

Q4 2022 Trader Client Sentiment Report

charles
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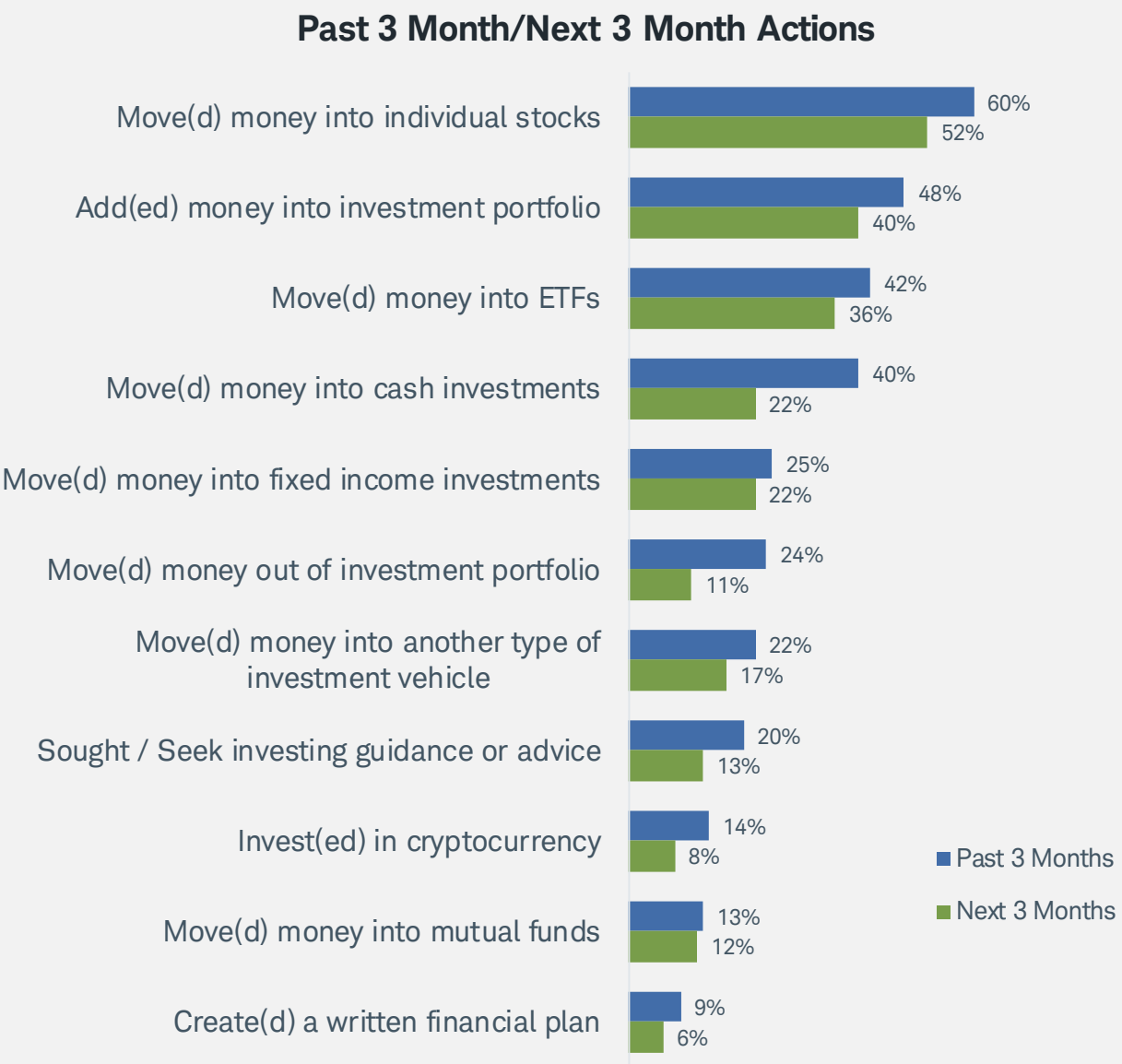
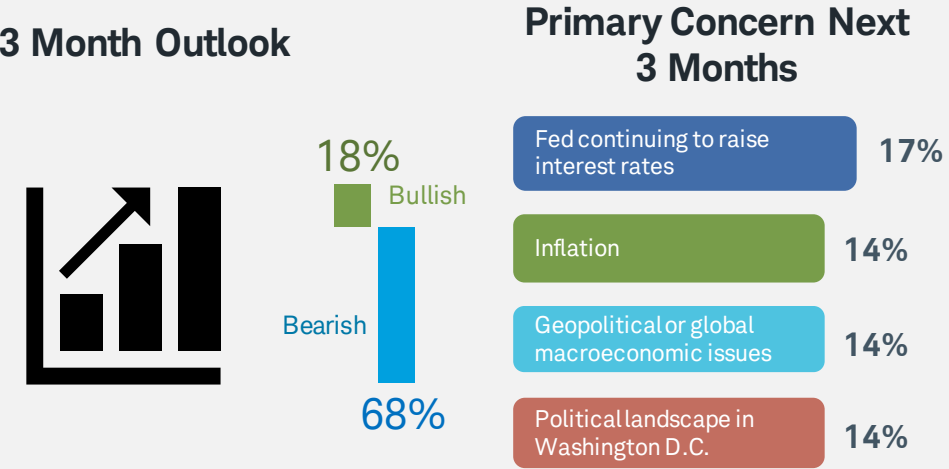
Q4 2022 Executive Summary

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.

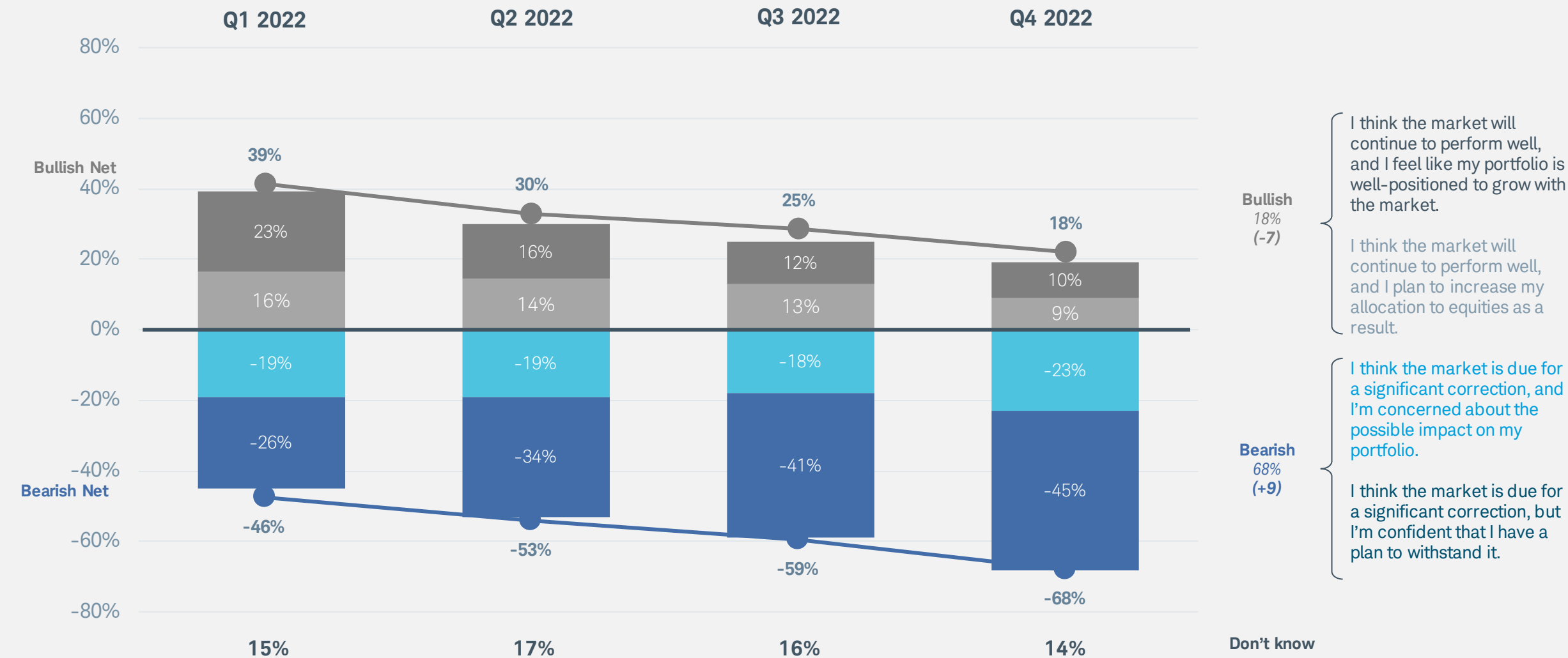
Q4 '22 Trader Sentiment Snapshot



Bearish sentiment deepens in Q4 '22, but most traders remain confident in their plans

