

Q3 2022 Trader Client Sentiment Report

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Q3 2022 Executive Summary

In times of turbulence, traders see opportunity, and Q3 '22 is no different. While bearish sentiment has taken hold, 50% see now as a good time to invest and the majority are confident in their ability to weather the storm.

Key Q3 Themes

- Inflation and the possibility of a US recession are traders' top concerns, with most traders seeing a US economic recession as likely and anticipating it will begin this year.
- While many traders don't plan specifically to hedge against a recession, one in five will move assets out of the stock market; most predict recession will last less than one year.
- Traders anticipate interest rate hikes will slow by December '22 and half predict inflation will ease in 2023.
- At a sector level, traders are most bullish on Health Care and most bearish on Real Estate.
- Few traders report buying the "Crypto Dip" and most anticipate regulatory oversight of cryptocurrency would slow growth.

Q3'22 Trader Sentiment Snapshot

Good Time to Invest

50%



Better Off Financially

26%

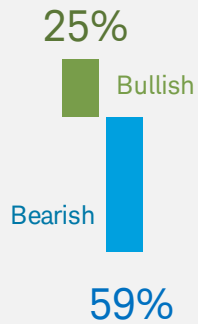
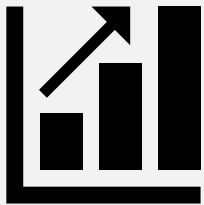


Confident In Decisions

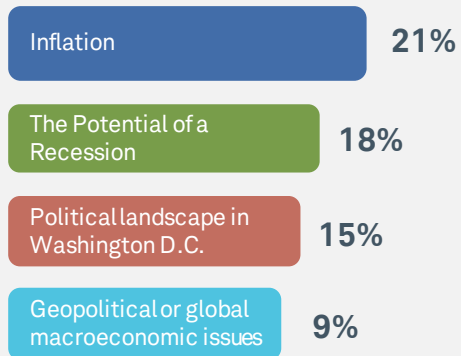
64%



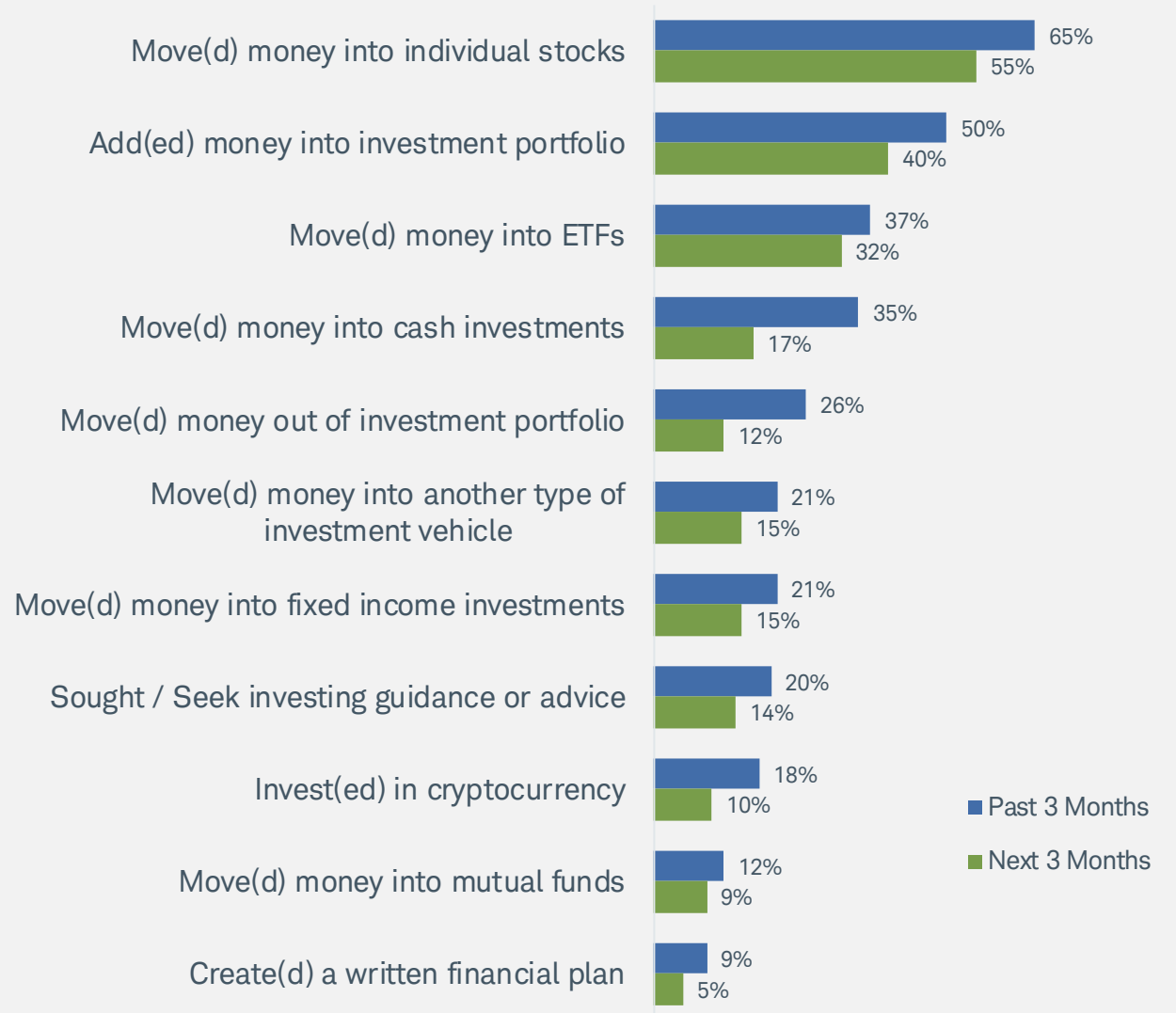
3 Month Outlook



Primary Concern Next 3 Months



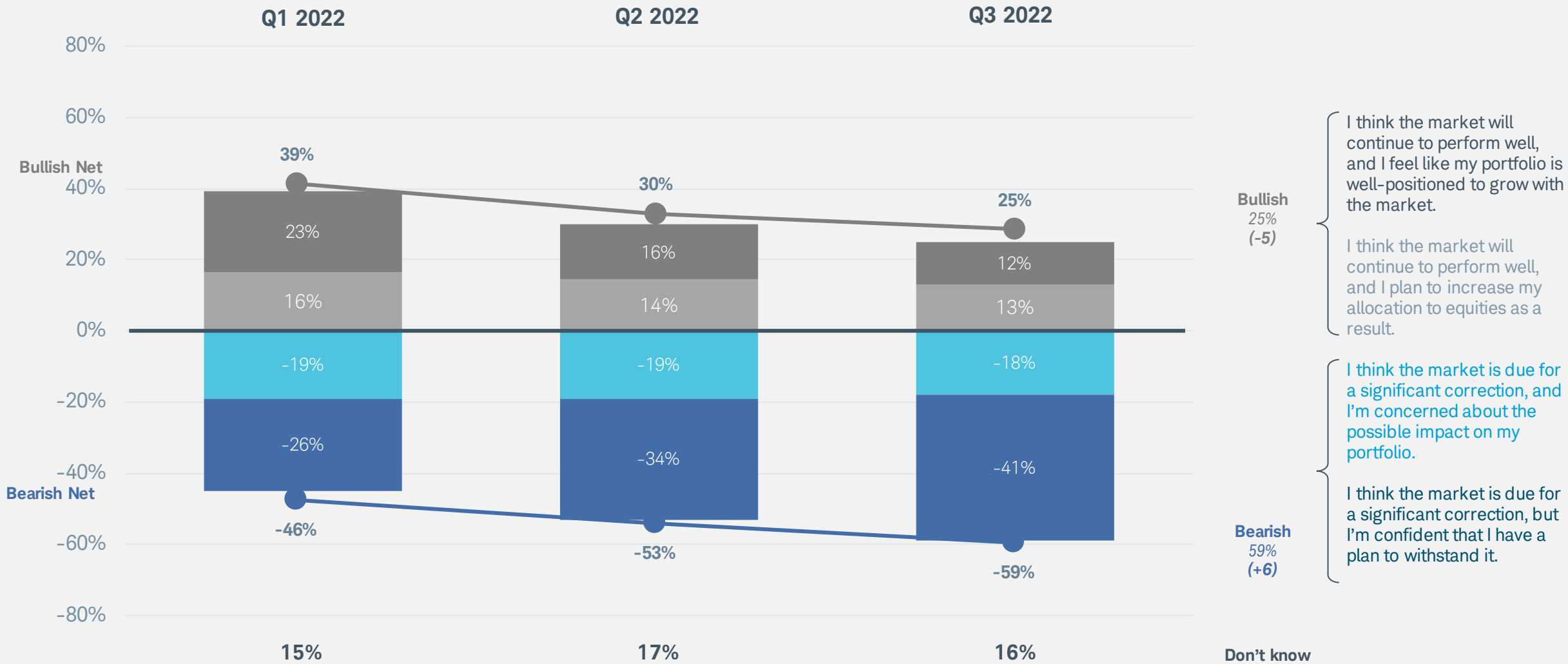
Past 3 Month/Next 3 Month Actions



Bearish sentiment is up in Q3 '22, but most traders anticipating a significant correction are confident in their plans

