DriveTrends

The Year of The Millennial Trader:

Trading Remained Trendy Despite Market Uncertainty

2022 has been a tough year for the markets. Many investors experienced their first bear market, recession rumbles were inescapable, and inflationary intimidation was high. But, regardless of the market lows, trading by Millennials was up. Younger investors grabbed the bull by the horns and put their money to work despite the bear on their backs.

Find out how one of the longest periods of economic uncertainty in history altered trading behaviors of millions of investors across APAC, EMEA, LATAM, and the U.S. during the first half of 2022.

First Half 2022

The Year of The Millennial Trader

DRIVEWEALTH

It's no secret that 2022 has been a challenging year for the markets. We've been stuck in a prolonged bear market, and downward trending stock prices have become the only dips that new investors know. All but one month brought new market lows, with the S&P 500 dropping 21% overall and the Nasdaq Composite dropping 33%, making it the worst six month start to a year since 1970[1].

While the situation may seem dire, the cyclical nature of the markets means its only dependable feature is its volatility. History has experienced extended bear markets such as The Great Recession and the dot-com bubble, and while market dips sting no matter what, the markets always seem to bounce back. In fact, the average bear market since 1950 has lasted 11 months[2]. Considering we're over six months in and close to the average 29.8% peak-to-trough drop of the S&P 500[2], the future is looking brighter than you might think.

What hurts the most about this dip is that many new investors who started trading during the market sell-off and following bull market reversal during the pandemic are experiencing their first extended bear market. But, what does a bear market really mean for new investors? Believe it or not, data suggests that it's a huge buying opportunity, and people who put their money to work during bear markets are typically rewarded long-term.

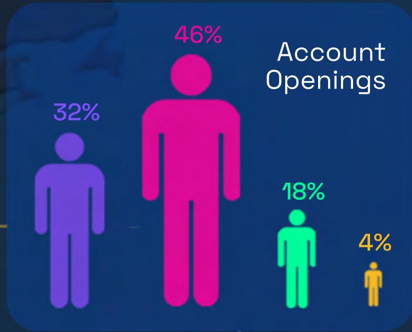
Regardless of market inconsistency, data shows that one thing remained consistent thus far: 2022 has been The Year of The Millennial Trader. Younger investors are taking the bull by the horns and riding it for the long-haul, viewing mobile phones that connect them to the markets as their Holy Grail. They're young, diverse, digital, and have a high risk tolerance. Find out more about how Millennials carried the markets on their backs through 1H22 based on data from over 12 million investors worldwide who trade using the DriveWealth platform.

"As we dive deeper into the decade of the digital investor, we're seeing a paradigm shift in investing," said Gayathri Rajan, Chief Product Officer, DriveWealth. "Despite market uncertainty, people – especially younger investors – are still investing in the brands they love using digital tools that are making the markets accessible and affordable for them. As a pioneer of fractional trading, we're excited to continue to work with our partners to develop even more ways for investors worldwide to access the markets through our API-based platform."

Markets Were Down, Global Millennial Trading Was Up

Generational Cohorts

Gen Z 1996-2010
Gen X 1965-1980
Millennials 1981-1995
Boomers 1946-1964



Average Trades per Funded Account

Most importantly, our data suggests that inflation intimidation and guzzling gas prices were top of mind for all generations. Gone are the days when FAANG stocks reigned – in 1H22, fixed income bonds and electric vehicle stocks made a comeback in multiple regions as investors listened to the rumbles of a recession that may lie ahead. But, at the end of the day, the data still shows that people are consistently investing in the brands they know and love.

While a recession or the summer slowdown may be around the corner, if this year's volatility taught us anything, it's that investors will keep investing. Let's take a trip around the globe with the data to understand how consumers altered their investing behaviors during the largest six month stretch of economic uncertainty that many current investors have faced.

The size of the trading universe took a hit as a result of the market lows, yet data suggests that trading remained trendy among Millennials. Around the world, fewer first-time investors opened accounts in 1H22 than in 2H21 (particularly after the fall of the meme stock frenzy), but Millennials followed a "can't stop, won't stop" trading mentality. 46% of account openings were made by Millennials, 24% more than Gen X and Boomers combined.