Outlook For U.S. Stock Market

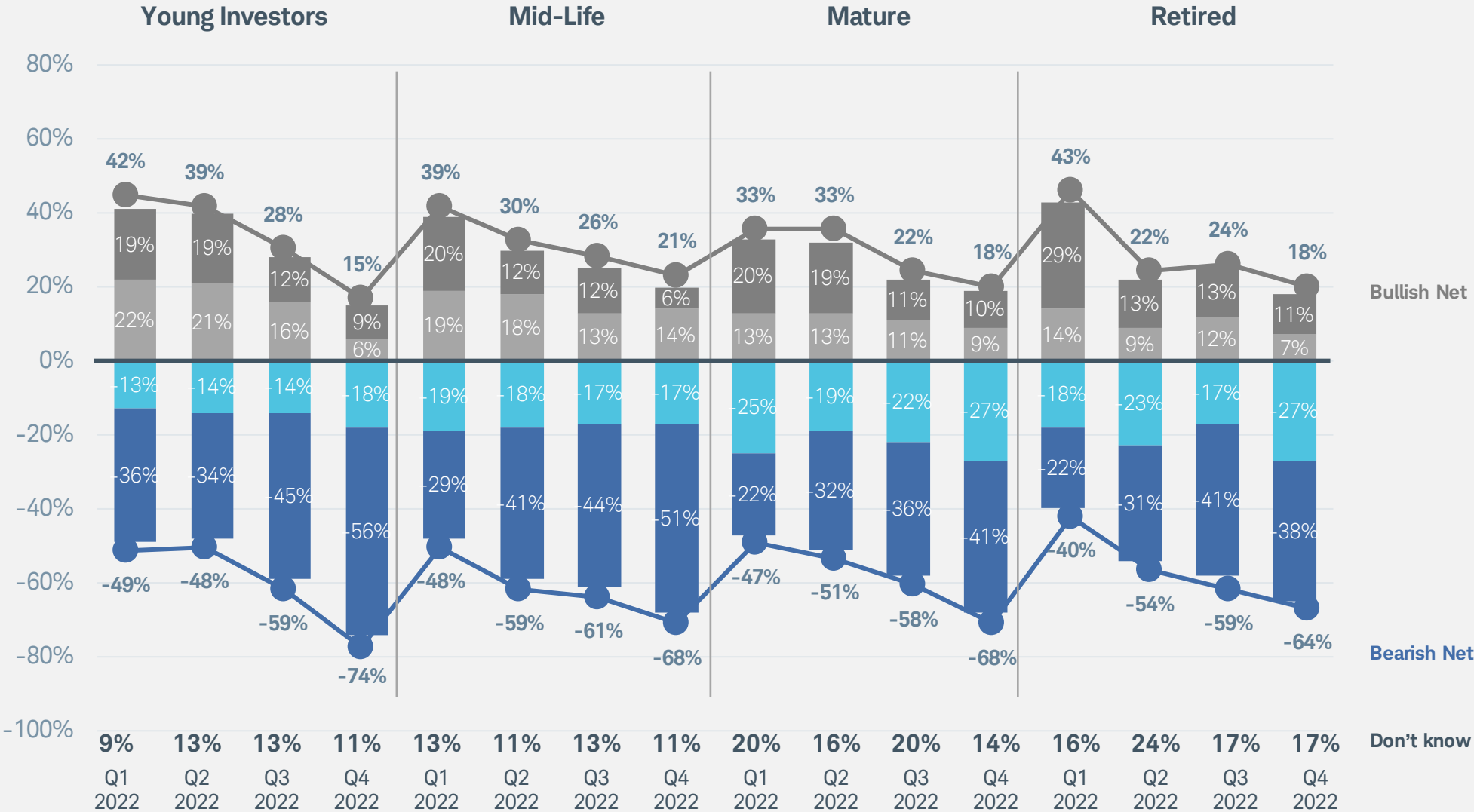
(Single response only; Among Trader Sample)



Base = Weighted Total (n=813)
Q6. Thinking about the next 3 months, which statement best describes your outlook for the U.S. stock market?

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)



I think the market will continue to perform well, and I feel like my portfolio is well-positioned to grow with the market.

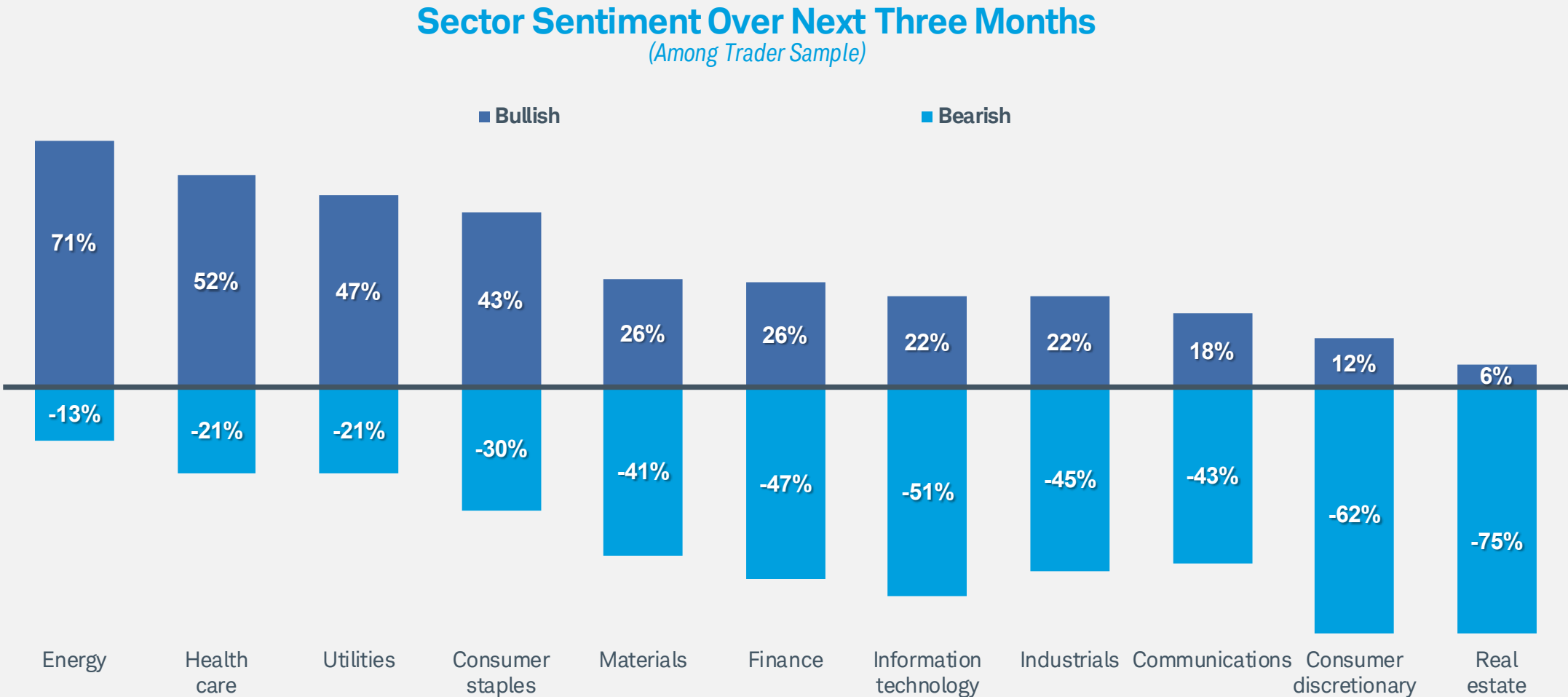
I think the market will continue to perform well, and I plan to increase my allocation to equities as a result.

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.