Outlook For U.S. Stock Market

(Single response only; Among Trader Sample)

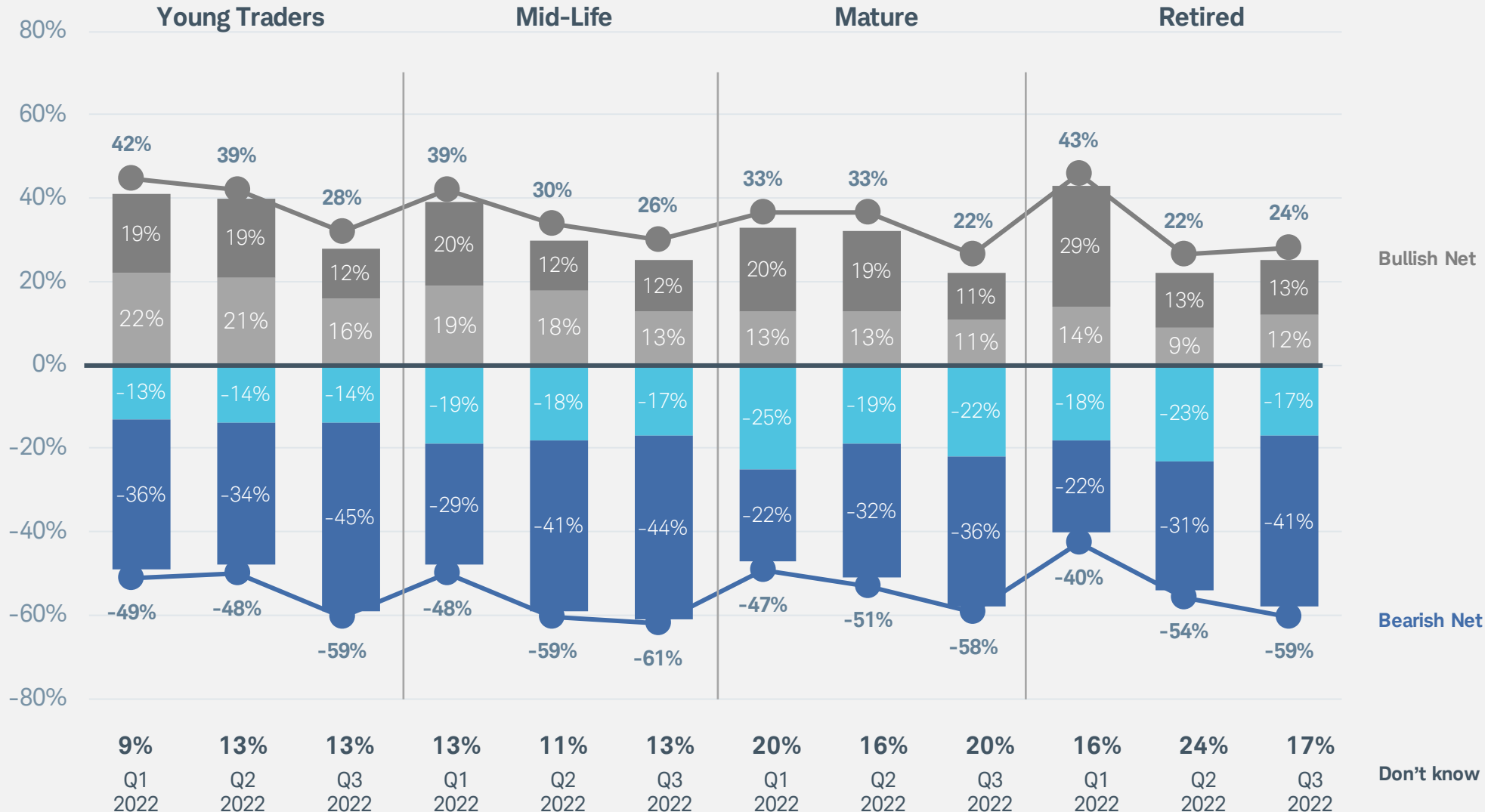


Base = Weighted Total (n=968)
Q6. Thinking about the next 3 months, which statement best describes your outlook for the U.S. stock market?

In Q3 '22, sentiment has evened out across life stages, with the biggest dip in optimism among younger traders

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.

Bullish Net

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.

Bearish Net

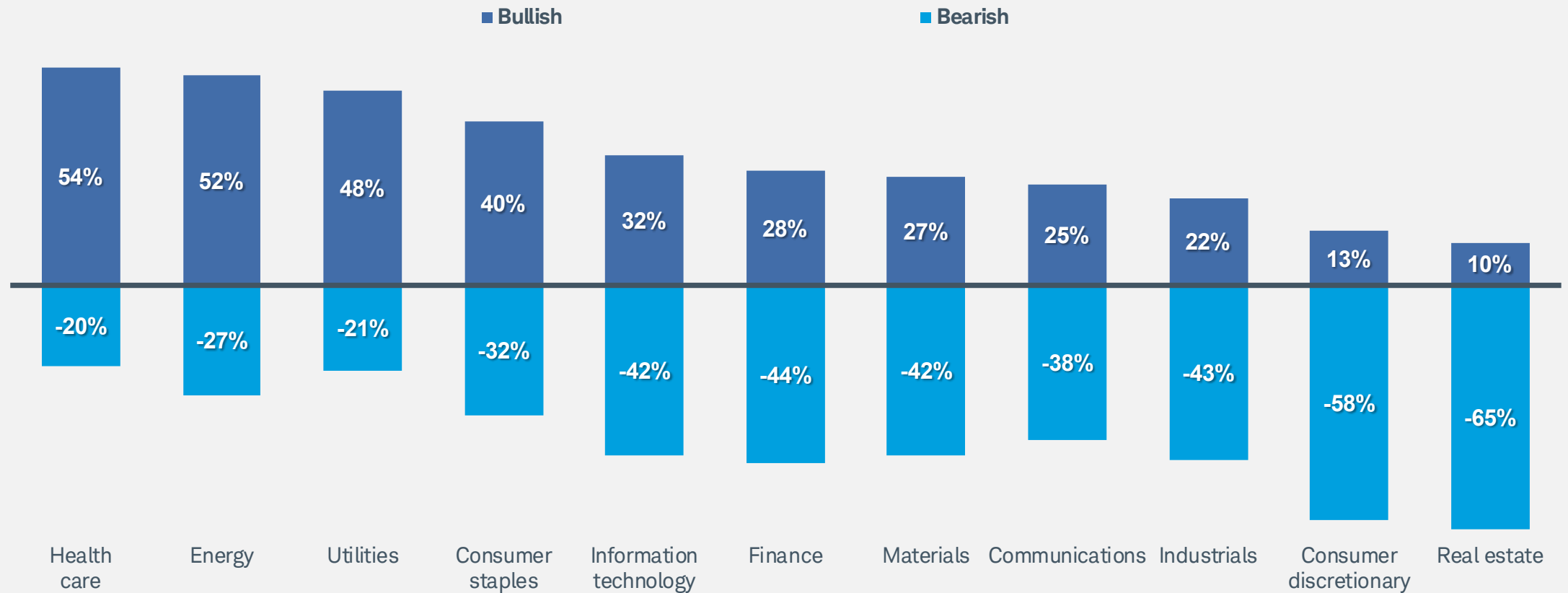
Don't know

Base = Weighted Total (n=968)

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

Traders are most bullish on the Health Care sector in Q3 '22 as confidence in Real Estate sinks

