RETAIL INVESTOR BEAT

JANUARY 2024

FIVE HIGHLIGHTS FROM Q4 2023 SURVEY

We spotlight five key takeaways from our latest quarterly survey of 10,000 self-directed investors across 13 markets around the world. Our findings show that retail investors are holding on to US stocks, tech firms and crypto winners from 2023, but also beginning to nibble at last year's laggards. Many are still worried about the impact of inflation, with younger investors surprisingly focused on cash. Retail investors generally don't think a bull market has started yet, and many are adding funds to their portfolio, while the proportion open to AI stocks outweighs those already invested, highlighting the obvious growth potential in this area.

Ben Laidler
Global Markets Strategist at eToro

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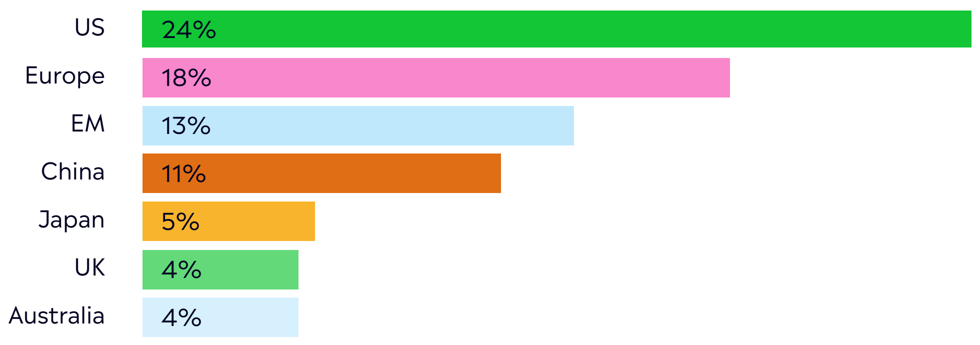
1 RETAIL INVESTORS ARE STICKING WITH US AND TECH FAVOURITES BUT ALSO HAVING A NIBBLE OF 2023 LAGGARDS

Retail investors remain focused on the US, tech, and growth stock winners of recent years but they are starting to nibble at the cheaper and more out-of-favour assets that we think are most sensitive to our outlook of an economic soft landing and interest rate cuts.

The US unsurprisingly remains the favoured stock market, by 24% of investors, but this is followed by a healthy contrarian focus on Europe (18%) and emerging markets (11%). Meanwhile Japan, the UK, and Australia remain the out-of-sight markets, with only 4-5% of investors prioritising them in 2024.

Similarly, at sector level we are seeing a shift in trend. Tech is the top pick (14%) and the largest global sector was the performance standout of 2023. However this is closely followed by cheaper and out-of-favour financials (11%) and REITS (9%), both of which will benefit from the hoped-for economic soft landing along with lower interest rates. Meanwhile growth stocks (18%) are still favoured versus value (12%) and small caps (7%).

Which markets are retail investors prioritising?



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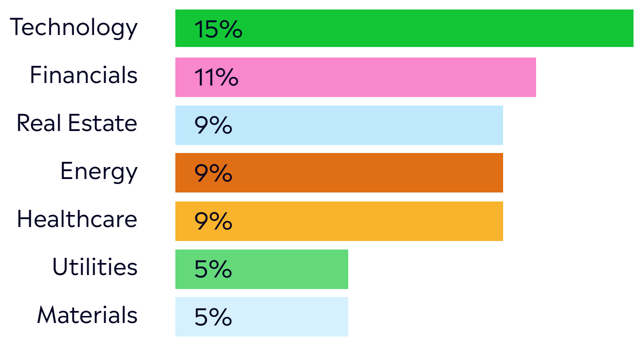