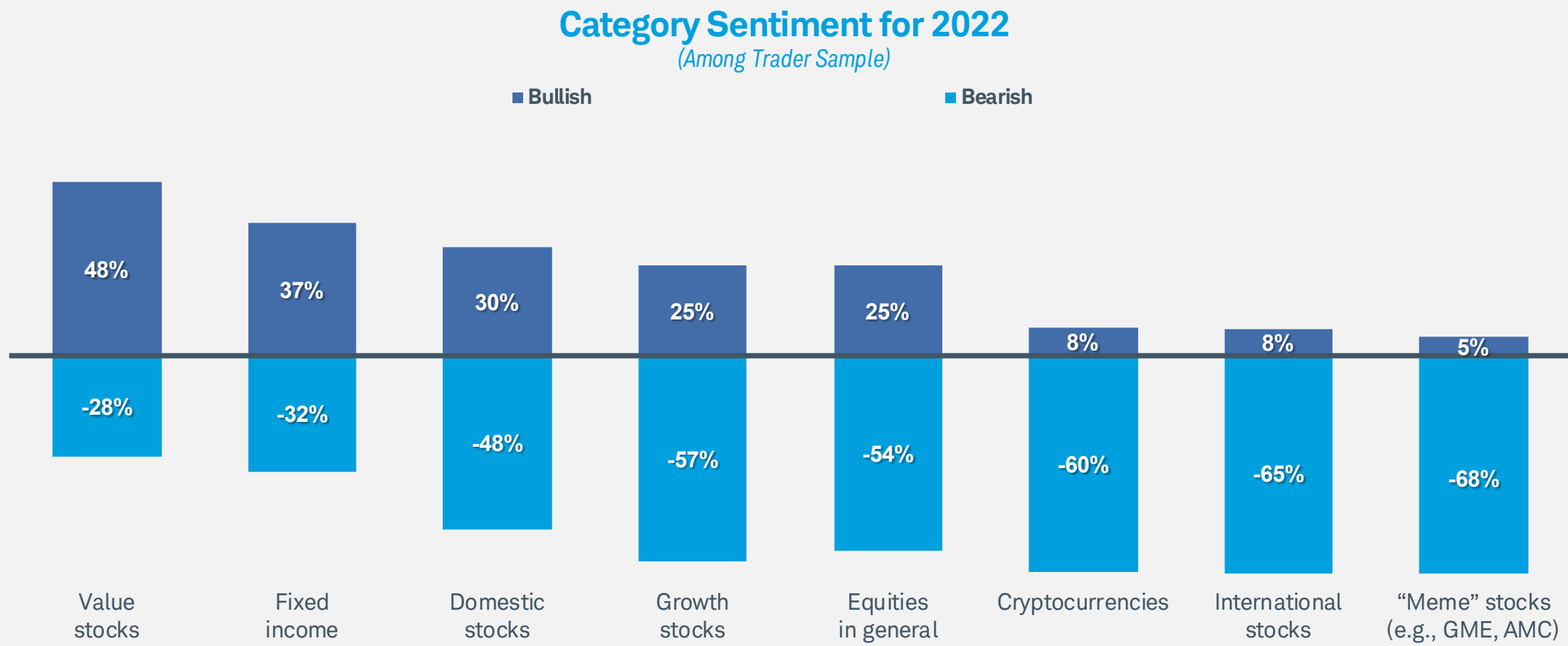
Base = Weighted Total (n=813)
Q6. Thinking about the next 3 months, which statement best describes your outlook for the U.S. stock market?

Traders are bullish on energy and healthcare, although optimism around the real estate sector continues to drop



Base = Weighted Total (n=813)
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, “meme” stocks are out and value stocks are in, with nearly half of traders reporting a bullish outlook on stocks that are “on sale”

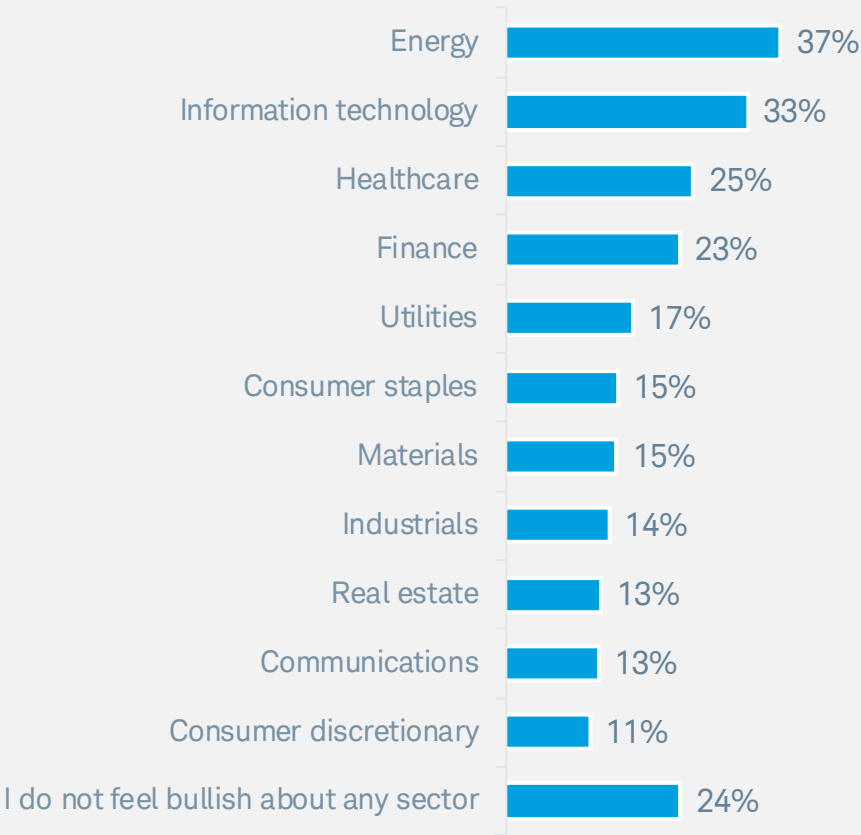


Base = Weighted Total (n=813)
QAT_Q422_4. Are you bullish, bearish or uncertain across each of the following areas in 2022?

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

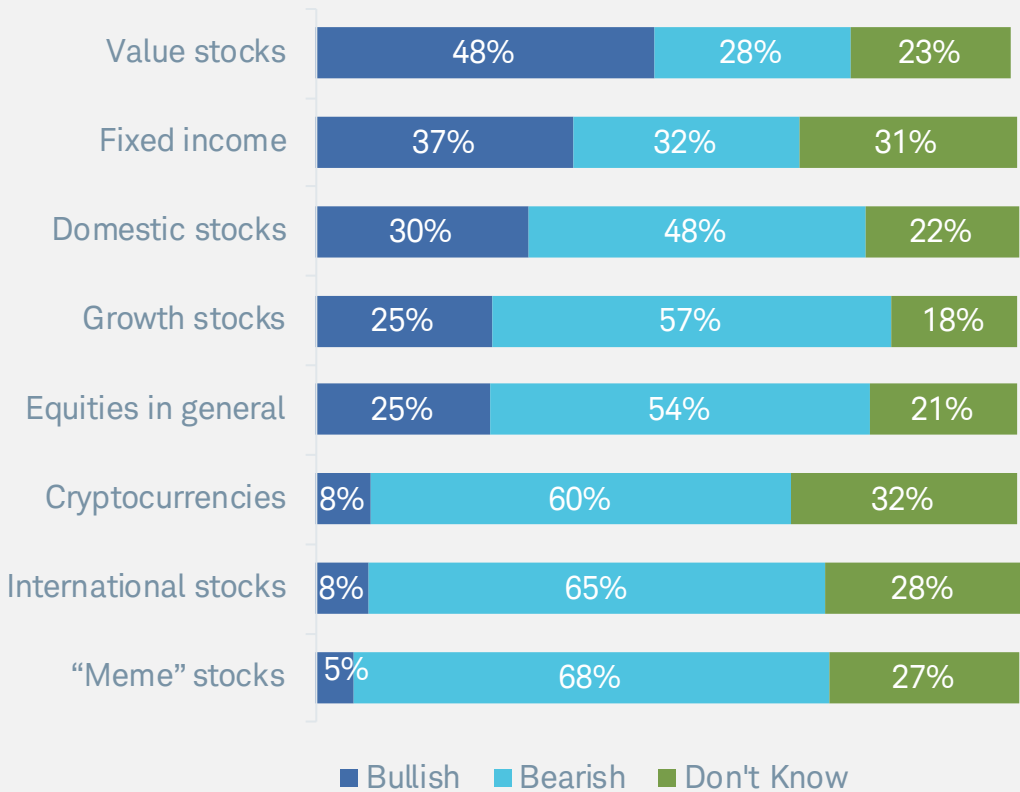
Bullish Sectors At Discount

(Multiple response; Among Trader Sample)



Sentiment For Next Three Months

(Single response only; Among Trader Sample)

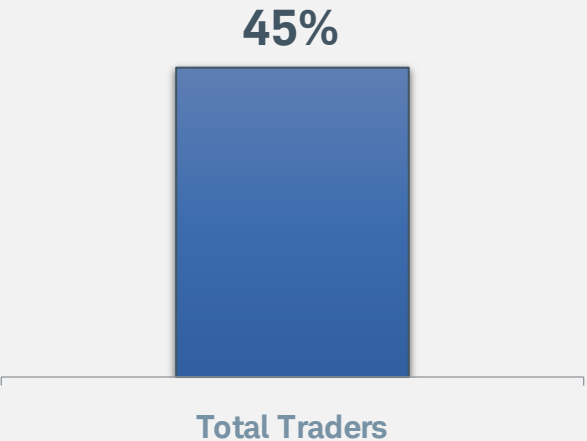


Base = Weighted Total (n=813)
QAT_Q422_2. In your opinion, are there sectors about which you're bullish that can be bought at a discount right now?
QAT_Q422_4. Are you bullish or bearish on each of the following for the next 3 months?