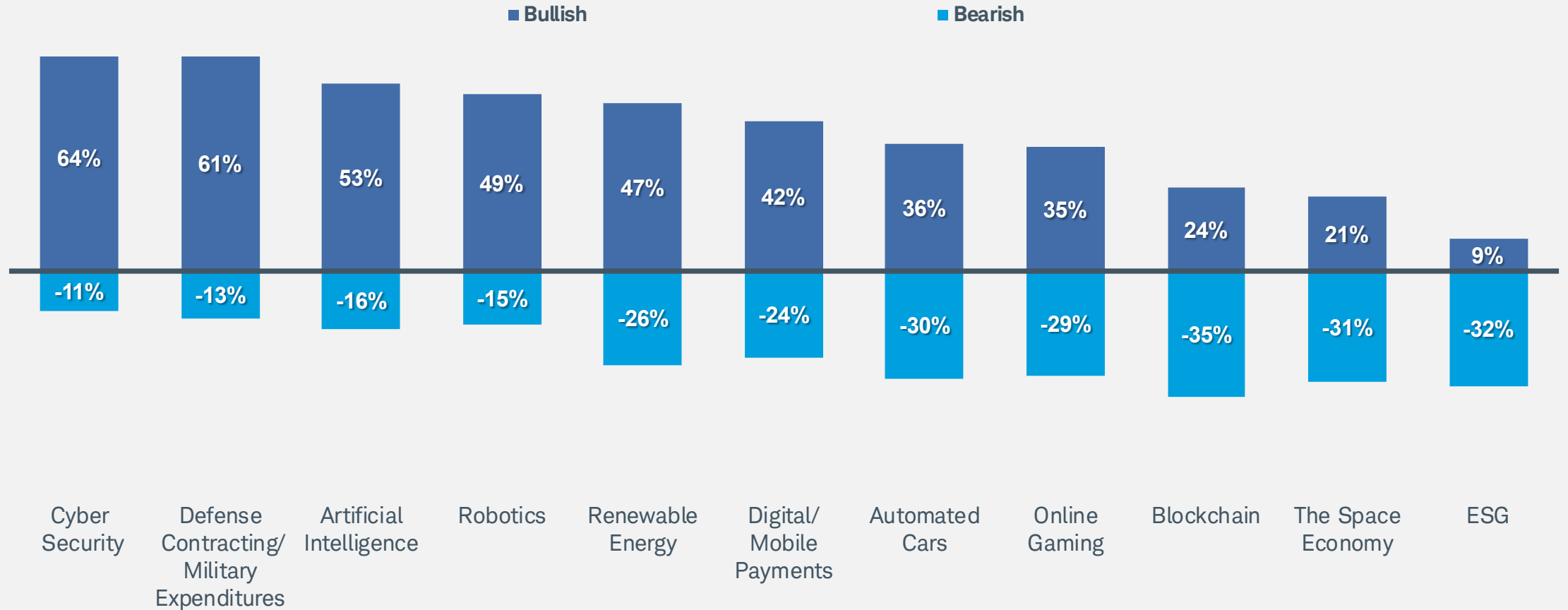
Sector Sentiment Over Next 3 Months *(Trader Sample)*



Base = Weighted Total (n=968)
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 in Q3 '22, bearish on Blockchain, The Space Economy and ESG

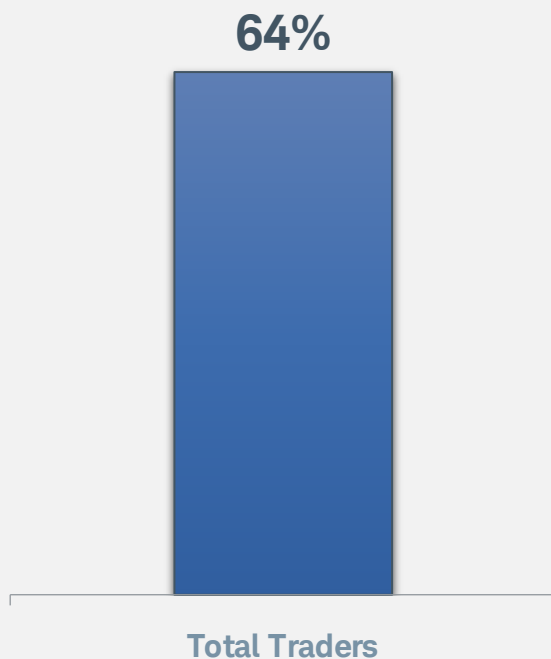
Category Sentiment for 2022 (Trader Sample)



Base = Weighted Total (n=968)
QAT_Q322_14. Are you bullish, bearish or uncertain across each of the following areas in 2022?

While only one in four traders report better financial standing year-over-year in Q3 '22, confidence in decision-making is high and 50% see this as a good time to invest

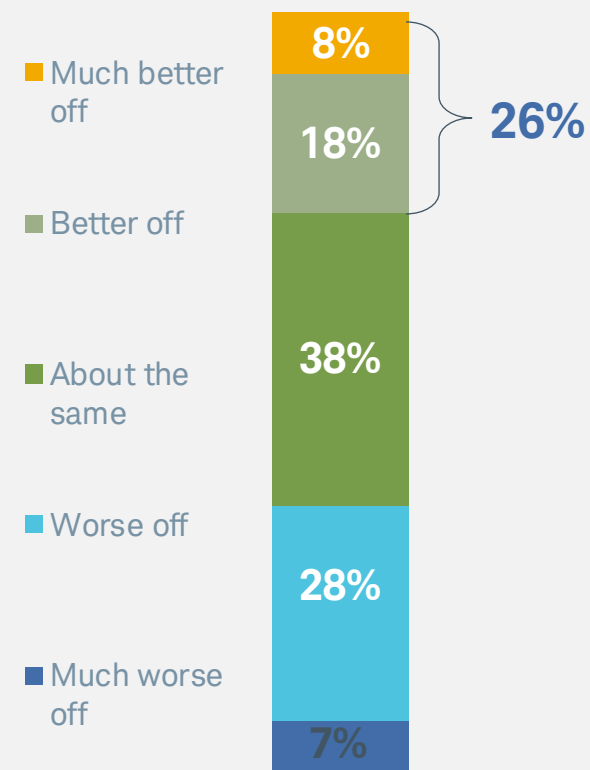
Q3 2022: Confidence in Investment Decision Making
 (% Extremely/Very Confident)



Q3 2022: Is this a Good or Bad Time to Invest?
 (% Very Good/Good)



Financial Standing vs. Year Ago



Base = Weighted Total (n=968)

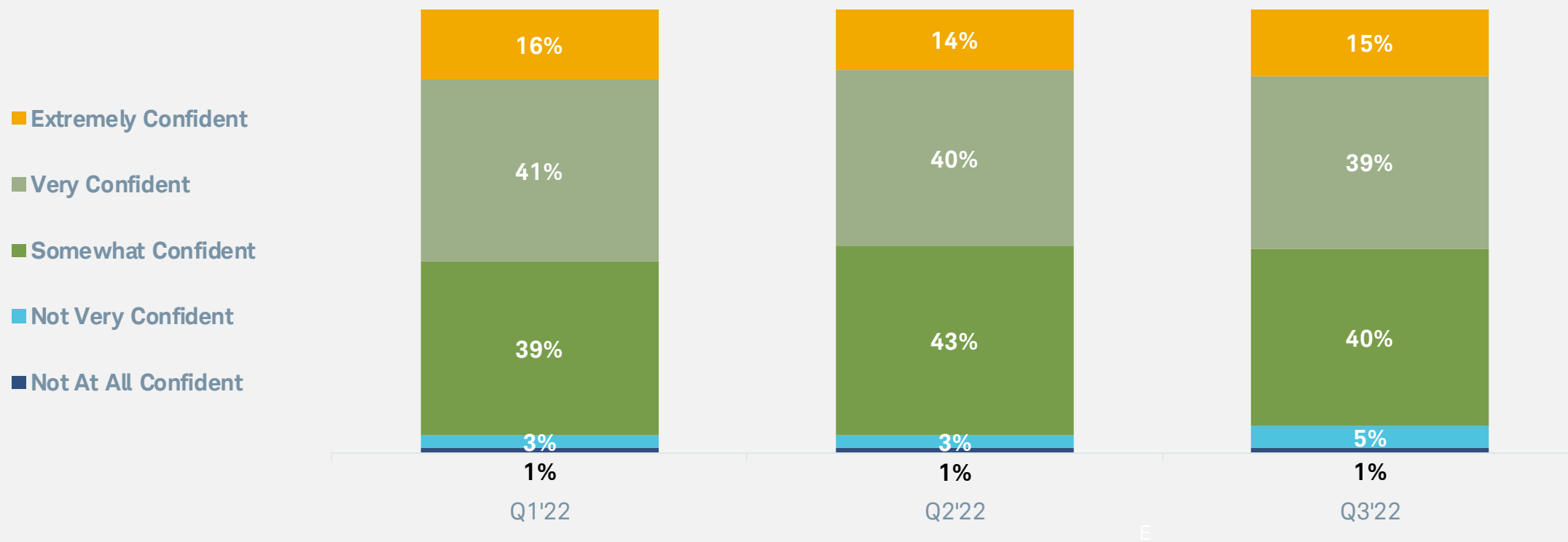
Q4. How confident are you in making investment decisions for your household?

