Q4 2022 Executive Summary

Traders are bearish as 2022 comes to a close, but confidence in decision making remains high and many predict inflation to ease in the year to come.

Key Q4 Themes

- Despite the year’s turbulence, 91% of traders remain confident in their ability to reach their financial goals.

- While most traders (68%) are bearish in Q4, they see opportunity in the energy (71% bullish) and health care (52% bullish) sectors, as well as value stocks (48% bullish).

- Rising interest rates, inflation, and political issues (both domestic and international) are traders’ top concerns. Nearly all traders feel an economic recession in the United States is at least somewhat likely, with many suggesting it will begin (or has already begun) in 2022.

- Over half of traders expect the Fed to increase interest rates by at least 50 basis points at the December meeting this year. Most expect interest rates are unlikely to drop in 2023.

- Looking ahead to 2023, just more than half feel a ‘January Effect,’ in which markets are driven up fueled by optimism for the year ahead, is at least somewhat likely.
Q4 ’22 Trader Sentiment Snapshot

**Past 3 Month/Next 3 Month Actions**

<table>
<thead>
<tr>
<th>Action</th>
<th>Past 3 Months</th>
<th>Next 3 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Move d money into individual stocks</td>
<td>60%</td>
<td>52%</td>
</tr>
<tr>
<td>Add ed money into investment portfolio</td>
<td>48%</td>
<td>40%</td>
</tr>
<tr>
<td>Move d money into ETFs</td>
<td>42%</td>
<td>36%</td>
</tr>
<tr>
<td>Move d money into cash investments</td>
<td>22%</td>
<td>40%</td>
</tr>
<tr>
<td>Move d money into fixed income investments</td>
<td>25%</td>
<td>22%</td>
</tr>
<tr>
<td>Move d money out of investment portfolio</td>
<td>24%</td>
<td>11%</td>
</tr>
<tr>
<td>Move d money into another type of investment vehicle</td>
<td>22%</td>
<td>17%</td>
</tr>
<tr>
<td>Sought / Seek investing guidance or advice</td>
<td>20%</td>
<td>13%</td>
</tr>
<tr>
<td>Invest ed in cryptocurrency</td>
<td>14%</td>
<td>8%</td>
</tr>
<tr>
<td>Move d money into mutual funds</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Create d a written financial plan</td>
<td>9%</td>
<td>6%</td>
</tr>
</tbody>
</table>

**3 Month Outlook**

- **Good Time to Invest**: 45%
- **Better Off Financially**: 25%
- **Confident In Decisions**: 62%

**Primary Concern Next 3 Months**

- Fed continuing to raise interest rates: 17%
- Inflation: 14%
- Geopolitical or global macroeconomic issues: 14%
- Political landscape in Washington D.C.: 14%

- **Bullish**: 18%
- **Bearish**: 68%

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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.

Base = Weighted Total (n=813)

Bearish sentiment deepens in Q4 ’22, but most traders remain confident in their plans.
A bearish outlook is most common among young traders, but that age group is also the most confident in their plan to withstand a correction.

**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.

**Don't know**

Base = Weighted Total (n=813)

Q6. Thinking about the next 3 months, which statement best describes your outlook for the U.S. stock market?
Traders are bullish on energy and healthcare, although optimism around the real estate sector continues to drop.
At a category level, “meme” stocks are out and value stocks are in, with nearly half of traders reporting a bullish outlook on stocks that are “on sale”.

Category Sentiment for 2022
(Among Trader Sample)

- **Value stocks**: 48% Bullish, 28% Bearish
- **Fixed income**: 37% Bullish, 32% Bearish
- **Domestic stocks**: 30% Bullish, 48% Bearish
- **Growth stocks**: 25% Bullish, 57% Bearish
- **Equities in general**: 25% Bullish, 54% Bearish
- **Cryptocurrencies**: 8% Bullish, 60% Bearish
- **International stocks**: 8% Bullish, 65% Bearish
- **“Meme” stocks (e.g., GME, AMC)**: 5% Bullish, 68% Bearish

Base = Weighted Total (n=813)
QAT_Q422_4. Are you bullish, bearish or uncertain across each of the following areas in 2022?
Of sectors that may be bought at a discount, traders are most bullish on energy; over the next quarter, nearly half are bullish about value stocks while few are optimistic about crypto, international or “meme” stocks.
Less than half of traders see this as a good time to invest in equities, but confidence in decision making remains high.

