



eToro



RETAIL INVESTOR

BEAT BEAT

SEPTEMBER 2023

FIVE HIGHLIGHTS FROM Q3 2023 SURVEY



We spotlight five key takeaways from our latest quarterly survey of 10,000 self-directed investors across 13 markets around the world. In short, retail investors are worried about recession, yet far more upbeat about markets than they were six months ago. They are focused on US and tech stocks, but as always, contrarian in certain areas with crypto, banks and real estate remaining popular despite recent performance. Finally, the rising number of newer investors signals that the retail investing population continues to expand, with this growth led by women.

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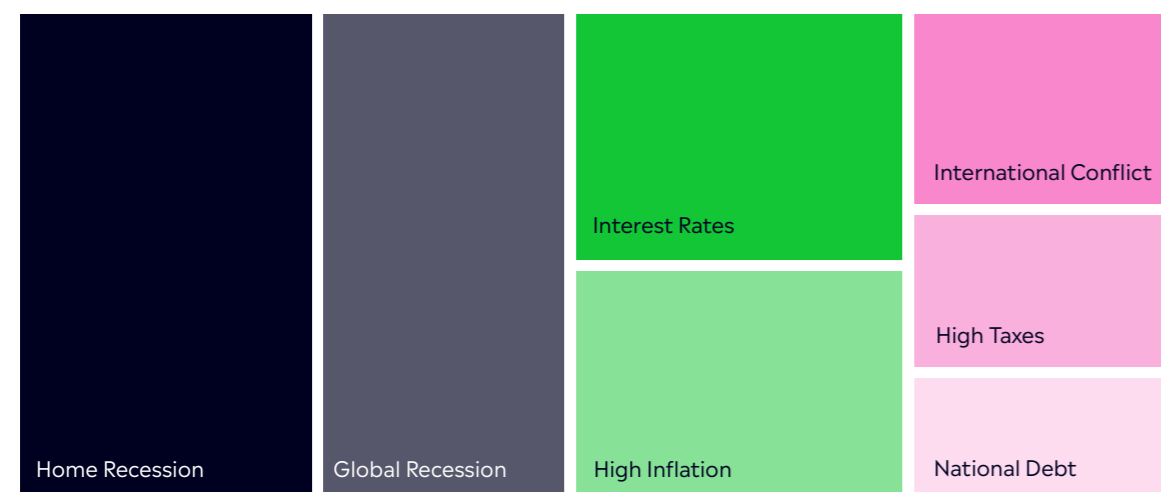
1 RECESSION RISKS TRUMP INFLATION BUT INVESTOR CONFIDENCE BOUNCES BACK

Local recession risks have surged to become the greatest perceived threat for retail investors globally, now cited by 22% of those polled, underlining that Europe is heading for recession, China's recovery is struggling and even the teflon-coated US economy is set to slow down.

Conversely, inflation, which was seen as the top risk six months ago, has fallen back to only the fourth largest risk, cited by 13%, as headline price rises have consistently fallen in most markets. Similarly, geopolitical conflict risks are now fifth (8%) as the Ukraine war grinds on.

Despite rising recession fears, investor sentiment has bounced back significantly. 78% of retail investors feel confident about their investments, up from 71% in Q2, and those looking to invest more outnumber those looking to cut back by 4:1. Despite the 23% global stocks rebound from last October's low, most see the next bull market as really only starting next year.

Biggest 12 month risks... Now 'Recession'



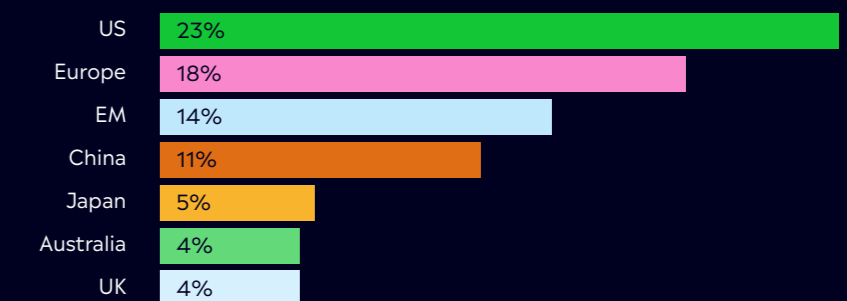
2 US STOCKS, THE TECH SECTOR AND RENEWABLES ARE MOST POPULAR

Retail investors are most bullish on the US stock market, with 23% of our sample believing it has the best prospects. This is followed by Europe (18%), while a surprisingly high 14% name emerging markets as their top pick, and 11% China. Both have significantly underperformed this year. The world's best performer meanwhile, Japan, remains a 'forgotten market' (5%), though beats the UK and Australia (4-5%) in a popularity contest.