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 confident in reaching their financial goals

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



Base = Weighted Total (n=968)

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

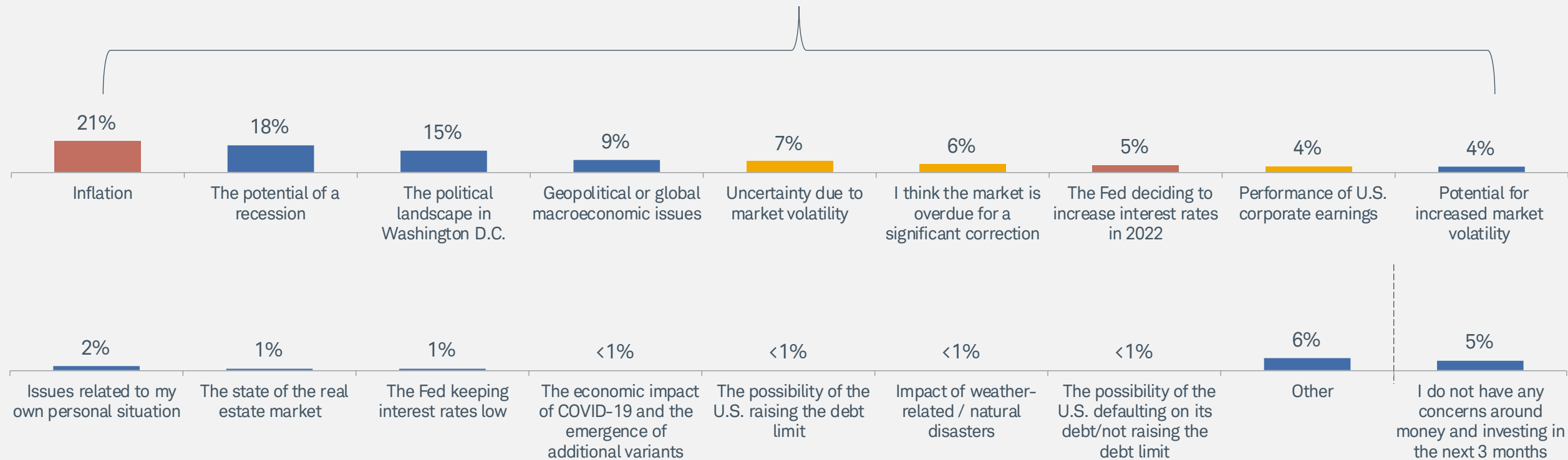
Geopolitical issues take a backseat to inflation and economic recession concerns in Q3 '22

Primary Concern About Investing

(Single response only; Among Those With A Concern)

 **26%** Inflation/Increased Interest Rates Related Concerns

Note: Percentages based among those with a concern



Base = Weighted Total (n=968)

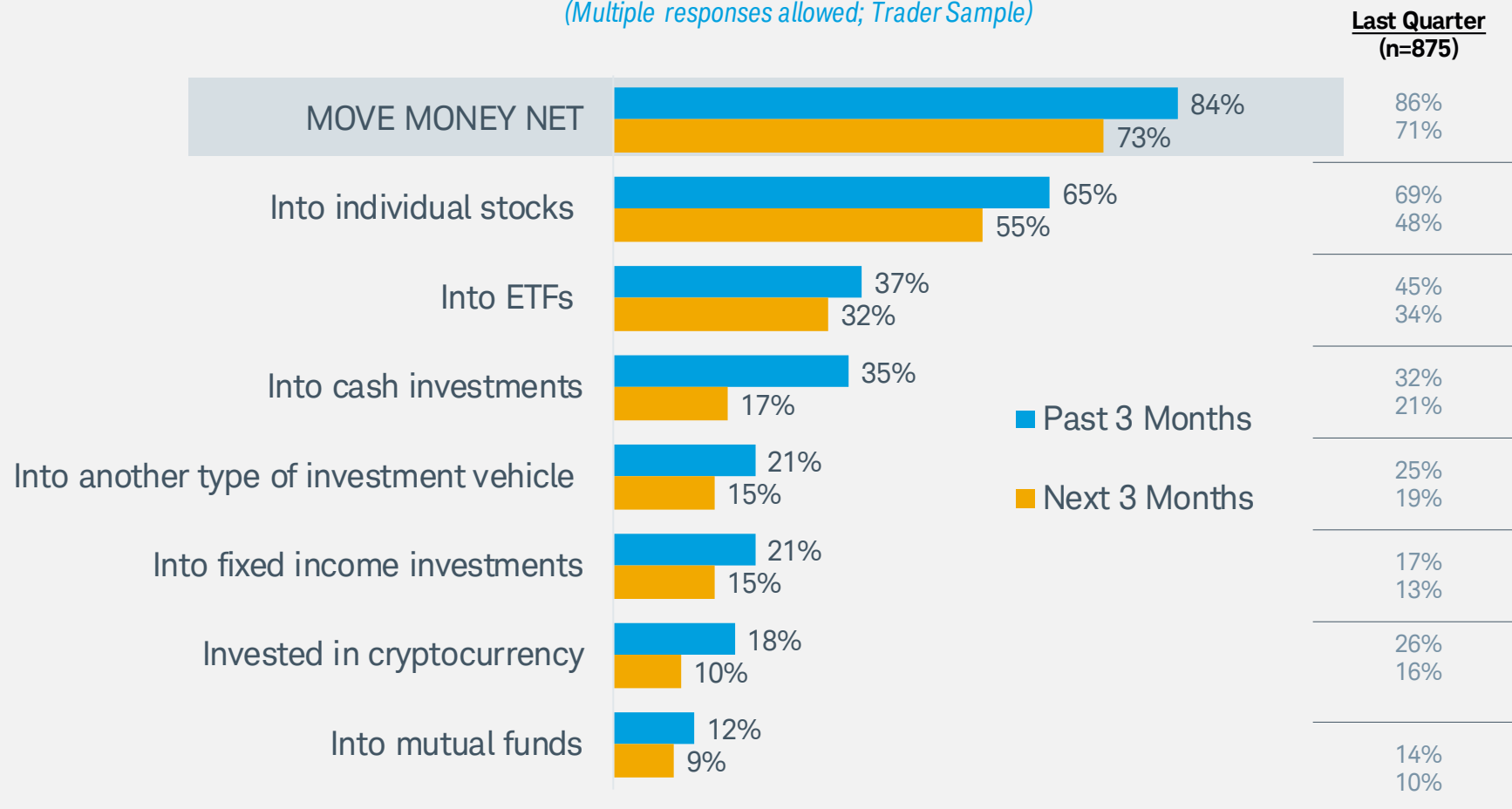
Q7. What is your primary concern around money and investing within the next 3 months?

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In the past 3 months, traders moved money mostly into individual stocks followed by ETFs; only 10% plan to move money into crypto in Q3 '22

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

(Multiple responses allowed; Trader Sample)



Base = Weighted Total (n=968)

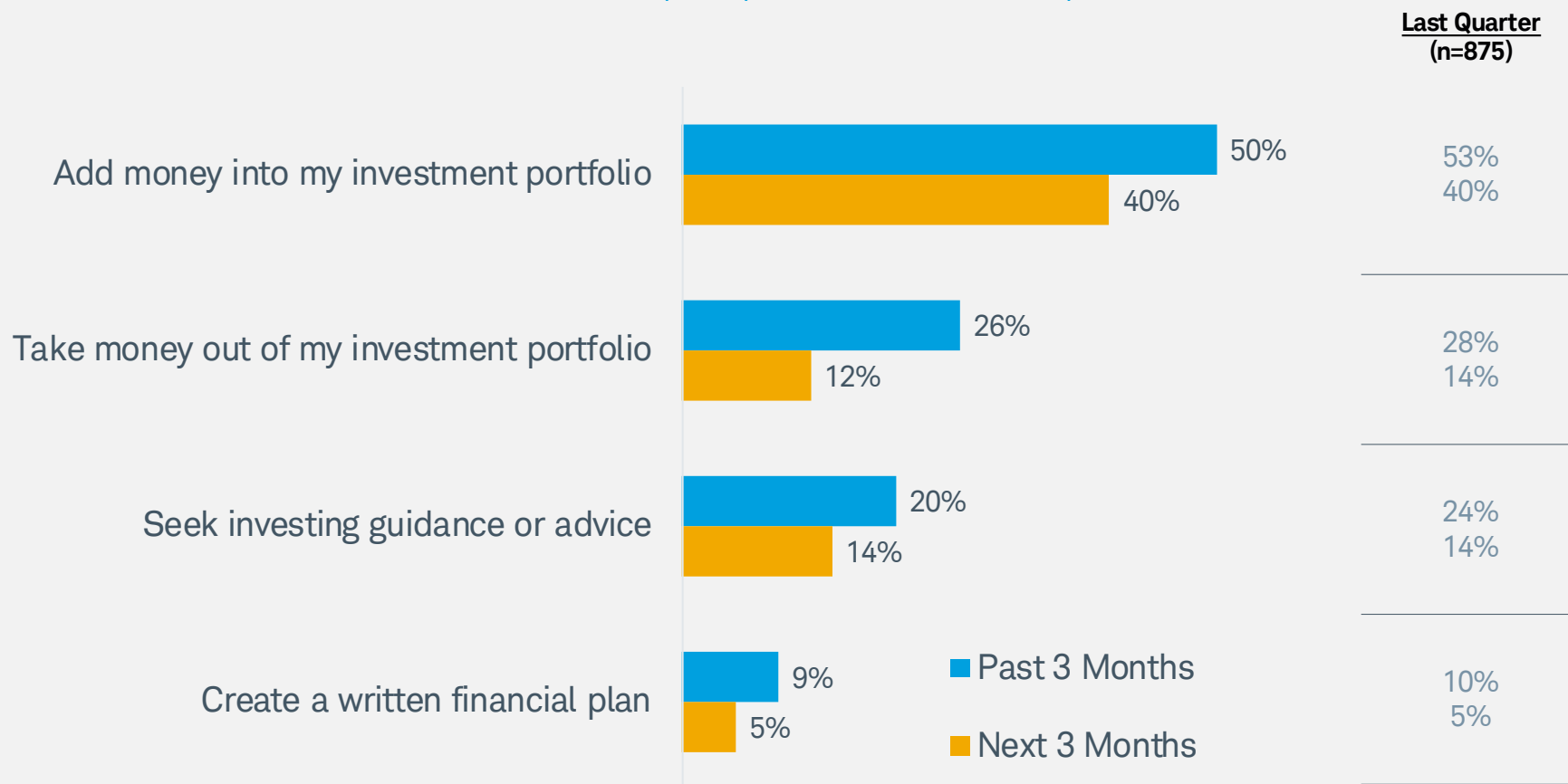
Q5. Which of the following actions have you taken, if any, in the past 3 months?/Q20. Which of the following actions do you plan to do over the next 3 months?