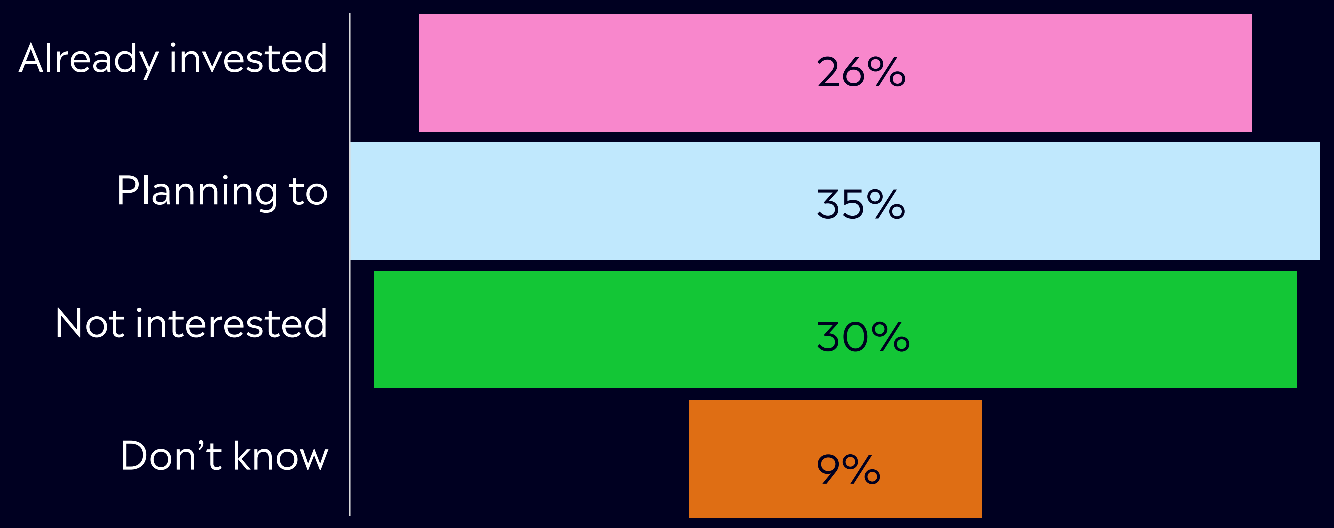
2 AI STOCK MARKET ADOPTION HAS FURTHER TO GO

AI stocks like NVIDIA and Meta were the performance juggernauts of 2023, leading the tech sector revival and propelling the S&P 500 into bull market territory. One in four (27%) retail investors globally now hold AI-related stocks in their portfolios.

We see the benefits of AI's rapid adoption quickly broadening across the stock market and economy as it moves from hype to reality. Retail investors seemingly agree, with a further 35% saying they plan to invest in AI firms in the future, and only 30% not interested.

There is a clear demographic and geographic split. Our youngest cohort of investors, 18-34 year-old digital natives, have the biggest appetite for this fast-growing sector with 43% owning AI related stocks versus only 11% of investors over 55. Retail investors in the tech-laden US (32%) lead the way investing in AI stocks while this drops to only 20% in the natural resource-focused Australian market.

AI stock investment intentions

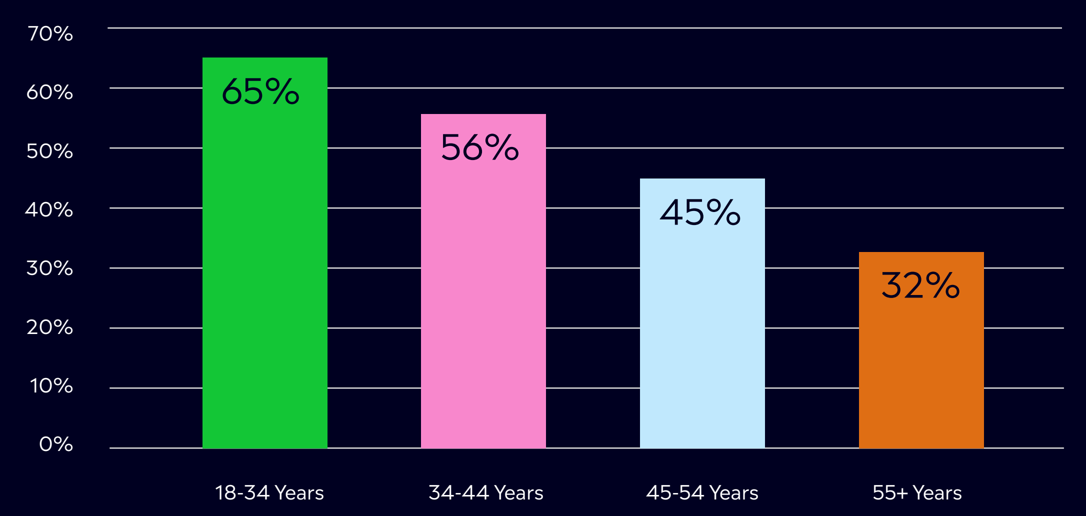


3 YOUNGER INVESTORS FEELING THE SQUEEZE AND RAISING CASH

A surprising 65% of young investors increased cash in the last six months compared to just 32% of over 55s. This flies in the face of conventional wisdom, which dictates that older investors favour liquidity and lower risk as they near retirement versus more risk-tolerant younger investors with longer investment horizons.

The data suggests that these younger investors are prioritising liquidity and cash on hand because of the cost-of-living squeeze, with 29% attributing their cash focus to higher household expenses, 17% to higher mortgage or rental payments, with 19% saving to buy a home. Older investors are most likely to be raising cash for the higher guaranteed returns (23%) or to de-risk (23%).