Less than half of traders see this as a good time to invest in equities, but confidence in decision making remains high

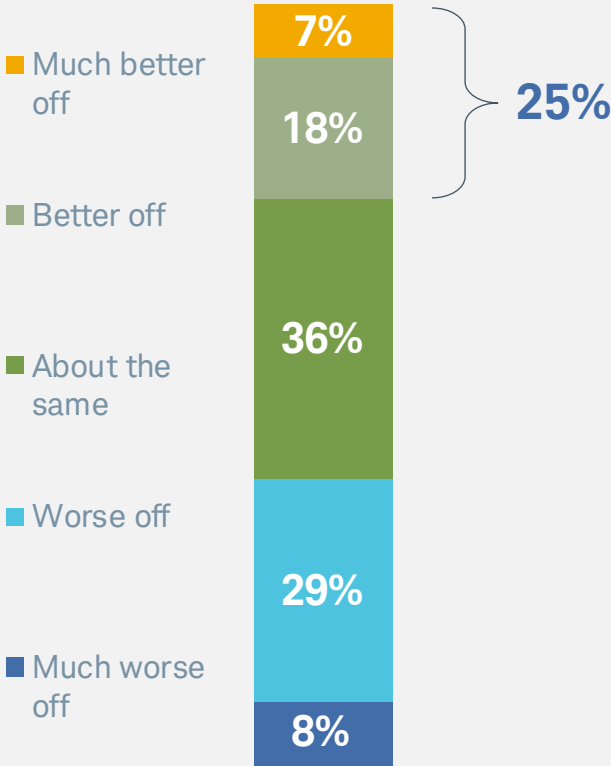
Q4 2022: Is this a Good or Bad Time to Invest?

(% Very Good/Good; Among Trader Sample)



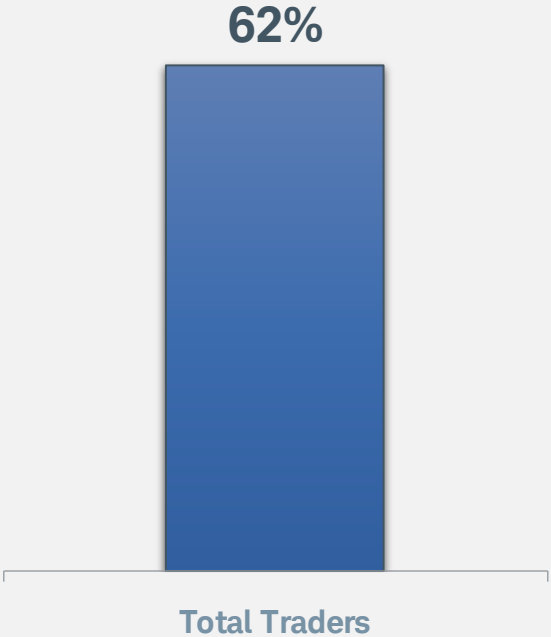
Financial Standing vs. Year Ago

(Among Trader Sample)



Q4 2022: Confidence in Investment Decision Making

(% Extremely/Very Confident; Among Trader Sample)

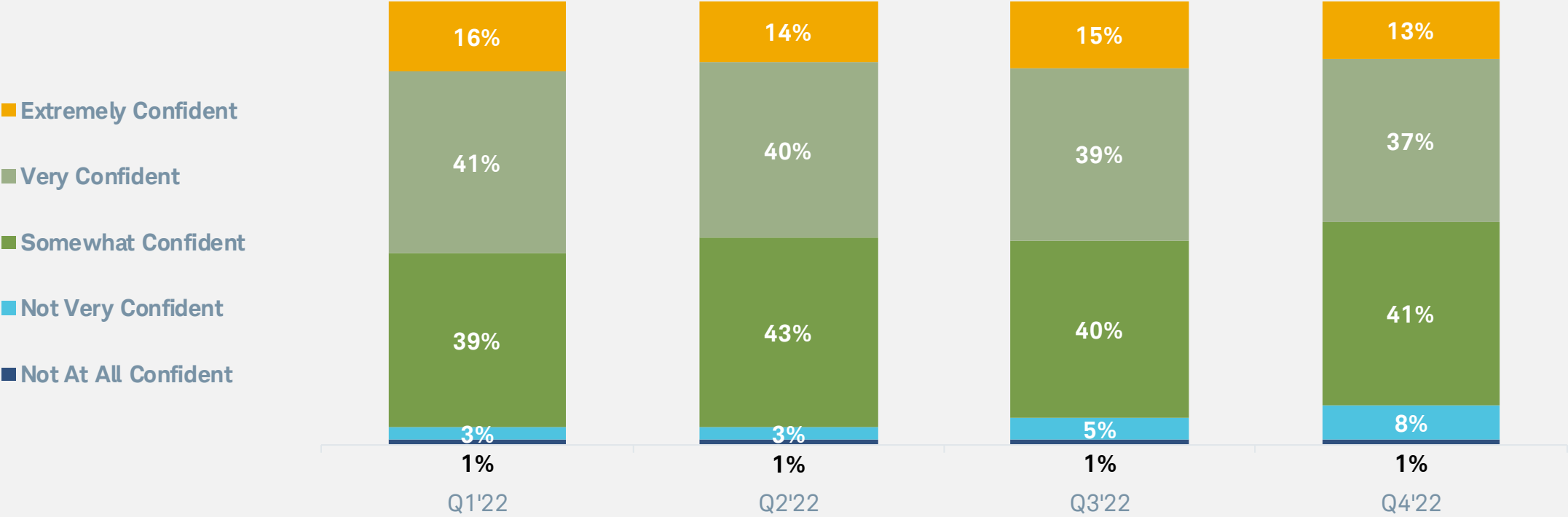


Base = Weighted Total (n=813)
Q4. How confident are you in making investment decisions for your household?
Q1. In your opinion, is this a good time or bad time to invest in stocks, mutual funds and other equity-based investments?
Q3. In terms of how you are getting along financially, would you say you 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)



