MEDIA RELEASE

Retail investors resist major portfolio repositioning despite rising inflation and recovery fears

- **56% of investors say they have not repositioned their portfolios, despite growing concerns over inflation and the state of the recovery**
- **Inflation remains top concern, with 41% believing it is the biggest threat to their investments (up from 38% last quarter)**
- **Retail investors least worried by the prospect of rising interest rates, despite potential rises on the horizon**

26 October 2021: The majority of retail investors are sitting tight and avoiding major changes to their portfolios despite growing fears about inflation and the state of the recovery.

eToro's latest quarterly Retail Investment Beat reveals that runaway inflation is a growing concern among investors, with 41% of investors citing it as their top concern (up from 38% the previous quarter).

However, despite this, only 44% have repositioned their portfolios to protect themselves from rising prices, suggesting many investors are taking a 'wait and see' approach.

eToro's Global Markets Strategist, Ben Laidler, comments: *"There are a number of headwinds facing investors at the moment in the shape of rising inflation, interest rate hikes and a faltering economic recovery.*

"Typically, you would expect most investors to take action to counter these headwinds, but our data shows the opposite is true at this moment in time. It seems as though the vast majority of retail investors are taking a 'wait and see' approach in the hope that inflation is temporary and the recovery gets back on track.

"Despite the noticeable shift in messaging from many of the world's major central banks, with the US Federal Reserve and Bank of England taking a noticeably hawkish stance of late, my view is that retail investors are right not to panic. Stagflation fears should ease, which will improve confidence and help the markets continue growing as they have been."

Despite potential rate rises, retail investors were less worried by the prospect of rising interest rates (21%) and consider inflation (41%), the state of the global economy (35%), their home market economy (33%), international conflict (26%), rising taxes (24%) and the rise in national debt (22%) more of a threat to their investments over the coming quarter.

Ben Laidler added: *"Many households have reduced their debt during the pandemic, using spare cash to pay down credit cards, loans and mortgages, which makes them less susceptible to rises in interest rates. Add to this higher house and equity prices, alongside rising wages, and we see that many investors are resilient to the risks ahead."*

The data shows a small shift towards more traditional defensive sectors, as investors turned to real estate (25%, up from 22%) and utilities (16%, up from 13%) whilst commodities, energy and materials, inched higher, supported by a continued rally.

Ben Laidler concluded: *"What's most interesting from the sample is that there is no clear direction of travel. Overall, global and home market economic confidence has slipped, so there are signs that some retail investors are starting to prepare themselves for less favourable economic conditions. Home confidence dipped to 52% from 54% and 'not confident' inched up 10% in the US, 5% in UK/Germany, indicating those investors see headwinds. However, confidence rose in France, Italy and Australia, demonstrating a dichotomy. The fact of the matter is each country will respond differently to the pandemic, but as global issues (such as the supply chain crisis, inflation and tapering) really start to impact consumers, we may see a more uniform consensus in three months' time."*

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Notes to editors

* Survey research conducted by Opinium from September 17th – 30th 2021. In total, 6,000 retail investors sampled across 12 countries - 500 in each: UK, US, Germany, France, Italy, Spain, Netherlands, Denmark, Australia, Poland, Romania and the Czech Republic. Retail investors were defined as self-directed or advised and had to hold at least one investment product including shares, bonds, funds, investment ISAs or equivalent. They did not need to be eToro users.

About eToro

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