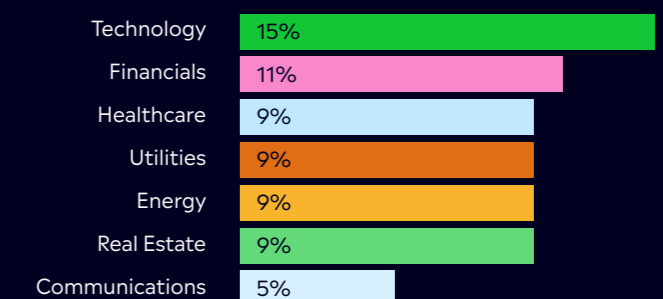
The tech sector remains the long-time retail investor favourite, with 15% saying they will prioritise this industry in Q4. This is unsurprising given that it has rewarded this unflinching bullishness in recent quarters. But investors' contrarian streak is on show, with the financial services sector (11%) and real estate (9%) the second and third most popular choices for Q4, despite lagging in recent months. Least popular is discretionary consumer goods (only 2% favor) as recession fears mount.

Renewables stocks narrowly hold on as the most popular investing theme (30%), with investors taking the long view despite their poor performance this year. But AI is driving renewed interest in disruptive tech (28%), and crypto's asset-class leading performance this year has pushed it up to third (25%) in the ranking of most popular investment themes.

Preferred markets (% respondents)



Preferred sectors (% respondents)

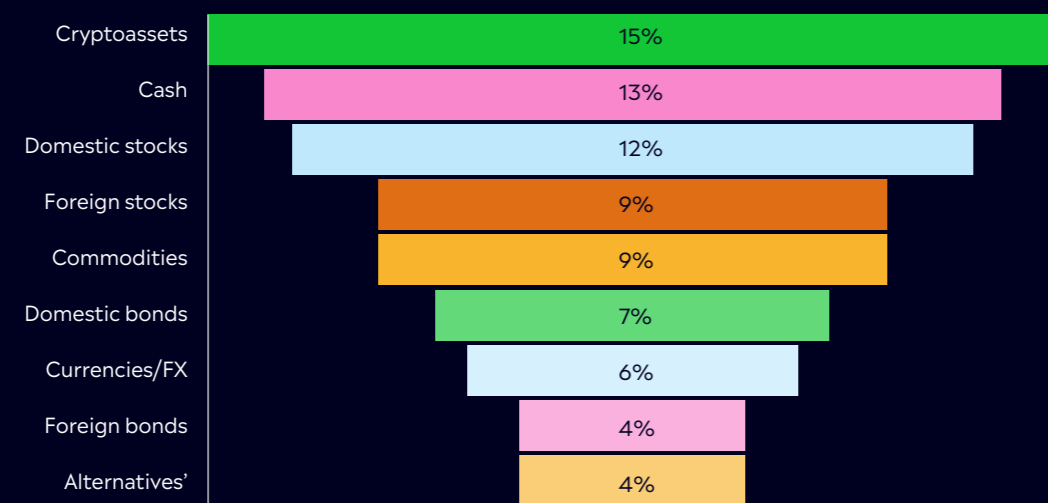


3 CRYPTO SURPRISINGLY EDGES OUT CASH AND STOCKS AS THE MOST ATTRACTIVE ASSET CLASS

When global retail investors were asked which single asset class they are most likely to increase their investments in during Q4, crypto came top, selected by 15%, in a tight race. This was followed by cash (13%), likely supported by the 5% interest rates available in some markets, and domestic stocks (12%) after their big rally this year.

The view that crypto is the most attractive asset class is being driven by younger Gen Z and millennial investors. 23% of 18-34-year-olds say they are most likely to up their crypto investments in Q4 above other asset classes. Amongst 35-44-year-olds, the corresponding figure is 21%. This fell to 4% amongst over 55s.

It also varied widely by country, with investors in eastern Europe, Spain, Germany, and the Netherlands the keenest on crypto, whilst UK investors are heavily favouring cash assets (24%) in Q4, and in the US it's all about local stocks (17%).