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

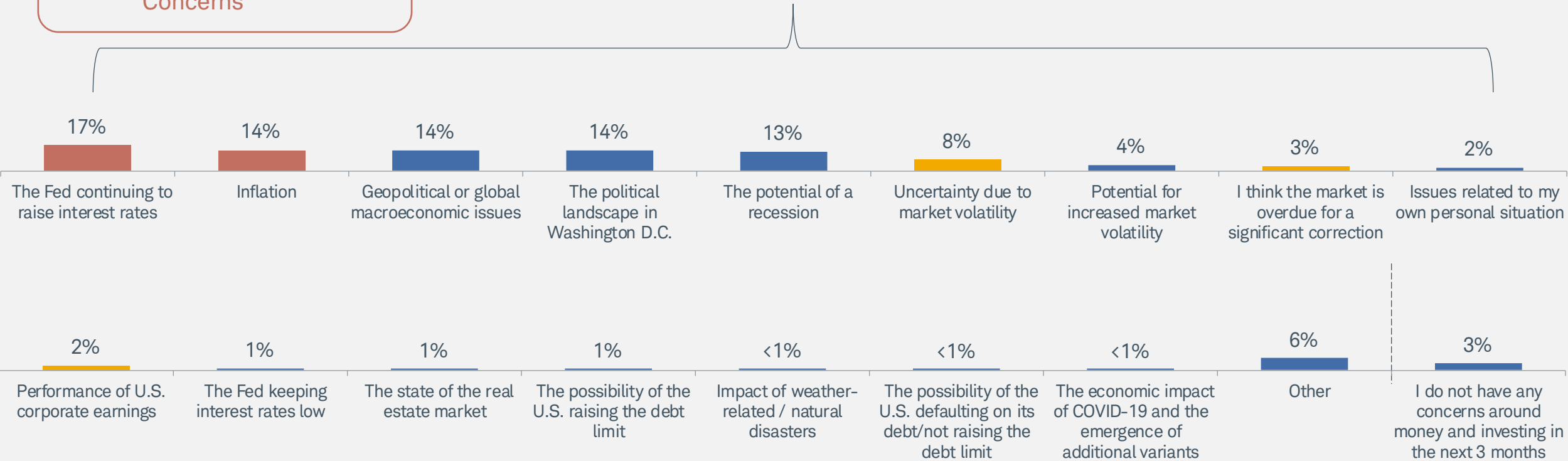
Primary Concern About Investing

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



32% Inflation/Increased Interest Rates Related Concerns

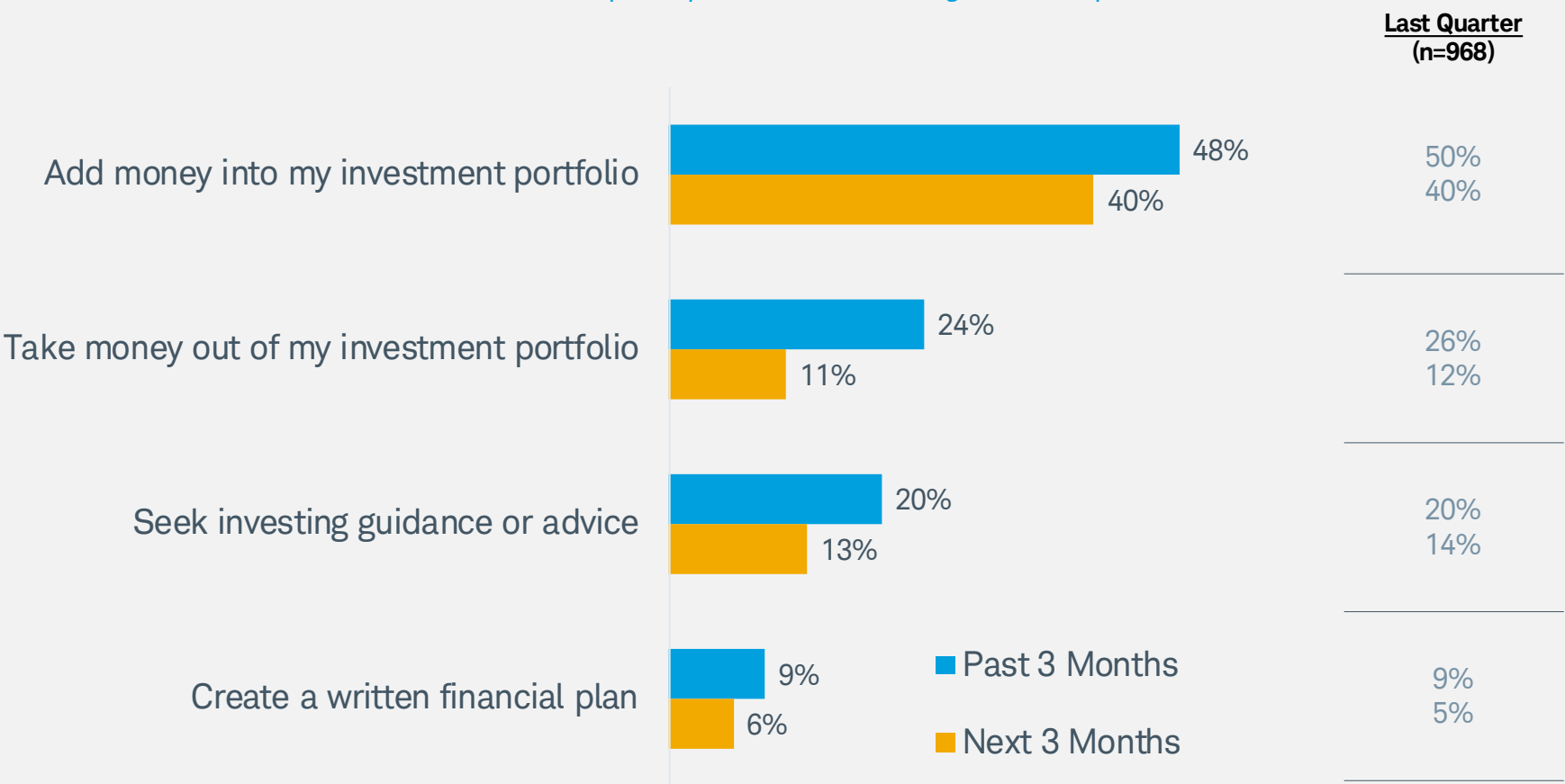
Note: Percentages based among those with a concern



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

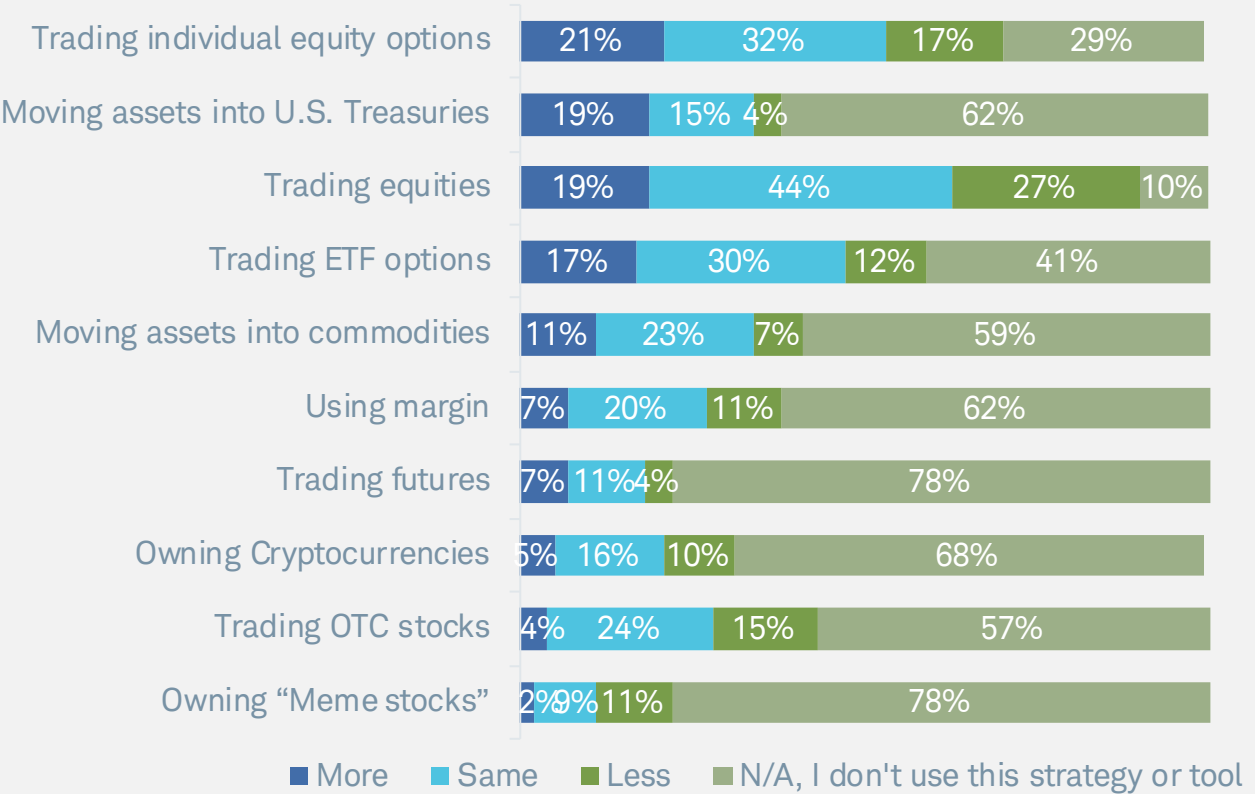
(Multiple responses allowed; Among Trader Sample)



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

Trading Activity vs. Last Quarter

(Single response only; Among Trader Sample)