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Last quarter, 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=968)

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?



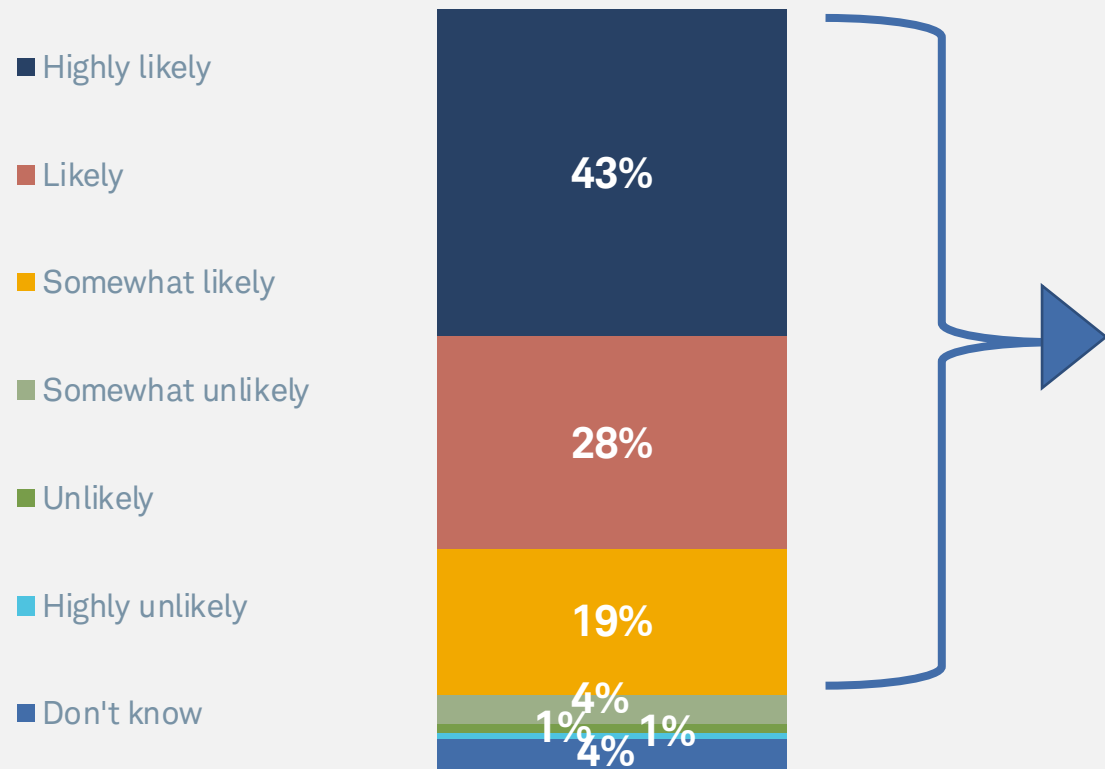
Special Issues

- Recession Likelihood, Timing, & Expectations
- Actions Taken To Hedge Against Market/Recession
- Interest Rate Expectations and Anticipated Easing of Inflation
- Level of Trading Risk Taking And Trading Activity
- Crypto: Ownership & Regulatory Oversight

Most traders see a US economic recession as likely and anticipate it will begin this year

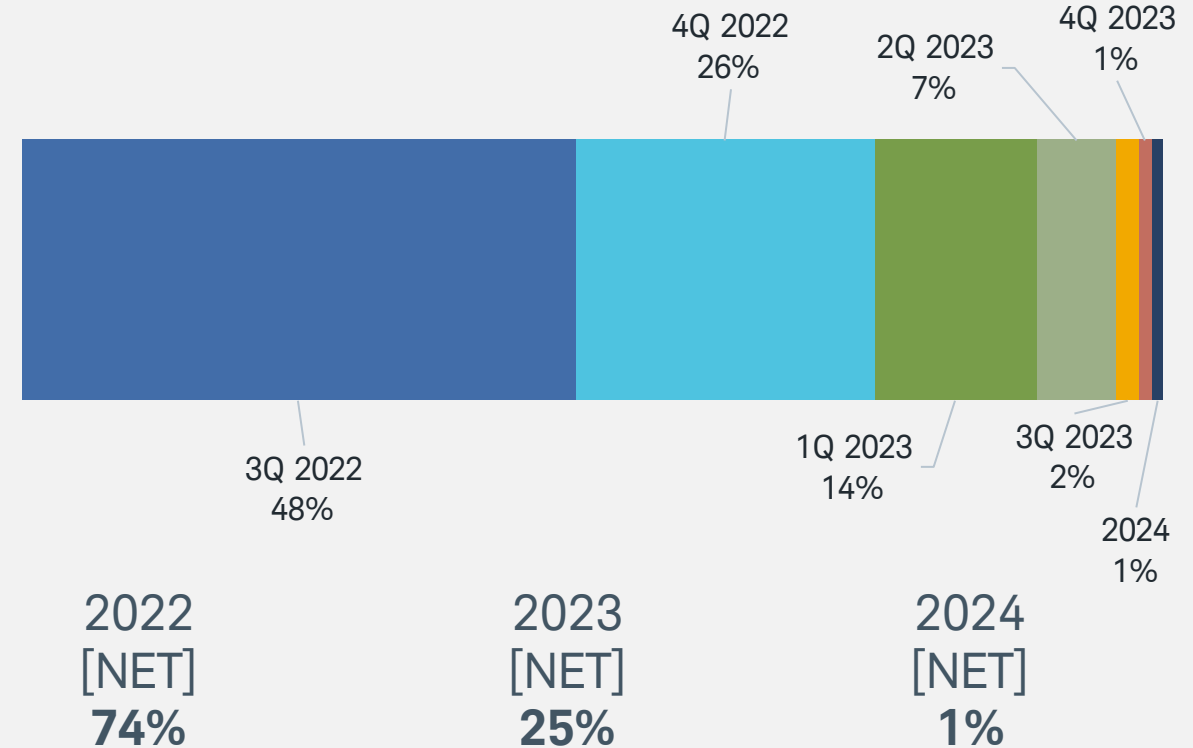
Expected Likelihood of US Recession

(Single response only; Among Trader Sample)



Expected Beginning of Recession^

(Single response only; Among Trader Sample)

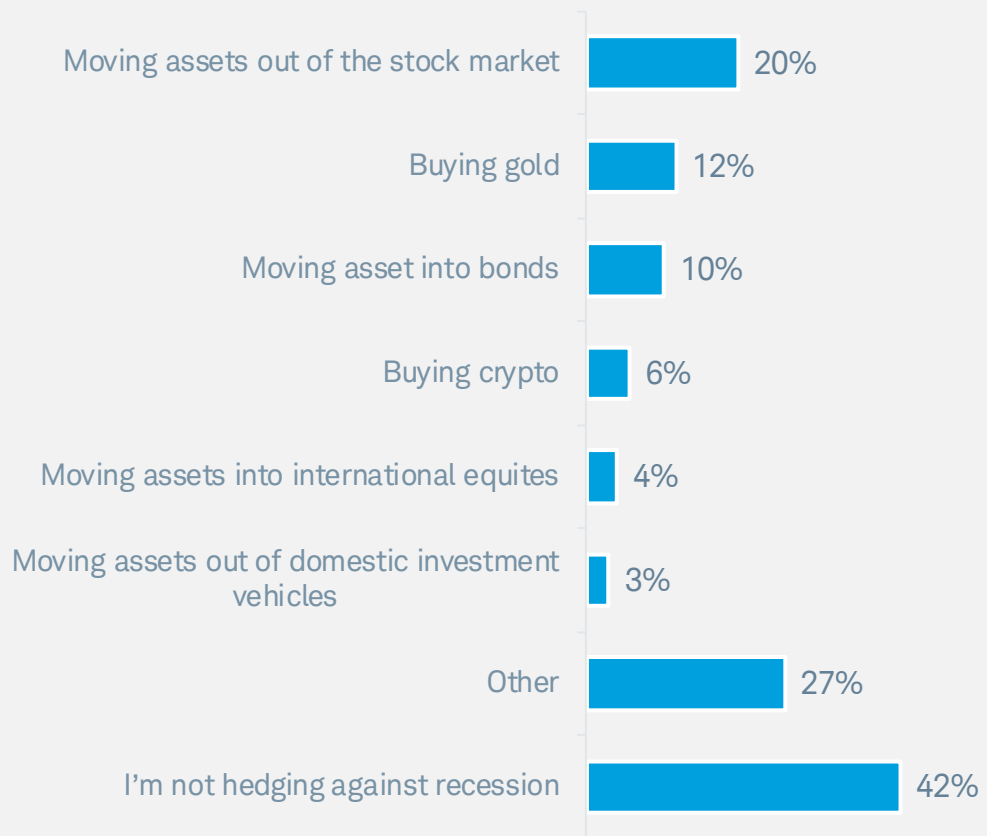


Base = Weighted Total (n=968); Base = Recession Is At Least Somewhat Likely (n=872)^
 QAT_Q322_1. What, in your opinion, is the likelihood that the US economy will officially enter a recession within the next few years? /
 QAT_Q322_2. When do you expect the recession to begin?