Younger investors are performing a balancing act with their increased cash asset balance alongside high allocations to the tech and crypto outperformers of 2023. Crypto is the most favoured asset (15%) by all investors for the future. A big question for 2024 will be to what extent younger investors boost their stock market exposure as inflation falls further and interest rates drop. In our survey, over a third (37%) of the youngest cohort said they built cash to reinvest in the market.



Retail investors who boosted cash allocations in the last 6 months

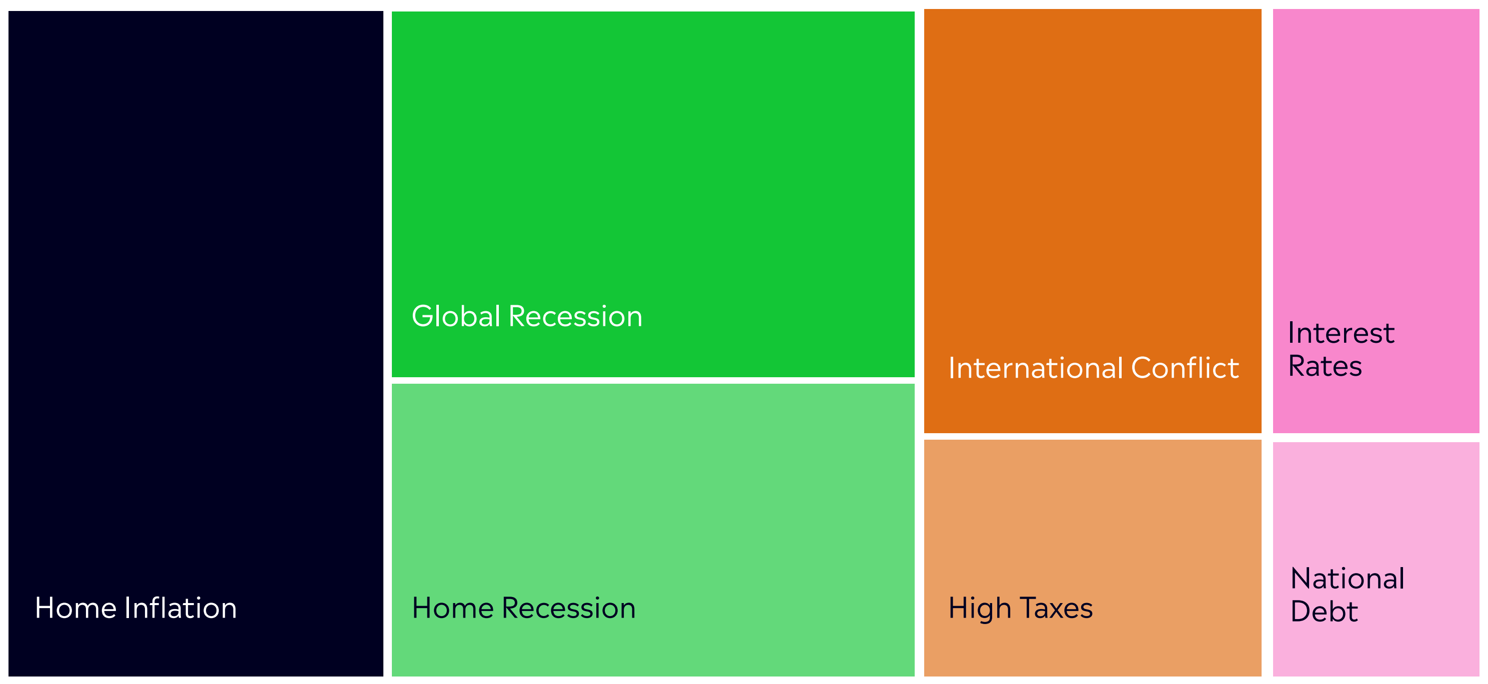
4 INFLATION THE TOP RISK WHILE GEOPOLITICS CONCERNS SURPRISINGLY LOW

Inflation is still seen as the greatest investment risk (by 24%), even as rates have plunged from double digits to near 3% on both sides of the Atlantic, with investors clearly worried over the last hard yards to get price rises back to 2% central bank targets. Whilst these cost-of-living concerns are foremost, concerns over high interest rates (9%) are a distant fifth rank, likely reflecting lowered consumer debt loads or fixed mortgage rates in much of the world.

The second and third highest perceived risks are global (19%) or home market (15%) recessions. This challenges the soft economic landing consensus currently driving stock markets.

Risk of international conflict (14%) is only the fourth ranked risk, surprisingly low given the ongoing Ukraine war, Middle East tensions, and more broadly the huge national election calendar this year, bookended by Taiwan and the US.