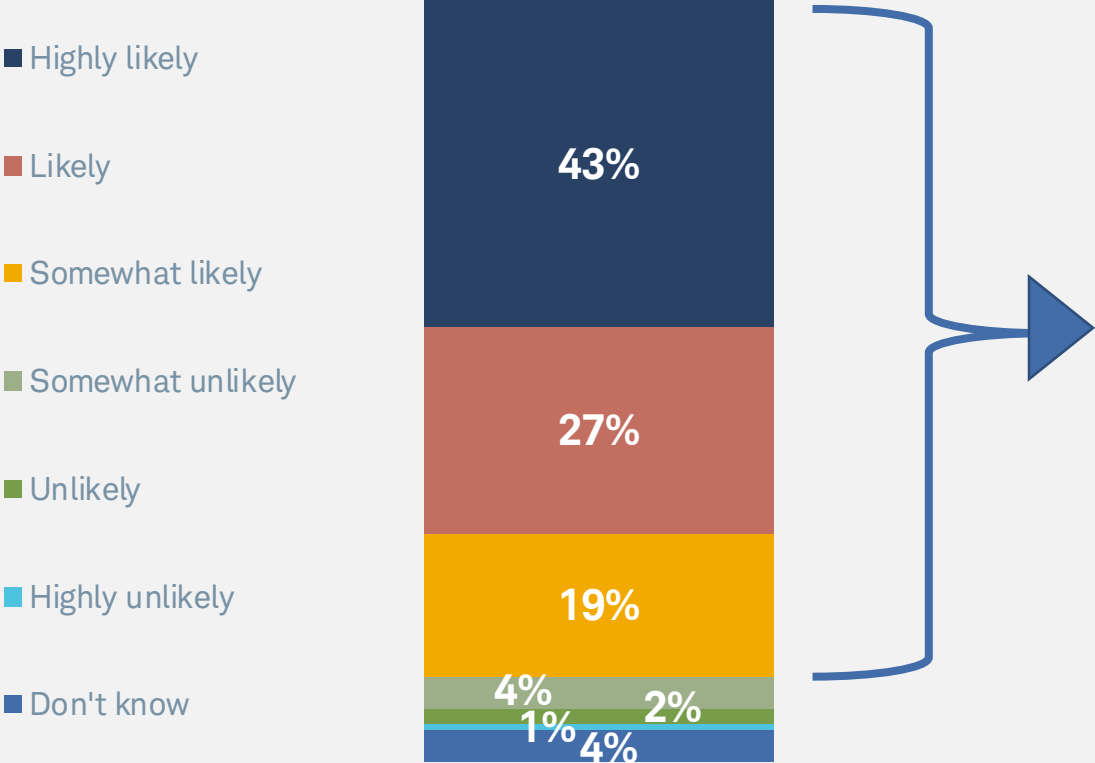
Q4 Focus

- 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

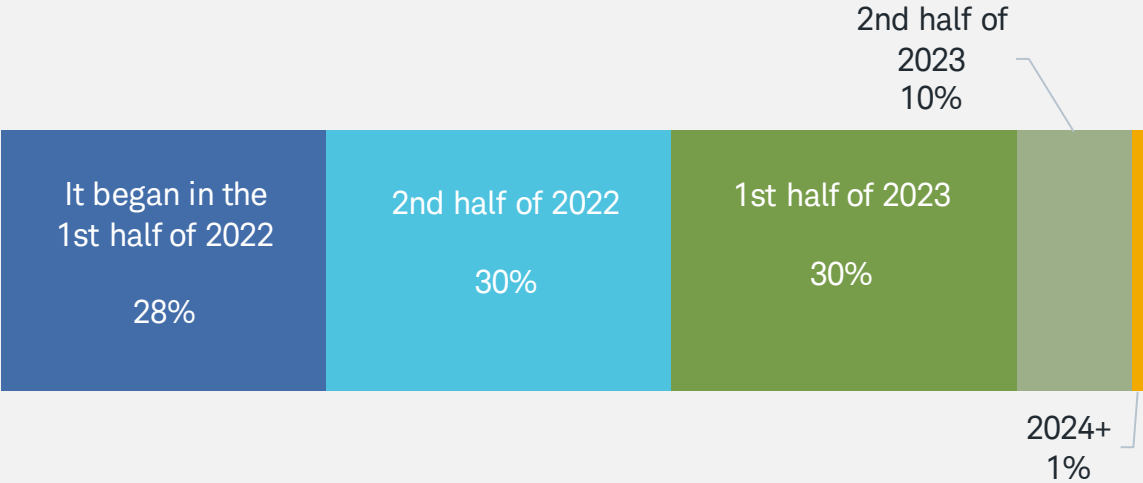
Expected Likelihood of U.S. Recession

(Single response only; Among Trader Sample)



Expected Beginning of Recession

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

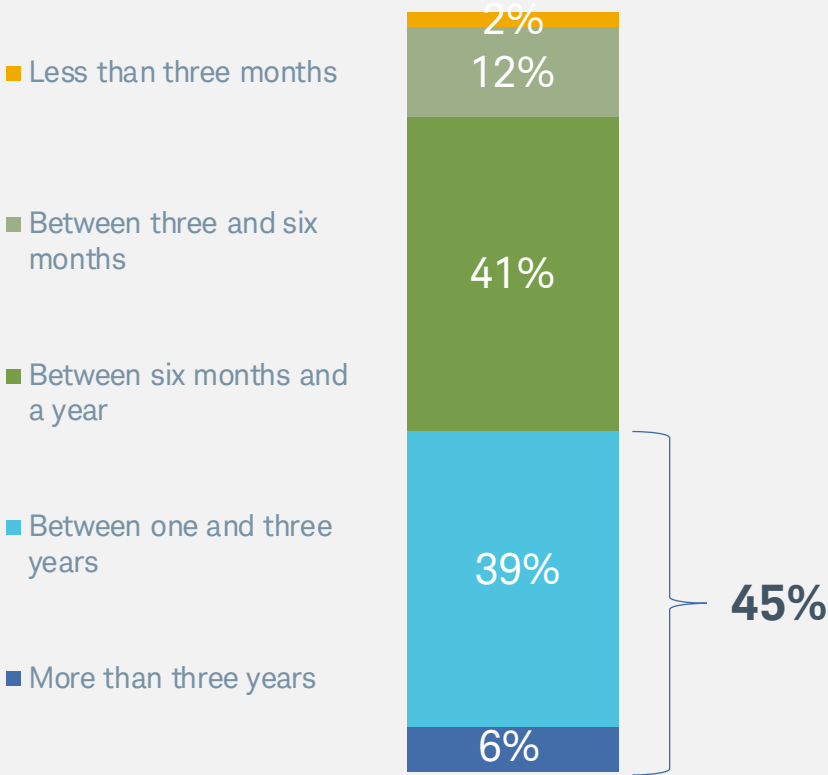


Base = Weighted Total (n=813); Base = Recession Is At Least Somewhat Likely (n=726)
QAT_Q422_7. What, in your opinion, is the likelihood that the US economy will officially enter a recession within the next few years?
QAT_Q422_8. When do you expect the recession to begin?

Many traders anticipate a possibly lengthy recession and are moderating their approach to risk

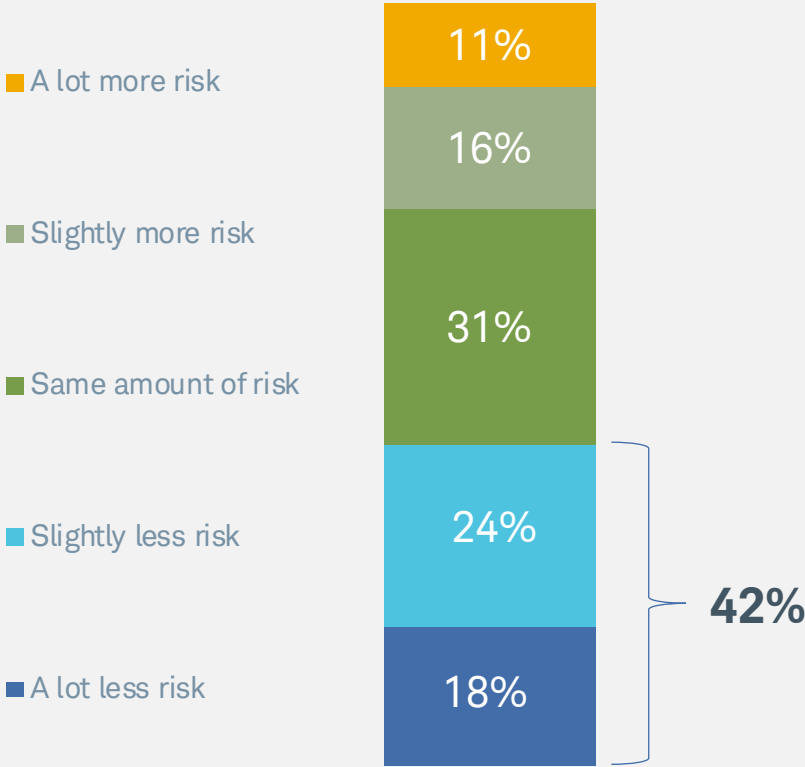
Expected Length of Recession

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



Current Approach to Risk Compared to Early 2022

(Single response only; Among Trader Sample)