**Q4 2022: Is this a Good or Bad Time to Invest?**
(% Very Good/Good; Among Trader Sample)

45%

**Financial Standing vs. Year Ago**
(Among Trader Sample)

- Much better off: 7%
- Better off: 18%
- About the same: 36%
- Worse off: 29%
- Much worse off: 8%

25%

**Q4 2022: Confidence in Investment Decision Making**
(% Extremely/Very Confident; Among Trader Sample)

62%

Base = Weighted Total (n=813)
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?
Confidence in reaching financial goals remains high, though it has dipped slightly from the start of ‘22

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

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=813)
Q10. Which statement best describes your confidence in reaching your financial goals?
Inflation and interest rates are traders’ biggest concerns, with geopolitical issues and the potential of a recession not far behind.
Nearly half of traders have moved money into their investment portfolio in the past three months and 40% intend to do so over the next quarter.

**Actions - Taken Past Three Months & Planned in Next Three Months**

*Multiple responses allowed; Among Trader Sample*

<table>
<thead>
<tr>
<th>Action</th>
<th>Past 3 Months</th>
<th>Next 3 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add money into my investment portfolio</td>
<td>48%</td>
<td>40%</td>
</tr>
<tr>
<td>Take money out of my investment portfolio</td>
<td>24%</td>
<td>11%</td>
</tr>
<tr>
<td>Seek investing guidance or advice</td>
<td>20%</td>
<td>13%</td>
</tr>
<tr>
<td>Create a written financial plan</td>
<td>9%</td>
<td>6%</td>
</tr>
</tbody>
</table>

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More than a quarter of traders report engaging in less equities trading this quarter than last; one in five is trading individual equity options more

<table>
<thead>
<tr>
<th>Trading Activity vs. Last Quarter</th>
<th>More</th>
<th>Same</th>
<th>Less</th>
<th>N/A, I don’t use this strategy or tool</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading individual equity options</td>
<td>21%</td>
<td>32%</td>
<td>17%</td>
<td>29%</td>
</tr>
<tr>
<td>Moving assets into U.S. Treasuries</td>
<td>19%</td>
<td>15%</td>
<td>4%</td>
<td>62%</td>
</tr>
<tr>
<td>Trading equities</td>
<td>19%</td>
<td>44%</td>
<td>27%</td>
<td>10%</td>
</tr>
<tr>
<td>Trading ETF options</td>
<td>17%</td>
<td>30%</td>
<td>12%</td>
<td>41%</td>
</tr>
<tr>
<td>Moving assets into commodities</td>
<td>11%</td>
<td>23%</td>
<td>7%</td>
<td>59%</td>
</tr>
<tr>
<td>Using margin</td>
<td>7%</td>
<td>20%</td>
<td>11%</td>
<td>62%</td>
</tr>
<tr>
<td>Trading futures</td>
<td>7%</td>
<td>11%</td>
<td>4%</td>
<td>78%</td>
</tr>
<tr>
<td>Owning Cryptocurrencies</td>
<td>5%</td>
<td>16%</td>
<td>10%</td>
<td>68%</td>
</tr>
<tr>
<td>Trading OTC stocks</td>
<td>4%</td>
<td>24%</td>
<td>15%</td>
<td>57%</td>
</tr>
<tr>
<td>Owning “Meme stocks”</td>
<td>2%</td>
<td>11%</td>
<td>78%</td>
<td></td>
</tr>
</tbody>
</table>

Base = Weighted Total (n=813)

QAT_Q422_5. Compared to last quarter, are you doing each of the following more, less or the same?
Q4 Focus

- Recession Likelihood, Timing, & Expectations
- Bullish Market Indicators
- Interest Rate Expectations and Anticipated Easing of Inflation
- Level of Trading Risk Taking
- January Effect
The vast majority of traders see a U.S. recession as likely, with most predicting it will have started by the end of '22.
Many traders anticipate a possibly lengthy recession and are moderating their approach to risk.

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

Current Approach to Risk Compared to Early 2022
(Single response only; Among Trader Sample)

Base = Recession Is At Least Somewhat Likely (n=726); Base = Weighted Total (n=813)

A lot more risk
Slightly more risk
Same amount of risk
Slightly less risk
A lot less risk

More than three years
Between one and three years
Between six months and a year
Less than three months

Less than three months
Between six months and a year
Between one and three years
More than three years

45%
12%
41%
39%
6%

18%
24%
31%
16%
11%

42%
Most traders want decreasing inflation metrics in order to feel more bullish

### Key Market Indicators Likely to Make Traders More Bullish in Next Three Months

(Multiple response (up to 3); Among Trader Sample)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A decrease in inflation metrics</td>
<td>64%</td>
</tr>
<tr>
<td>Improved geopolitical stability</td>
<td>53%</td>
</tr>
<tr>
<td>A change in Fed policy regarding rate/liquidity</td>
<td>51%</td>
</tr>
<tr>
<td>Strong corporate earnings</td>
<td>38%</td>
</tr>
<tr>
<td>Consumer Confidence numbers</td>
<td>12%</td>
</tr>
<tr>
<td>Growth in jobs numbers</td>
<td>6%</td>
</tr>
<tr>
<td>Growth in wages</td>
<td>5%</td>
</tr>
<tr>
<td>Strong housing/real estate data</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
</tr>
</tbody>
</table>