Biggest investment risks



5 INVESTORS ARE ADDING FUNDS AND GROWING IN NUMBER

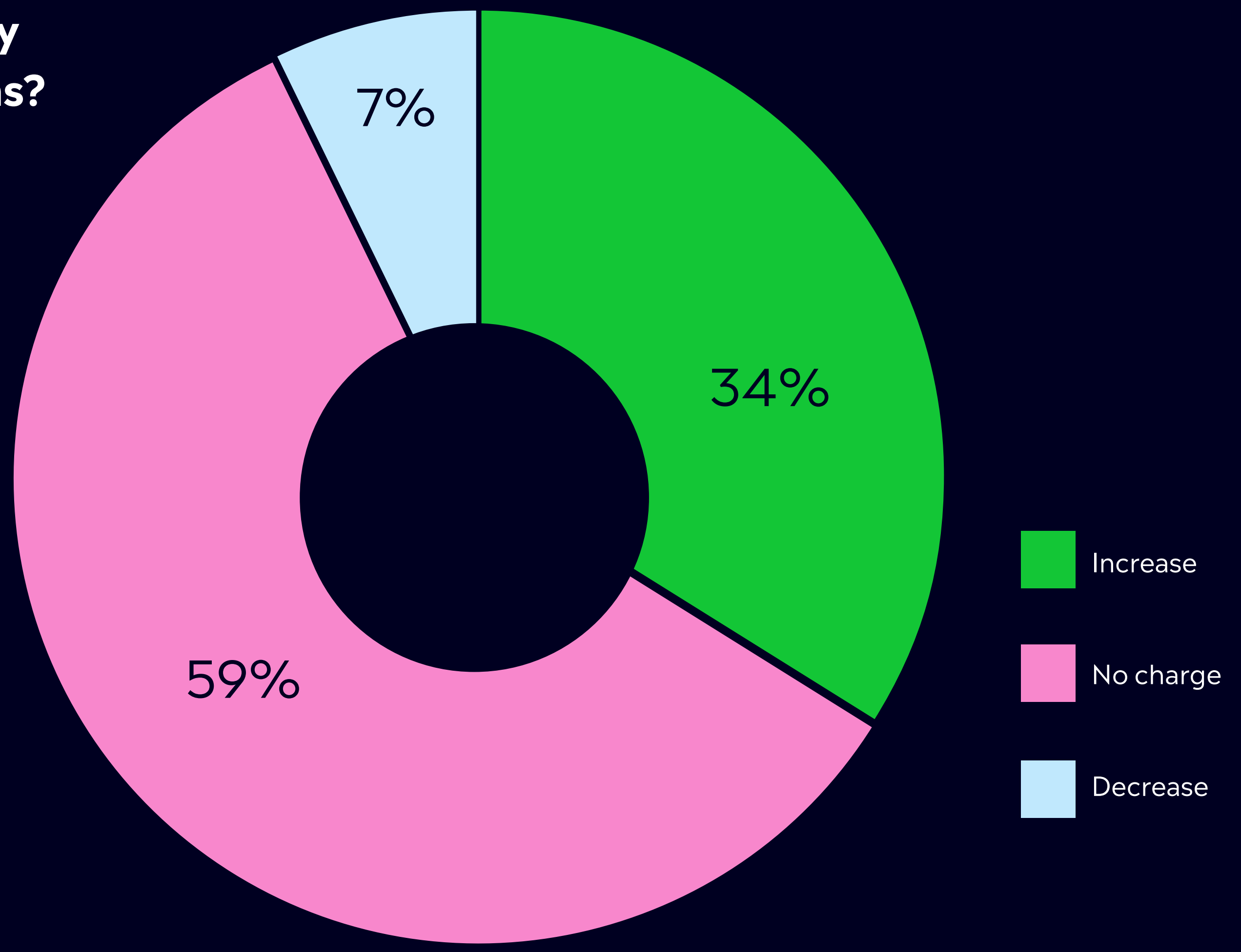
Only 11% of investors think a new bull market has started and many are looking to invest more. Those looking to increase positions are running at four times the level of those looking to cut the amount invested, even with allocations to stocks already high versus history. However, despite this optimism, portfolio return expectations are at a realistic 7.5%.

The number of retail investors continues to grow, with 7% new to markets in the past year and 18% in the past two years. This pace has been consistent through the bear market of 2022 and its recovery in 2023. This trend can be attributed to a few key drivers, including people taking more control of their financial futures, helped by cheap stock trading, fractional ownership, and online platforms and community.

This investor growth has been led by Spain, Norway, and eastern Europe, as well as by women, with 21% of female investors starting out in the past two years. The rise of younger investors is also boosting the retail investing population, with a third (33%) of investors now aged under 35. By contrast, the most experienced investors, with over ten years' experience, are in the US, France, and Denmark.

> Only one in ten investors think a bull market has started and many are looking to up contributions in 2024.

Near term plans for my portfolio contributions?



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 27 November 2023 - 08 December 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.**