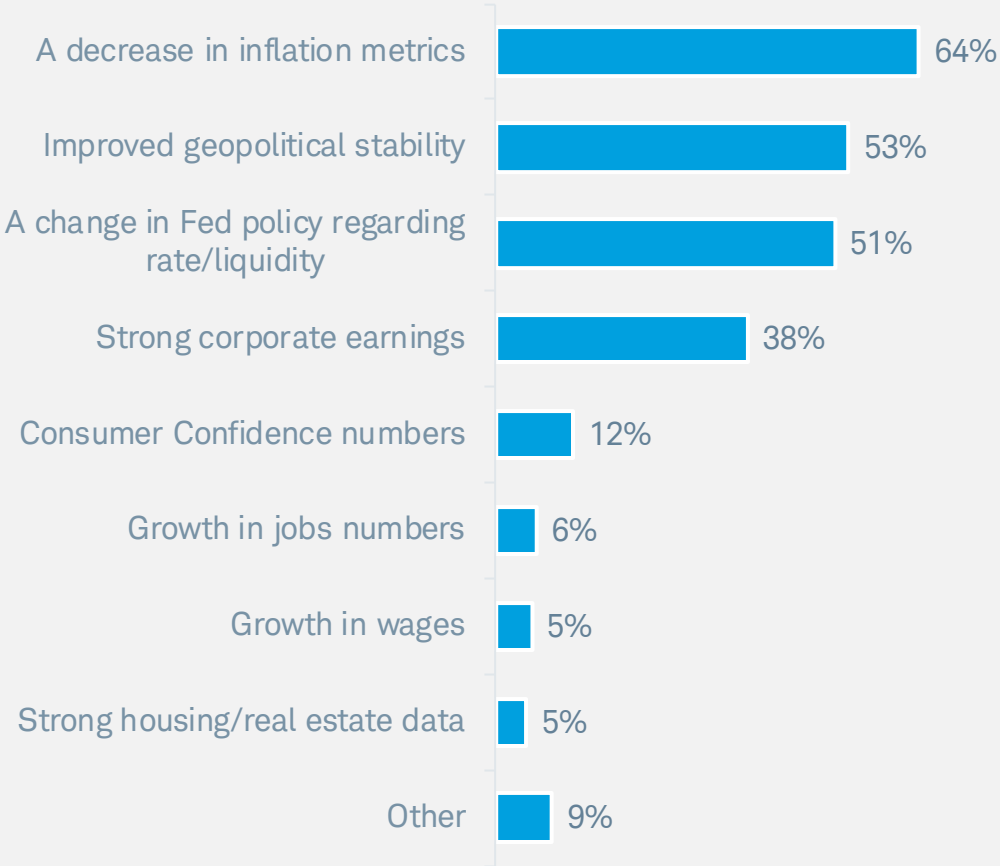


Base = Recession Is At Least Somewhat Likely (n=726); Base = Weighted Total (n=813)
QAT_Q422_9. How long do you expect it to last?
QAT_Q422_1. How would you describe the level of risk you're taking in your trading approach right now?

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)

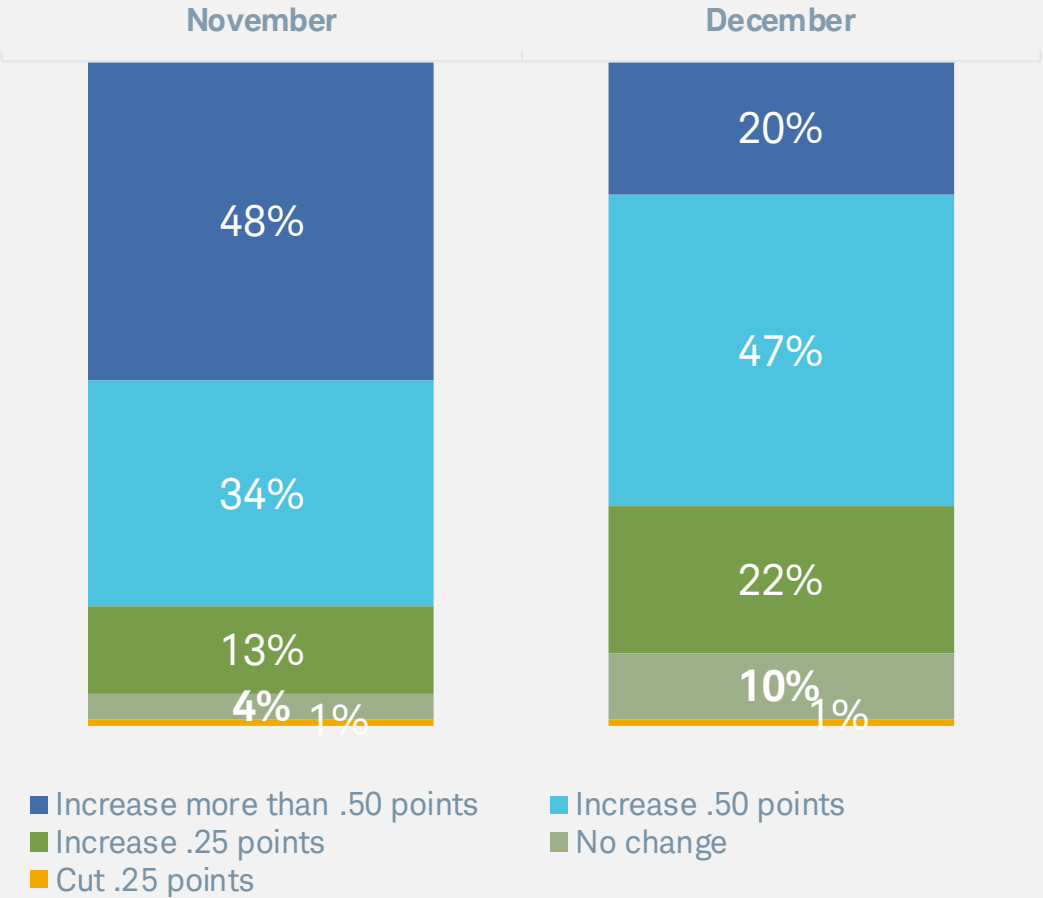


Base = Weighted Total (n=813)
QAT_422_3. Which of the following key market indicators or trends would cause you to be more bullish about the markets over the next three months?

Most traders expect interest rate hikes to slow in December, but only one in three expect rates to drop in '23

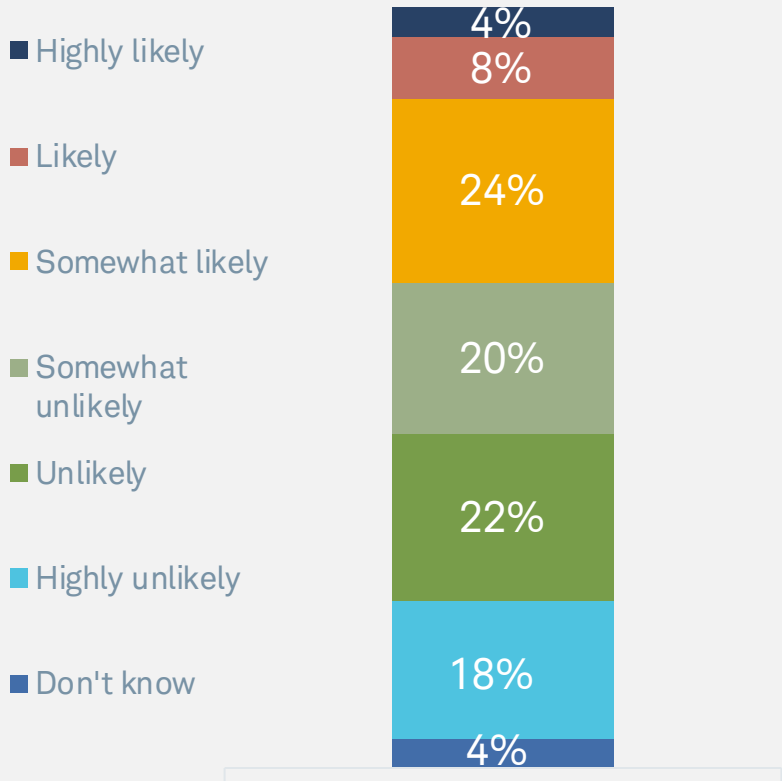
Expected Interest Rate Change at Fed Meeting

(Single response only; Among Trader Sample)



Likelihood of Dropping Interest Rates in 2023

(Single response only; Among Trader Sample)

