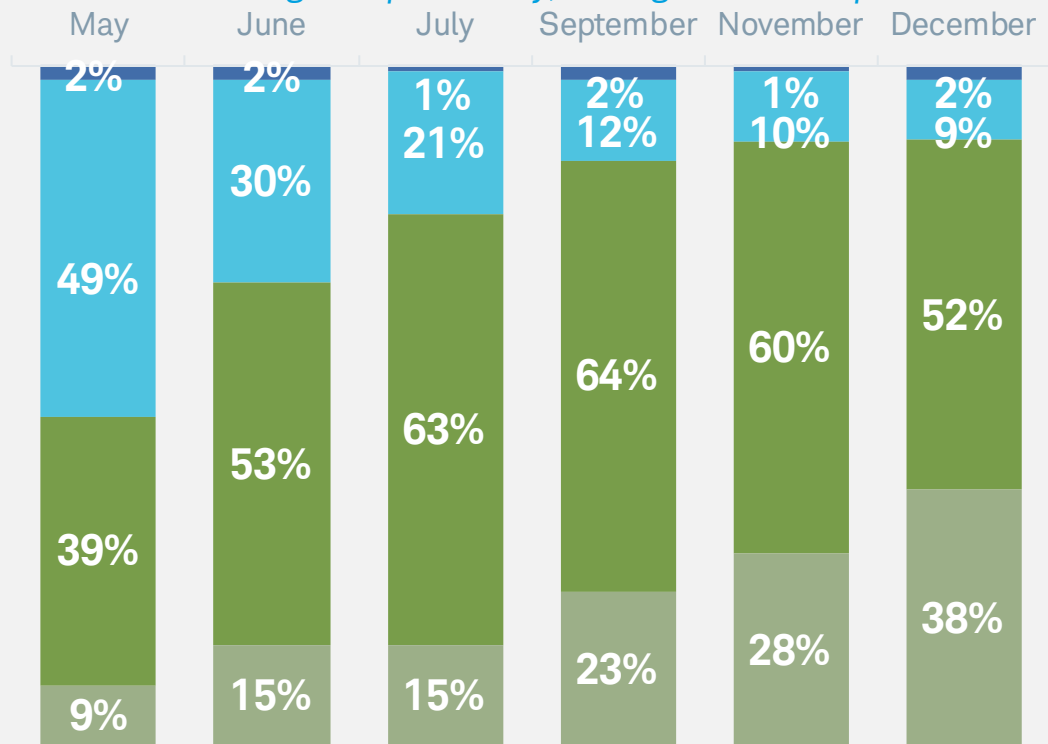
QAT_Q222_4. How likely do you think it is that a disruption in the fossil fuel market could lead to an acceleration of the green energy sector in 2022?

QAT_Q222_5. Do you expect to make changes to your strategy if oil prices continue to rise and if so, what are you considering?

Traders predict tapering interest rate hikes throughout the year, are split on when inflation will ease, with less than a quarter seeing it come to an end in 2022

Expected Interest Rate Change at Fed Meeting

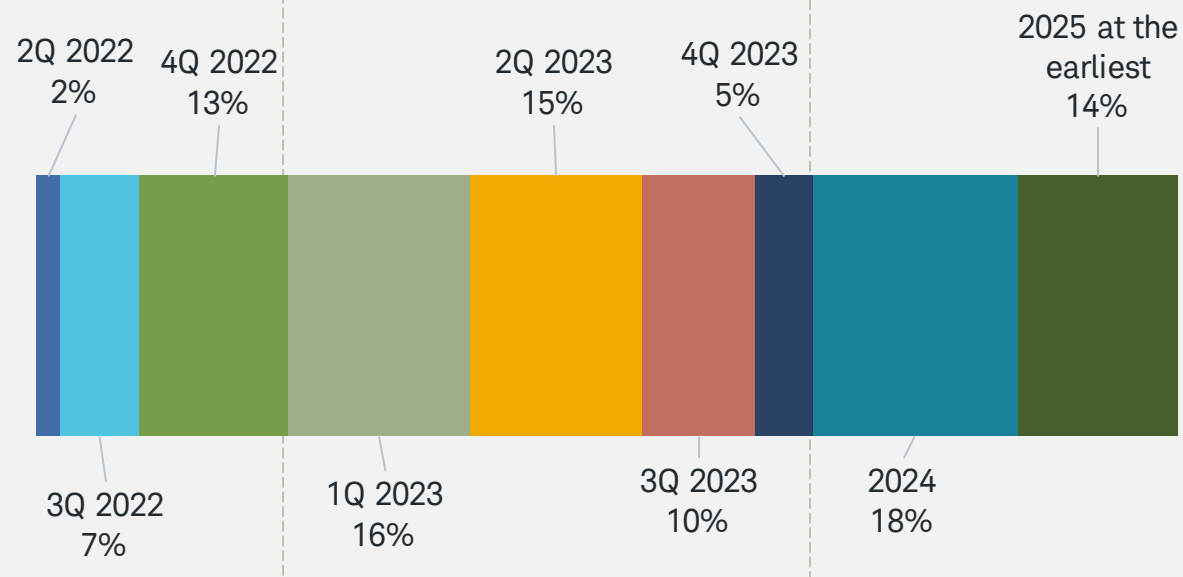
(Single response only; Among Trader Sample)