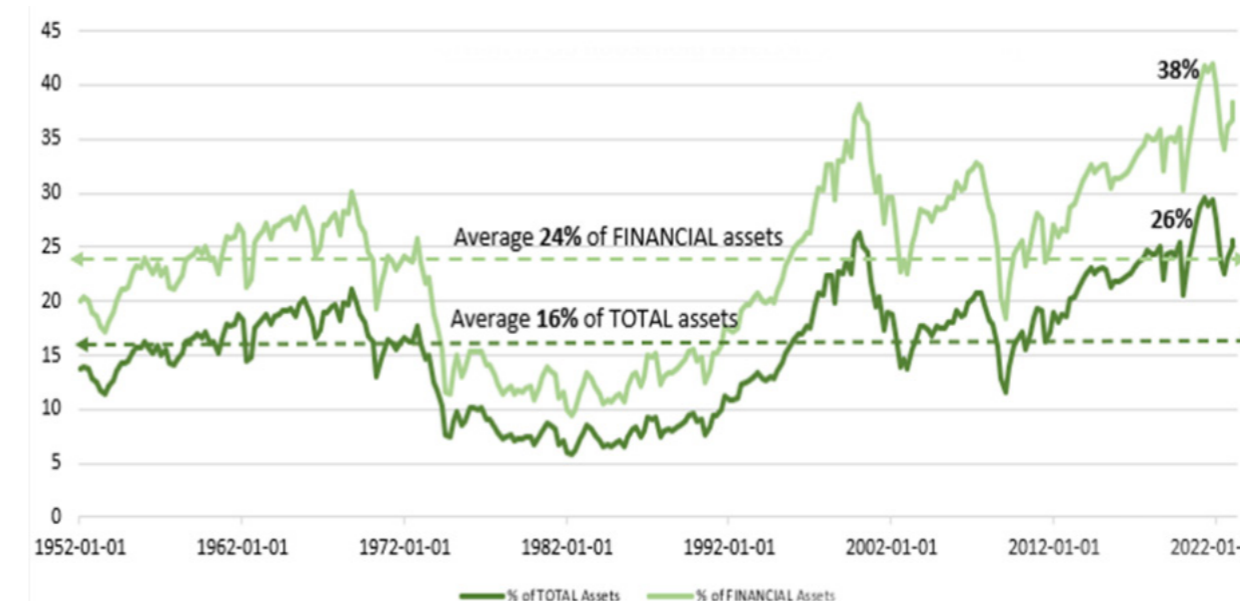
Asset Class Preferences (Rest of year)

4 RETAIL INVESTORS GROWING FAST, FOCUSED ON COMPANY EARNINGS, AND THEIR EXPERIENCES

The number of retail investors has continued to grow, driven by increased ease of investing, lower cost, and younger generations taking more control over their financial lives. This matches the public data on rising stock ownership in the US (see chart). 24% of those surveyed in the RIB only started investing in the past two years, led by growth in eastern Europe, and by women (28%).

This quarter we asked investors for the first time what they see as the key drivers of markets. Company earnings was the most popular choice, selected by 25%, whilst investor sentiment (18%) is considered more important than macro fundamentals (14%), technical analysis (14%) and valuations (14%). The most bottom up (company profits focused) are Czech and Australian investors, whilst the most top down (macro fundamentals focused) are in Spain and Romania.

Behavioural impacts are also significant amongst retail investors, with 60% saying their personal experiences and emotions impact their decisions, and only 11% saying they do not. The data also shows that investing losses can have a positive impact, with 51% stating that losing money on investments had made them more cautious, and only 12% saying it had not. The calmest investors, where losses had little impact, are in the Netherlands (33%) and Denmark (22%).



The rising proportion of US household assets in stocks (% of total)

5

FEMALE INVESTORS ARE GROWING AND DO THINGS DIFFERENTLY

The number of female retail investors has grown by 28% in the past two years, versus an only 20% increase for men. They also invest differently. Men are far more likely to take an active stock-picking approach than women (39% vs 30%). And they are more confident in their abilities. The average male retail investor thinks they will end this year 8% up, for women it is 7%.

Yet this often does not equate to investment performance, with numerous academic studies over the years indicating that confidence doesn't always match up to performance and that women often outperform men.