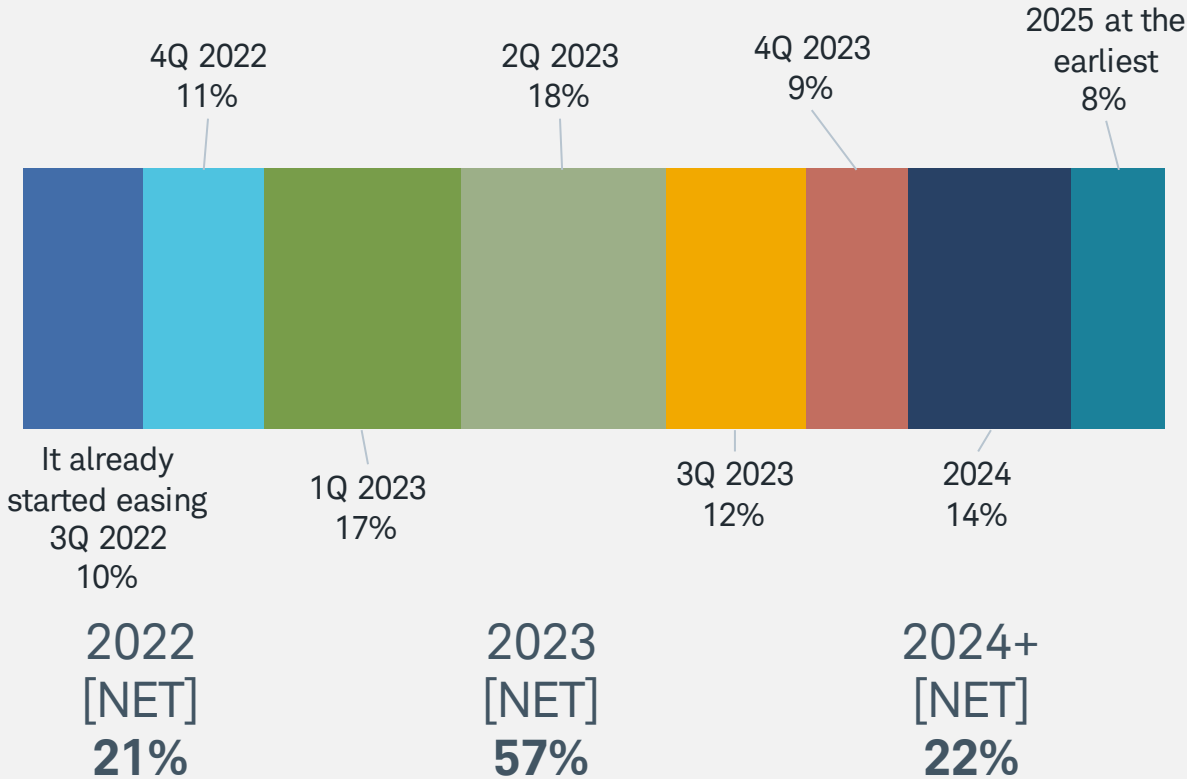


Base = Weighted Total (n=813)
QAT_Q422_11A. What do you expect the Fed to do with interest rates at each of their four remaining meetings this year?
QAT_Q422_14. How likely do you think it is that interest rates will begin dropping in 2023?

Most traders expect inflation to ease in 2023; one in four will invest in real estate/REITS to hedge against inflation next year

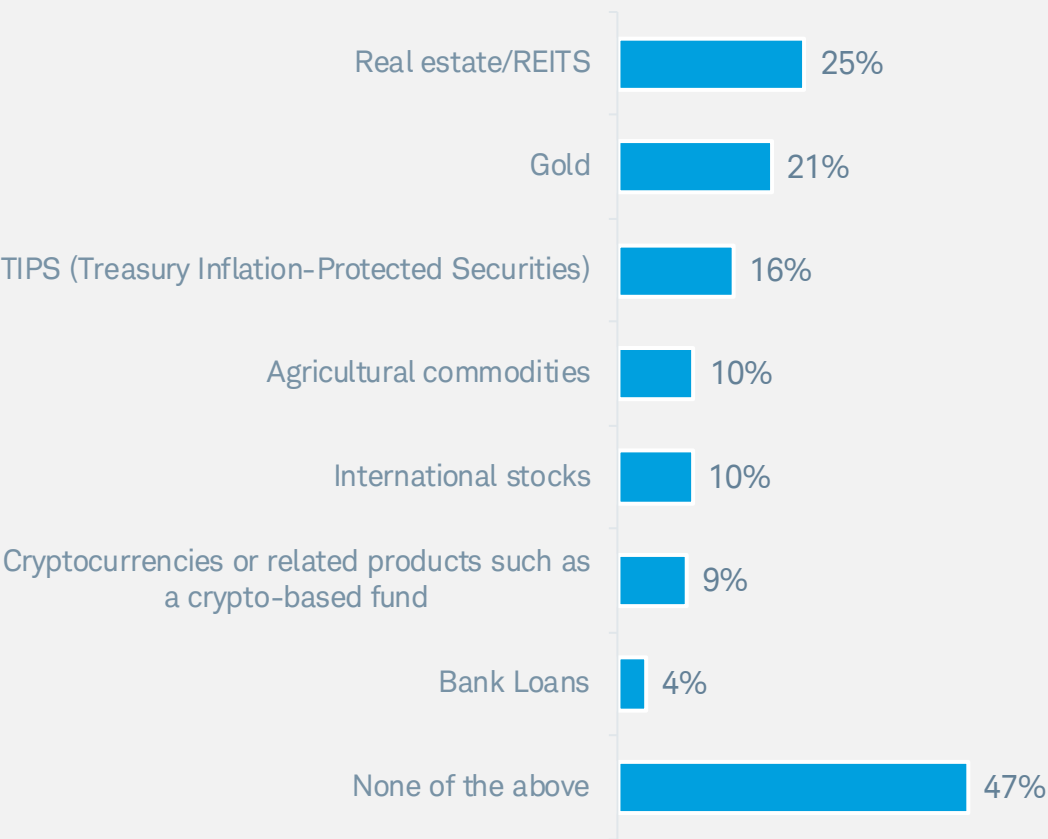
Expected Easing of Inflation

(Single response only; Among Trader Sample)



Expect to Buy in 2023 to Hedge Against Inflation

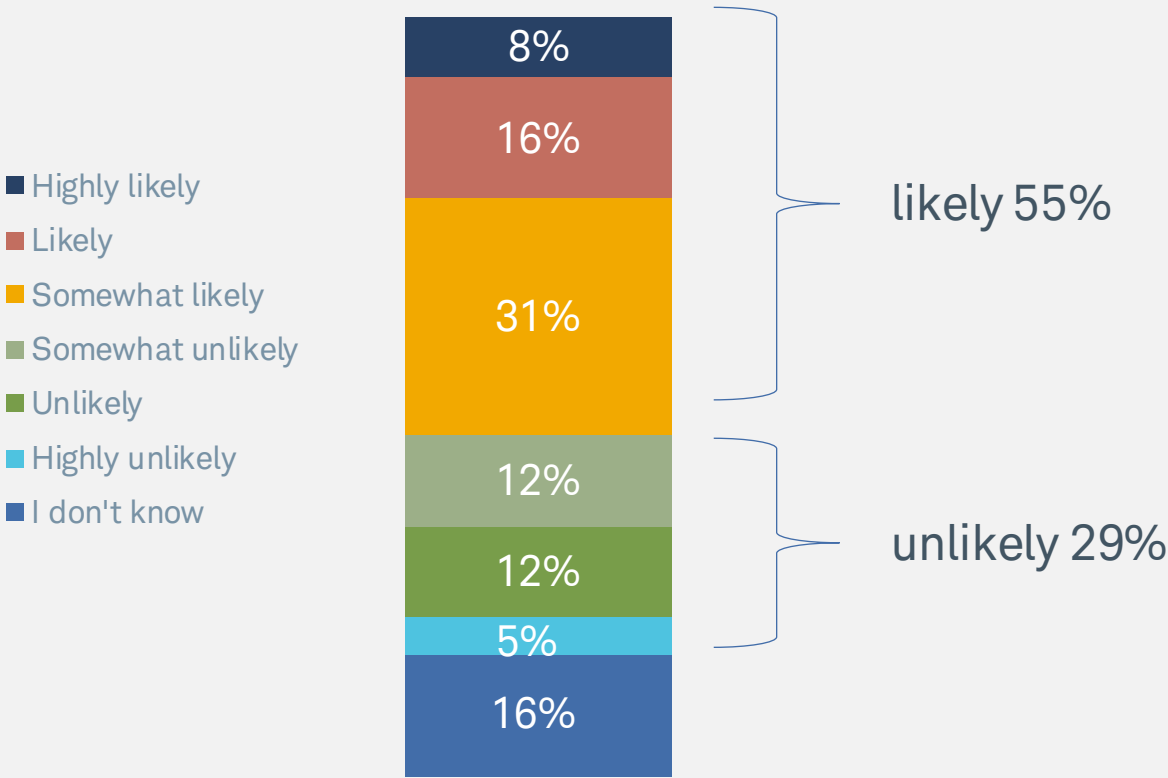
(Multiple response; Among Trader Sample)



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)*





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.

Gender		Affluence		Active Trader	
Male	710 (87%)	HNW (\$1M+)	288 (35%)	Active	813 (100%)
Female	60 (7%)	Affluent (\$250K-<\$1M)	250 (31%)	Not Active	
No answer	43 (5%)	Foundational (<\$250K)	275 (34%)		
Life Stage		Financial Consultant Relationship		Employment Status	
Younger Investor (<40)	170 (21%)	Has Financial Consultant	183 (23%)	Employed full-time	344 (42%)
Mid-Life (40-55)	259 (32%)	Does not have Financial Consultant	630 (78%)	Employed part-time	19 (2%)
Mature (55+ not retired)	169 (21%)			Self-employed	115 (14%)
Retired	215 (26%)			Retired/semi-retired	270 (33%)
				Other	27 (3%)
				No answer	38 (5%)

Disclosures

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At Charles Schwab, we believe in the power of investing to help individuals create a better tomorrow. We have a history of challenging the status quo in our industry, innovating in ways that benefit investors and the advisors and employers who serve them, and championing our clients' goals with passion and integrity.

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