Base = Weighted Total (n=813)

QAT_422_3. Which of the following key market indicators or trends would cause you to be more bullish about the markets over the next three months?
Most traders expect interest rate hikes to slow in December, but only one in three expect rates to drop in ’23

**Expected Interest Rate Change at Fed Meeting**

(Single response only; Among Trader Sample)

<table>
<thead>
<tr>
<th>November</th>
<th>December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase more than .50 points</td>
<td>4%</td>
</tr>
<tr>
<td>Increase .50 points</td>
<td>48%</td>
</tr>
<tr>
<td>Increase .25 points</td>
<td>34%</td>
</tr>
<tr>
<td>Cut .25 points</td>
<td>13%</td>
</tr>
<tr>
<td>No change</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Likelihood of Dropping Interest Rates in 2023**

(Single response only; Among Trader Sample)

<table>
<thead>
<tr>
<th>High likely</th>
<th>Likely</th>
<th>Somewhat likely</th>
<th>Somewhat unlikely</th>
<th>Unlikely</th>
<th>Highly unlikely</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>8%</td>
<td>24%</td>
<td>20%</td>
<td>22%</td>
<td>22%</td>
<td>24%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Base = Weighted Total (n=813)

QAT_Q422_11A: “What do you expect the Fed to do with interest rates at each of their four remaining meetings this year?”

QAT_Q422_14: “How likely do you think it is that interest rates will begin dropping in 2023?”
Most traders expect inflation to ease in 2023; one in four will invest in real estate/REITS to hedge against inflation next year.

### Expected Easing of Inflation
(Single response only; Among Trader Sample)

- **4Q 2022**: 11%
- **3Q 2022**: 17%
- **2Q 2023**: 18%
- **1Q 2023**: 10%
- **4Q 2023**: 9%
- **3Q 2023**: 12%
- **2Q 2024**: 14%
- **2023**: 57%
- **2022**: 21%
- **2024+**: 22%
- **2025 at the earliest**: 8%
- **It already started easing 3Q 2022**: 10%

### Expect to Buy in 2023 to Hedge Against Inflation
(Multiple response; Among Trader Sample)

- **Real estate/REITS**: 25%
- **Gold**: 21%
- **TIPS (Treasury Inflation-Protected Securities)**: 16%
- **Agricultural commodities**: 10%
- **International stocks**: 10%
- **Cryptocurrencies or related products such as a crypto-based fund**: 9%
- **Bank Loans**: 4%
- **None of the above**: 47%

**Base = Weighted Total (n=813)
QAT_Q422_10. When do you expect inflation to begin easing?
QAT_Q422_15. Do you expect to buy any of the following in 2023 specifically as a hedge against inflation?**
As 2023 begins, most traders anticipate a “January effect” will drive markets up.

**Likelihood of a “January Effect”**
 *(Single response only; Among Trader Sample)*

- **Highly likely**: 8%
- **Likely**: 16%
- **Somewhat likely**: 31%
- **Somewhat unlikely**: 12%
- **Unlikely**: 12%
- **Highly unlikely**: 5%
- **I don't know**: 16%

**Likely**: 55%

**Unlikely**: 29%
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 5th-17th, 2022

Sample:
- 813 Active Traders (defined as 80+ trades, 12+ Options trades, or traded Futures/Future Options/Forex in the past 12 months).
  - Of the 813 Active Traders, 401 traders using TD Ameritrade, 412 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.

### Demographics

**Gender**
- Male: 710 (87%)
- Female: 60 (7%)
- No answer: 43 (5%)

**Affluence**
- HNW ($1M+): 288 (35%)
- Affluent ($250K–<$1M): 250 (31%)
- Foundational (<$250K): 275 (34%)

**Active Trader**
- Active: 813 (100%)
- Not Active: No answer

**Life Stage**
- Younger Investor (<40): 170 (21%)
- Mid-Life (40-55): 259 (32%)
- Mature (55+ not retired): 169 (21%)
- Retired: 215 (26%)

**Financial Consultant Relationship**
- Has Financial Consultant: 183 (23%)
- Does not have Financial Consultant: 630 (78%)

**Employment Status**
- Employed full-time: 344 (42%)
- Employed part-time: 19 (2%)
- Self-employed: 115 (14%)
- Retired/semi-retired: 270 (33%)
- Other: 27 (3%)
- No answer: 38 (5%)

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