While many traders won't hedge against a recession, one in five will move assets out of the stock market; most predict recession will last less than one year

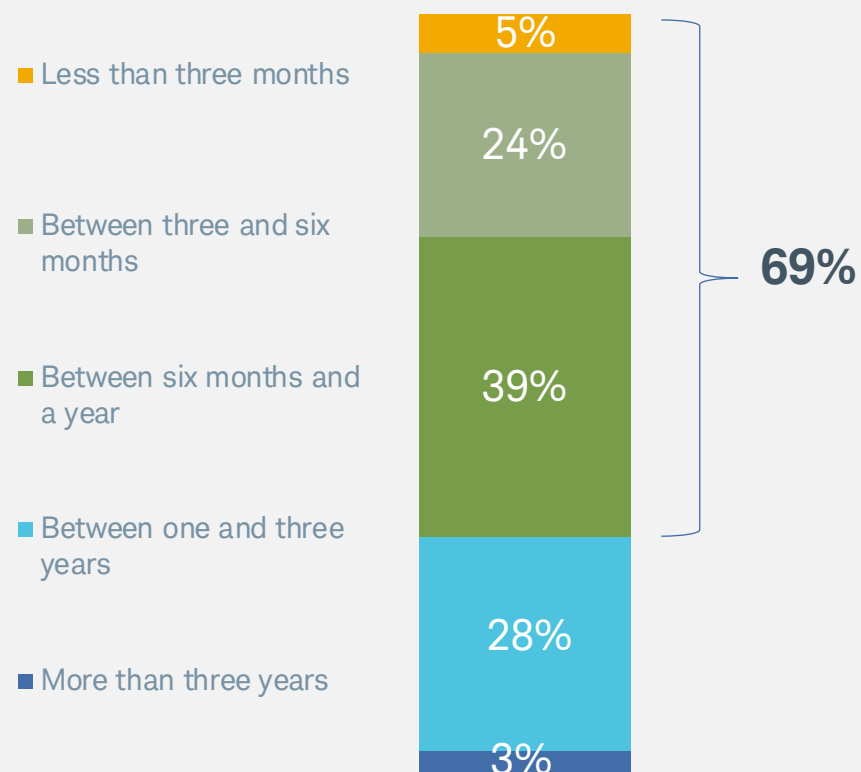
Actions Taken to Hedge Against Continued Down Market or Recession

(Multiple response; Among Trader Sample)



Expected Length of Recession

(Single response only; Among Trader Sample)



Base = Weighted Total (n=968)

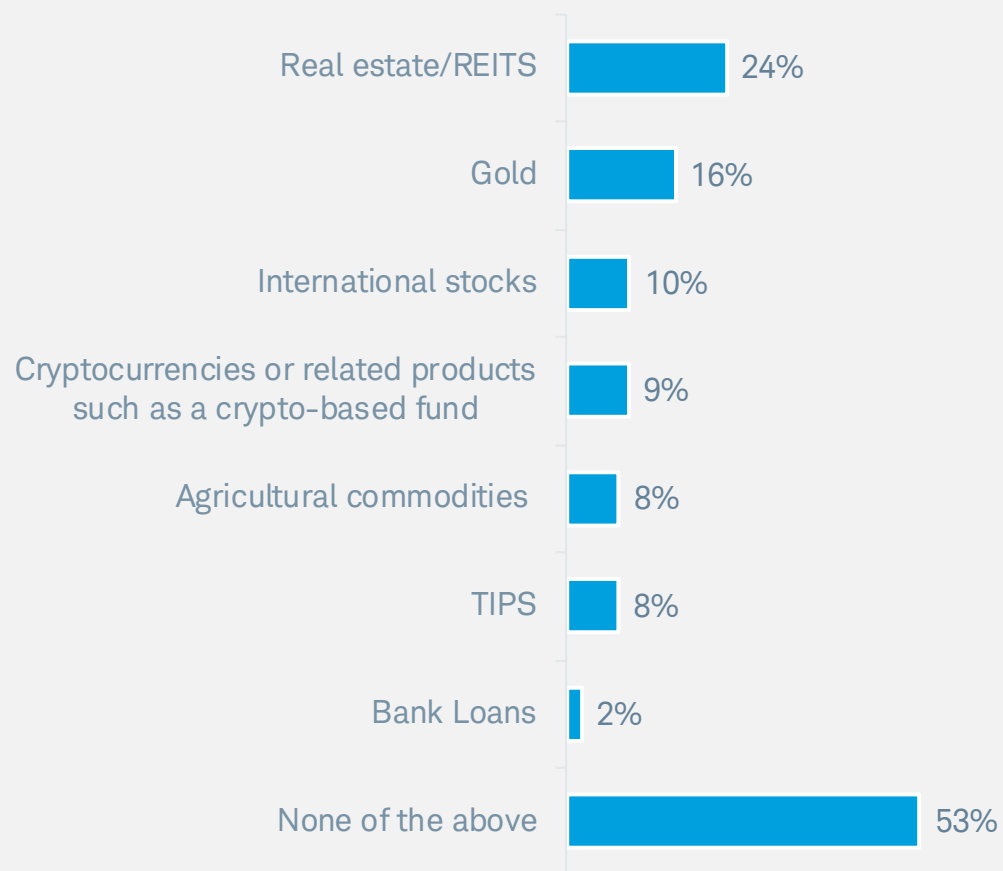
QAT_Q322_4. Are you taking any of the following actions specifically to hedge against a continued down market or a recession?

QAT_Q322_3. How long do you expect it to last?

One in four traders expects to hedge against inflation with buys in Real Estate/REITS

Expect to Buy in 2022 to Hedge Against Inflation

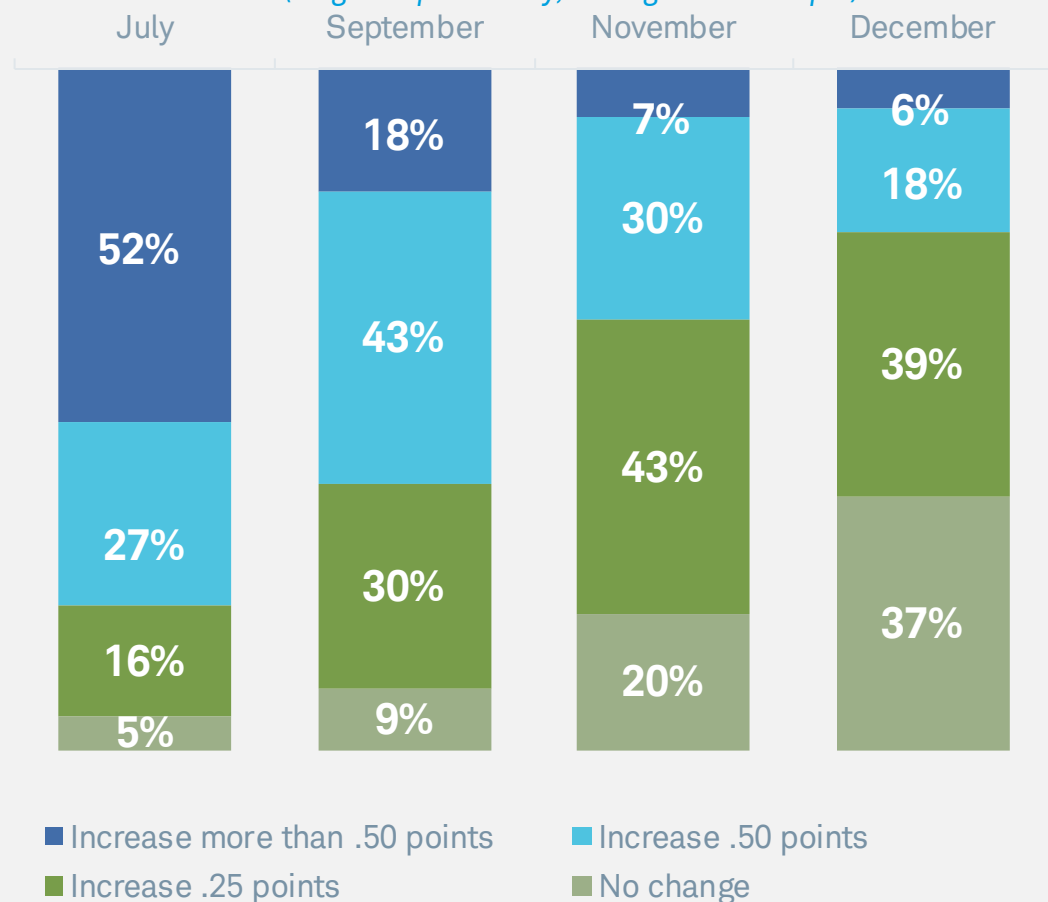
(Multiple response; Among Trader Sample)



