

Growth stocks continue to dominate retail investor portfolios despite rate hike fears

- Growth stocks accounted for nine out of the 10 most held stocks on eToro's platform at the end of September
- Electric vehicle makers Tesla and Nio remain in top spot at the end of the third quarter
- Data suggests threat of rate hikes have not caused tech stocks to lose their shine

7 October 2021: Growth stocks remain highly popular with retail investors despite fears that looming interest rate rises will hit companies in high-flying sectors such as technology.

Nine of the 10 most held stocks on eToro's investment platform at the end of September could be considered 'growth stocks', the other being video game retailer GameStop.

eToro's Global Markets Strategist, Ben Laidler, comments: *"We've seen the valuations of big tech stocks fall back in the past month or so, especially since the Federal Reserve indicated that it was prepared to hike rates once next year and as much as three times in 2023.*

"When rates are low, investors are typically prepared to pay elevated premiums for growth stocks in exchange for large future potential earnings. However, in a rising interest rate environment, that risk-return trade-off may become less attractive for some.

"The fact that growth – and in particular big tech – stocks increasingly dominate portfolios suggests two things: firstly, that investors believe interest rate rises will be slow and steady; and, secondly, that they believe there is still plenty of mileage in growth stock earnings.

"Unless the Fed takes the market by surprise and starts hiking rates quicker than expected, we believe tech and other growth stocks will continue to form the backbone of most portfolios."

Electric vehicle Tesla remained the most held stock on eToro's platform at the end of the quarter, with Chinese rival Nio following in second place. This was perhaps unsurprising as sales of electric vehicles boomed in the first half of the year, with 2.4m sold globally - nearly three times as many as during the same period in 2020 and representing 7% of all auto sales.

Apple and Amazon held onto their status as the third and fourth most popular stocks among eToro users, with Microsoft rising from tenth in Q2 to seventh at the end of Q3.

Alphabet (Google) re-entered the top 10 ending Q3 as the eighth most held stock on the eToro platform after reporting stellar second-quarter earnings.

“The big-four tech stocks, Apple, Amazon, Microsoft, and Alphabet reported an average 27% increase in second quarter revenues versus the same period the prior year, and a 81% increase in earnings, showing the strong momentum. Alphabet’s Q2 growth was also impressive, highlighting that in this instance, retail investors’ instincts were right and they are reaping the rewards,” Laidler added.

| Most held stocks among eToro clients globally at the end of Q3 2021 | | | |
|--|---------------------------|------------------------|------------------------|
| Current ranking (Q3 2021) | Stock | Q2 2021 ranking | Q3 2020 ranking |
| 1 | Tesla Motors, Inc. | 1 | 1 |
| 2 | Nio Inc. | 2 | 4 |
| 3 | Apple | 3 | 2 |
| 4 | Amazon | 4 | 3 |
| 5 | GameStop Corp | 5 | 218 |
| 6 | Alibaba | 7 | 11 |
| 7 | Microsoft | 10 | 5 |
| 8 | Alphabet | 11 | 6 |
| 9 | Palantir Technologies Inc | 6 | 105 |
| 10 | Coinbase Global Inc | 8 | N/a |

Source: eToro

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Notes to editors

The data in the table shows the top 10 most held stocks by global investors on the eToro platform at the end of the third quarter of 2021. As the vast majority of stocks traded on eToro are the real asset this data does not include positions held as CFDs. Data accurate as of 30.09.2021.

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