■ Increase more than .50 points ■ Increase .50 points
■ Increase .25 points ■ No change

When Inflation is Expected to Ease

(Single response only; Among Trader Sample)



2022 [NET] 23% **2023 [NET] 45%** **2024+ [NET] 32%**

Base = Weighted Total (n=875)

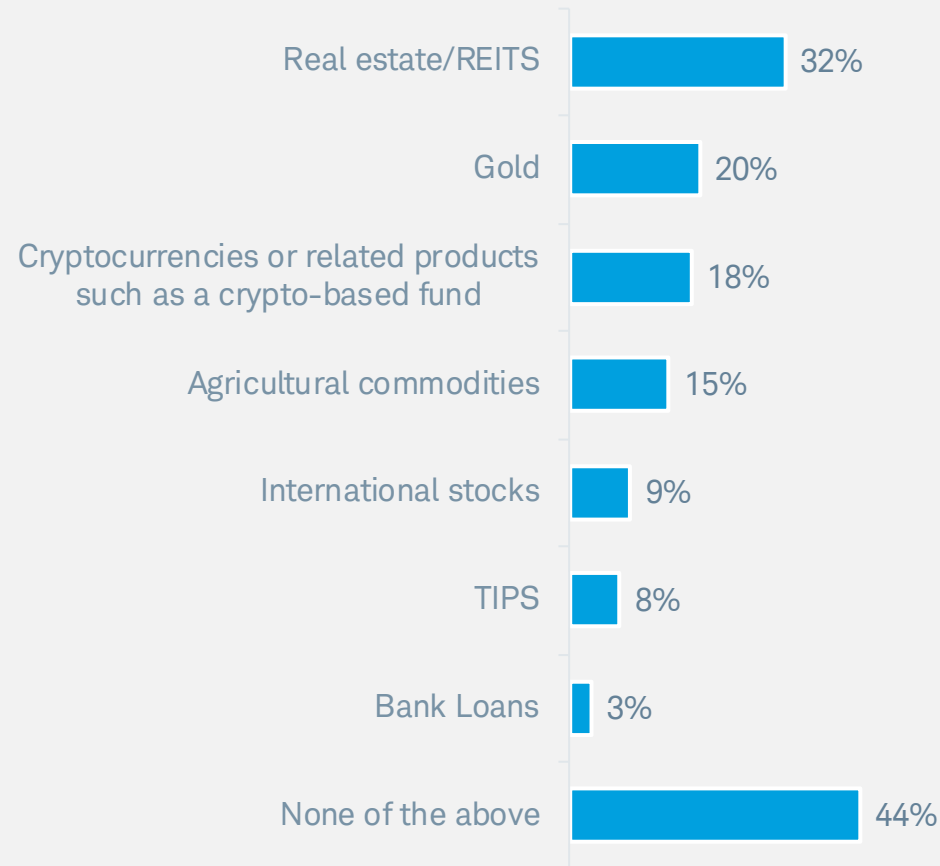
QAT_Q222_7. When do you expect inflation to begin easing?

QAT_Q222_8. What do you expect the Fed to do with interest rates at each of their six remaining meetings this year?

Real Estate is traders' No. 1 hedge against inflation, followed by gold and cryptocurrencies

Expect to Buy in 2022 to Hedge Against Inflation

(Multiple response; 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 6-17, 2022

Sample:

- 845 Active Traders (defined as 80+ trades, 12+ Options trades, or traded Futures/Future Options/Forex in the past 12 months).
 - Of the 845 Active Traders, approx. 436 traders using TD Ameritrade, 439 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.

Gender		Affluence		Active Trader	
Male	775 (89%)	HNW (\$1M+)	314 (36%)	Active	845 (100%)
Female	73 (8%)	Affluent (\$250K-<\$1M)	205 (23%)	Not Active	
No answer	27 (3%)	Foundational (<\$250K)	348 (40%)		
Life Stage		Financial Consultant Relationship		Employment Status	
Younger Investor (<40)	196 (22%)	Has Financial Consultant	157 (18%)	Employed full-time	403 (46%)
Mid-Life (40-55)	286 (33%)	Does not have Financial Consultant	718 (82%)	Employed part-time	13 (2%)
Mature (55+ not retired)	195 (22%)			Self-employed	120 (14%)
Retired	198 (23%)			Retired/semi-retired	265 (30%)
				Other	32 (4%)
				No answer	42 (5%)