Traders anticipate interest rate hikes to slow by December; half see inflation easing in 2023

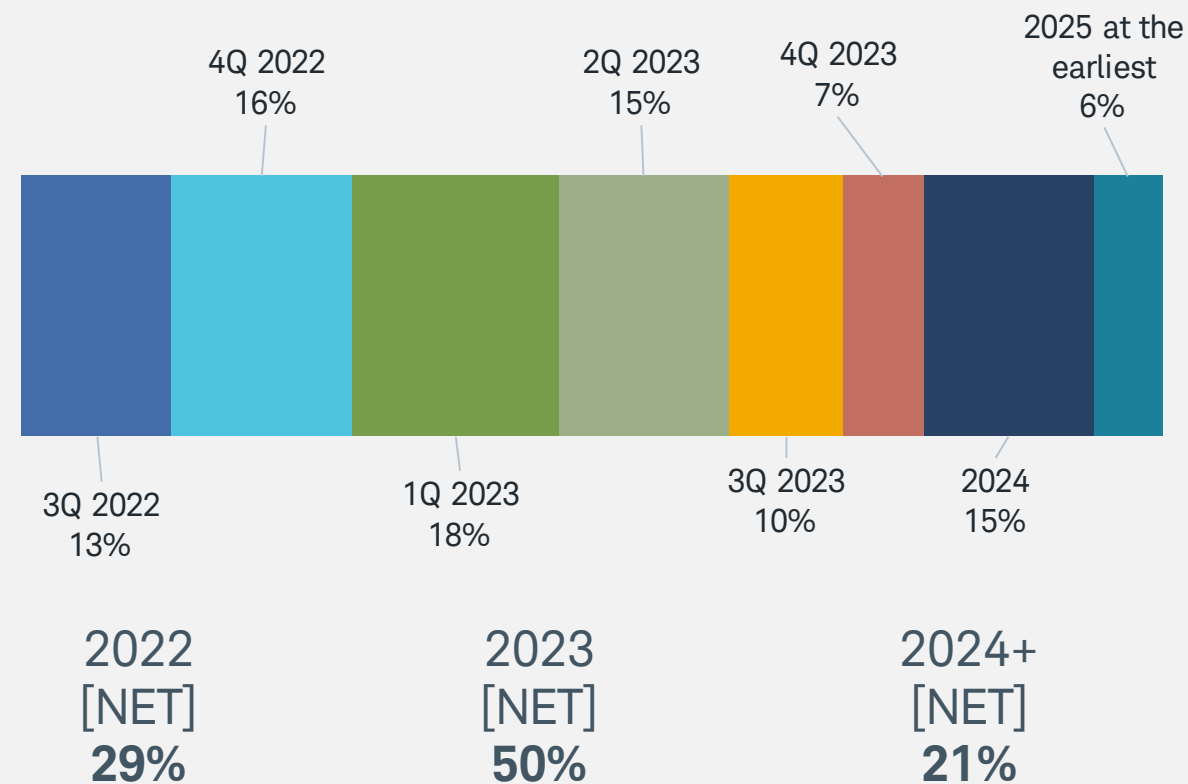
Expected Interest Rate Change at Fed Meeting

(Single response only; Among Trader Sample)



Expected Easing of Inflation

(Single response only; Among Trader Sample)



Base = Weighted Total (n=968)

QAT_Q322_10. What do you expect the Fed to do with interest rates at each of their four remaining meetings this year?

QAT_Q322_9. When do you expect inflation to begin easing?

A majority of traders are taking the same or slightly less risk in Q3 '22, more than one in four are trading fewer equities compared to last quarter

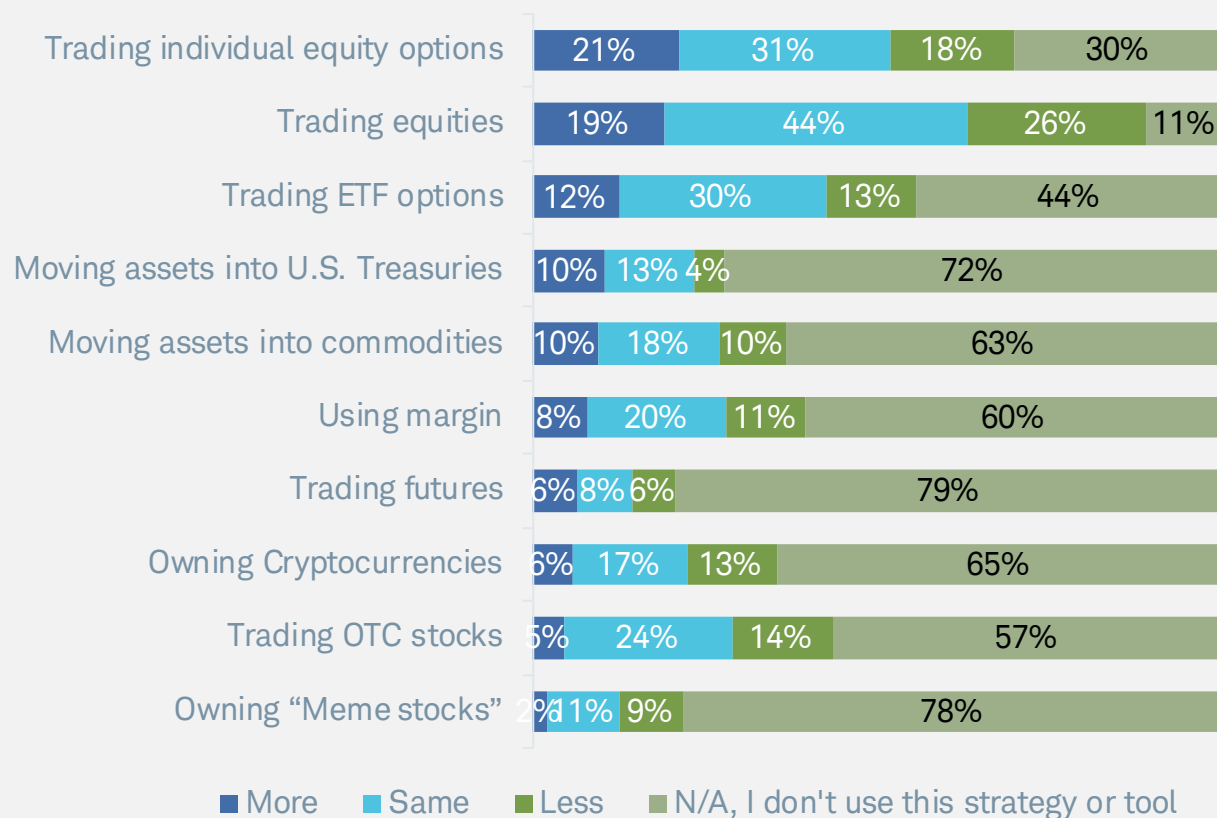
Level of Trading Risk Taking

(Single response only; Among Trader Sample)



Trading Activity vs. Last Quarter

(Single response only; Among Trader Sample)



Base = Weighted Total (n=968)

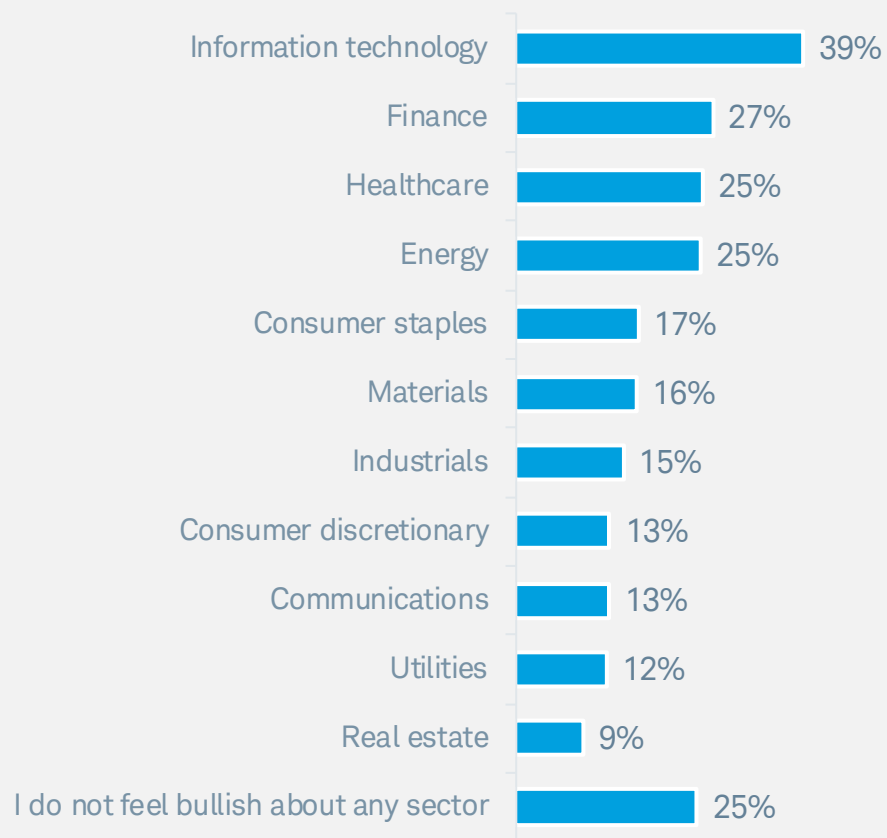
QAT_Q322_5. How would you describe the level of risk you're taking in your trading approach right now?