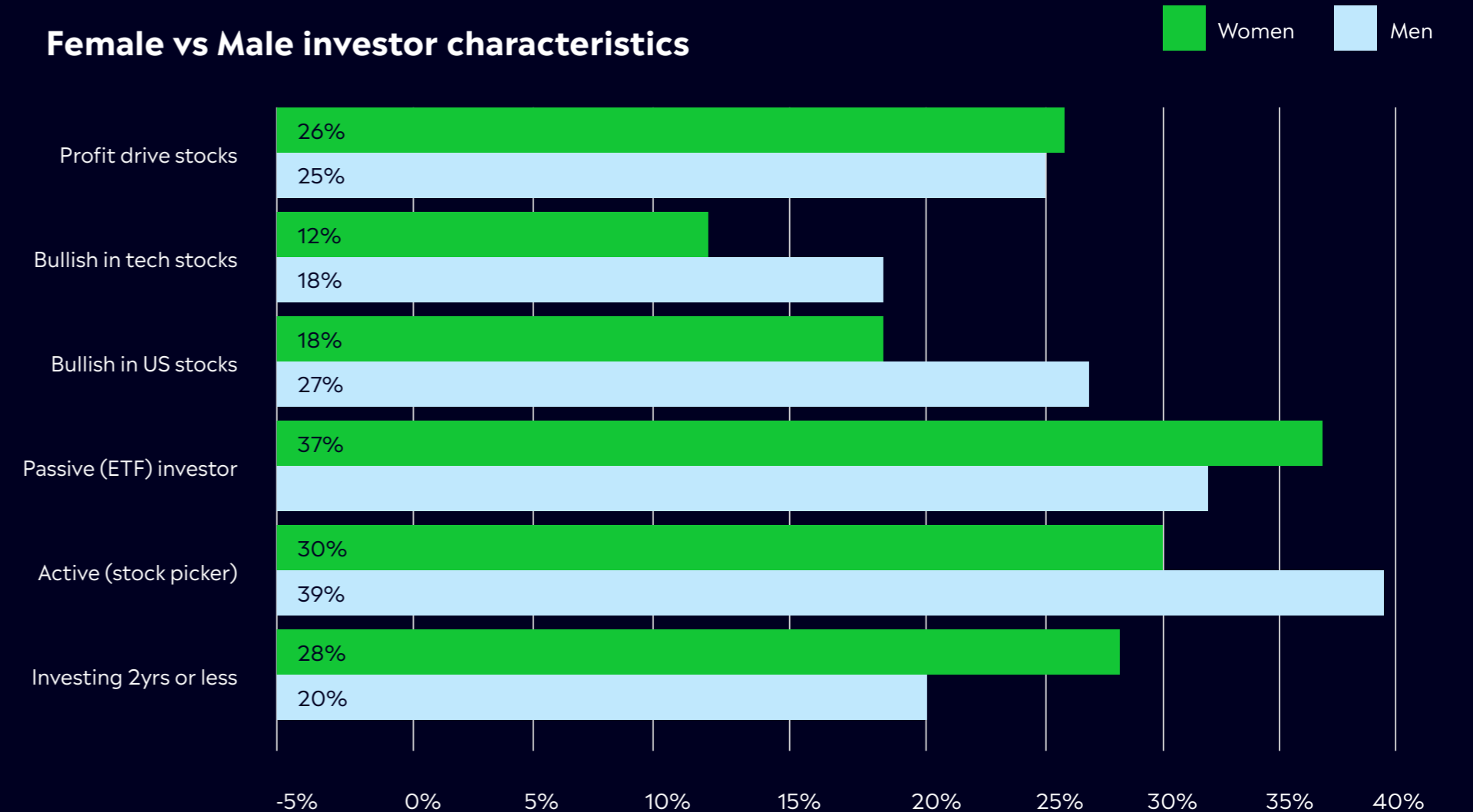
Overall, those investors (male or female) most confident they can pick stocks to beat the market are in Romania (44%), Spain (43%), and Australia (38%), whilst the Netherlands leads in passive investment popularity (46%) followed by Germany (43%).



Female investors take a more passive approach and studies have shown them to be more successful than men



Female vs Male investor characteristics





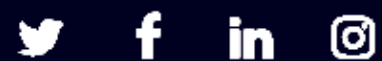
ABOUT THE **GLOBAL** RIB SURVEY

The Retail Investor Beat was based on a survey of 10,000 retail investors across 13 countries and 3 continents. The following countries had 1,000 respondents: UK, US, Germany, France, Australia, Italy, and Spain. The following countries had 500 respondents: Netherlands, Denmark, Norway, Poland, Romania, and the Czech Republic.

The survey was conducted from 18th August – 29th August 2023 and carried out by research company Opinium. 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.

Get in touch

If you would like to speak with Ben Laidler or to find out more about eToro's Retail Investor Beat you can contact eToro's PR team on pr@etoro.com.



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