QAT_Q322_8. Compared to last quarter, are you doing each of the following more, less or the same?

Many traders report Information Technology, Finance stocks can be bought at a discount in Q3 '22, half are bullish on value stocks for the next three months

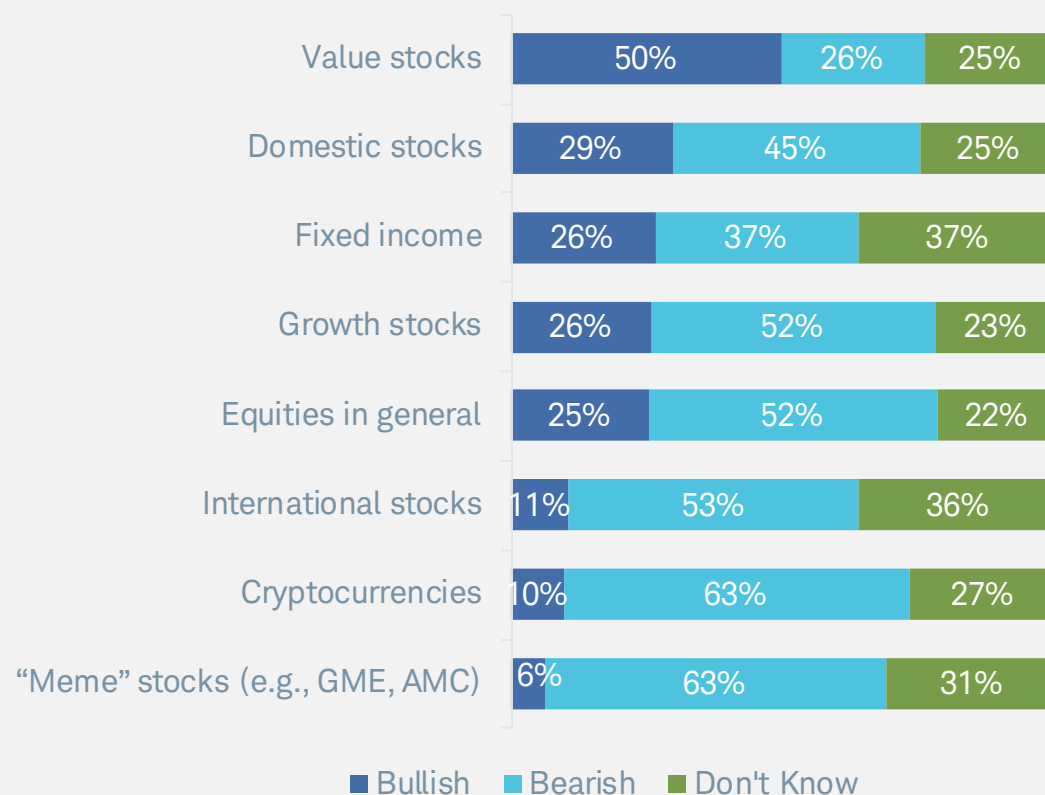
Bullish Sectors At Discount

(Multiple response; Among Trader Sample)



Sentiment For Next 3 Months

(Single response only; Among Trader Sample)



Base = Weighted Total (n=968)

QAT_Q322_6. In your opinion, are there sectors about which you're bullish that can be bought at a discount right now?

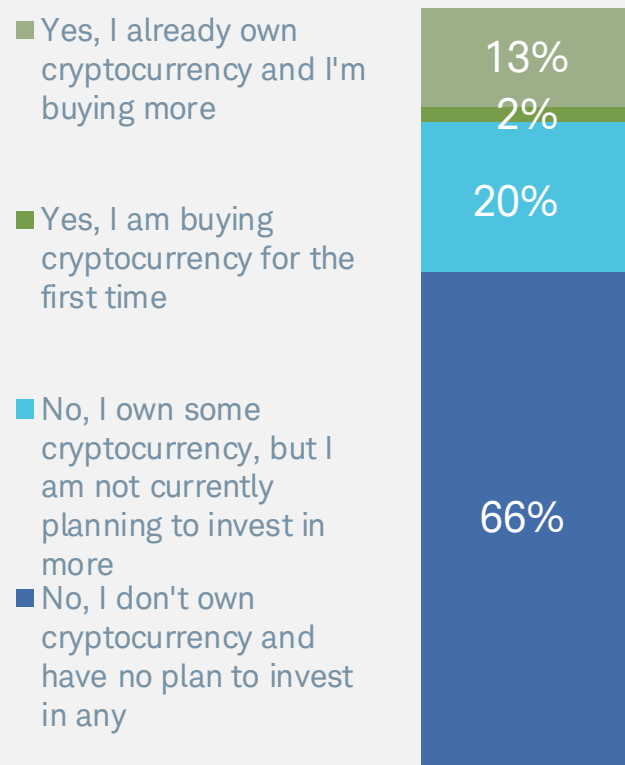
QAT_Q322_7. Are you bullish or bearish on each of the following for the next 3 months?

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Few traders are buying crypto in Q3 '22, most anticipate regulatory oversight would slow growth

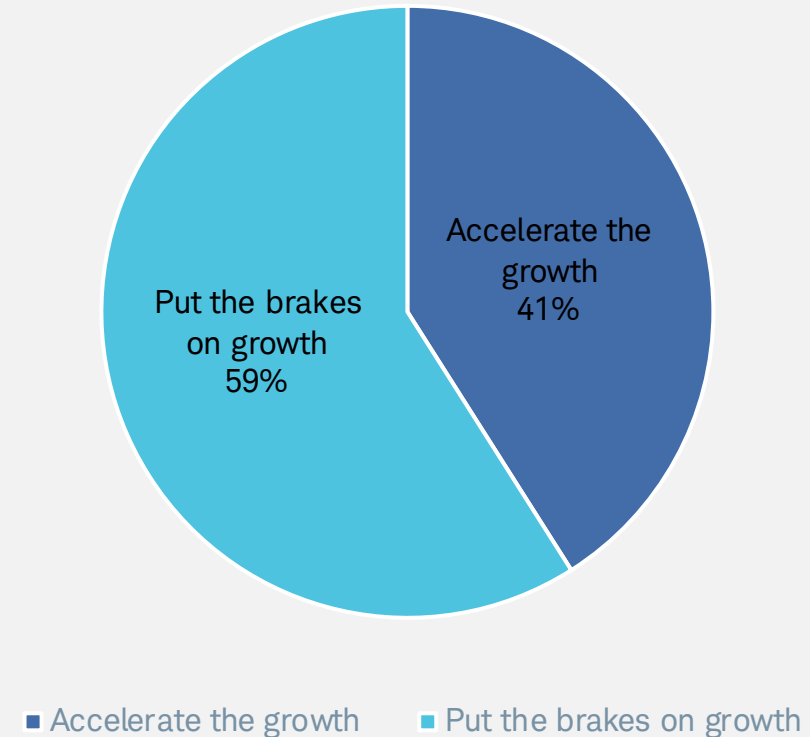
Buying The Crypto Dip

(Single response only; Among Trader Sample)



Regulatory Oversight of Cryptocurrency Would...

(Single response only; 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
- Q3 study was fielded July 6-18, 2022

Sample:

- 968 Active Traders (defined as 80+ trades, 12+ Options trades, or traded Futures/Future Options/Forex in the past 12 months).
 - Of the 968 Active Traders, 434 traders using TD Ameritrade, 534 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.

Gender		Affluence		Active Trader	
Male	853 (88%)	HNW (\$1M+)	294 (30%)	Active	968 (100%)
Female	74 (8%)	Affluent (\$250K-<\$1M)	290 (30%)	Not Active	
No answer	41 (4%)	Foundational (<\$250K)	384 (40%)		
Life Stage		Financial Consultant Relationship		Employment Status	
Younger Investor (<40)	249 (26%)	Has Financial Consultant	199 (21%)	Employed full-time	426 (44%)
Mid-Life (40-55)	290 (30%)	Does not have Financial Consultant	769 (79%)	Employed part-time	22 (2%)
Mature (55+ not retired)	228 (24%)			Self-employed	165 (17%)
Retired	201 (21%)			Retired/semi-retired	261 (27%)
				Other	48 (5%)
				No answer	46 (5%)