They also dominated the playing field when it came to average trade size and total trades placed. The average trade across generations was $310, but for Millennials, it was $373. This rose for the first time since 1H21 for Millennials, but decreased for other generations as their interest in fractional trading increased.

Average Trade Size

Top Traded Symbols

AAPL
TSLA
AMZN
VOO
NVDA

All sources: DriveWealth proprietary data.
All data has been rounded and reflects approximate figures.

APAC Leading The Trading Trends

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Millennials' market domination in APAC wowed the trading universe. More than other groups of Millennials worldwide, these investors were active, have a high risk tolerance, and are on track to trade more.

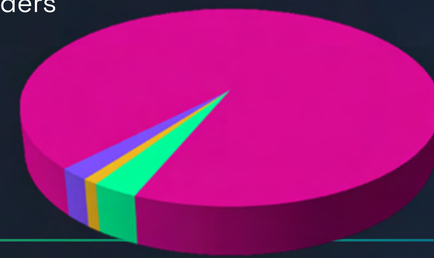
They took the markets by storm in APAC, commanding 94% of trades, a 22% increase in total trades placed since 2H21 and the highest percentage increase worldwide. While Millennials took the lead, other generations' trading activity decreased, placing only between 1% and 3% of total trades. In this region, Millennials also represented the largest group of first-time investors, responsible for 49% of opened accounts. This percentage was the only generation to increase over the past six months, suggesting that younger investors will continue to take on the markets at a higher rate than older investors.

But, the most interesting part of the story is about the securities that investors traded.

Top Traded Symbols by Millennials

TQQQ
SQQQ
TSLA
AAPL
SOXL

Total Orders



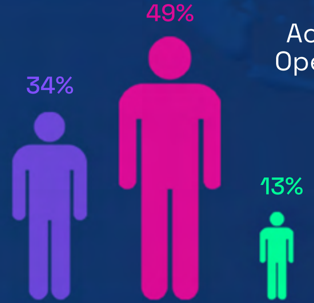
The top two traded symbols among Millennials in APAC were triple Q ETFs, making APAC the only region where these symbols made the top trades list. Known as a high-risk sector, the debut of the triple Q ETFs suggest that Millennials are driven by a high-risk, high-reward mentality.

Investors also had a renewed interest in challenger auto manufacturers. Unsurprisingly, Tesla (TSLA) remained a top stock, but investors had a growing interest in Lucid Motors (LCID) and Rivian Automotive (RIVN) in 1H22. While electric vehicle companies appeared among top stocks in 2020 globally, their resurgence could be correlated with surging gas prices. If gas prices remain elevated with rising inflation, we may see growing interest in electric vehicle companies next quarter. For now, the data suggests that investors are following the headlines and actively trading in the short-term with the hope of potential gains long-term.

Top Traded Equities by All Generations

TSLA
AAPL
LCID
RIVN
REV

Account Openings



Gen Z Millennials Gen X Boomers

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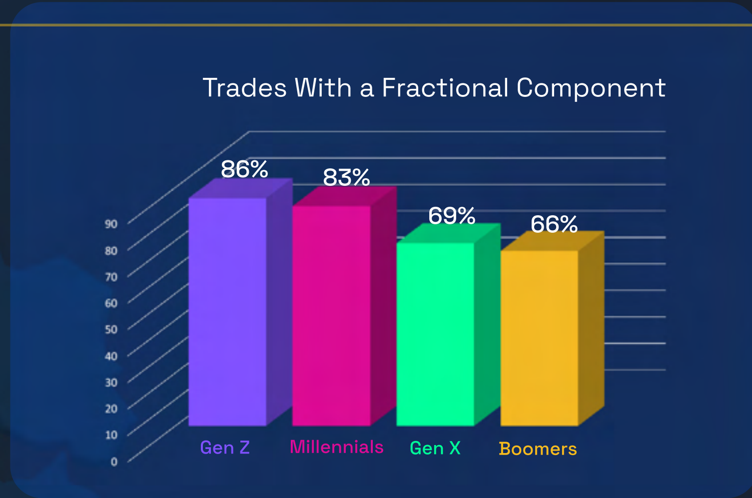
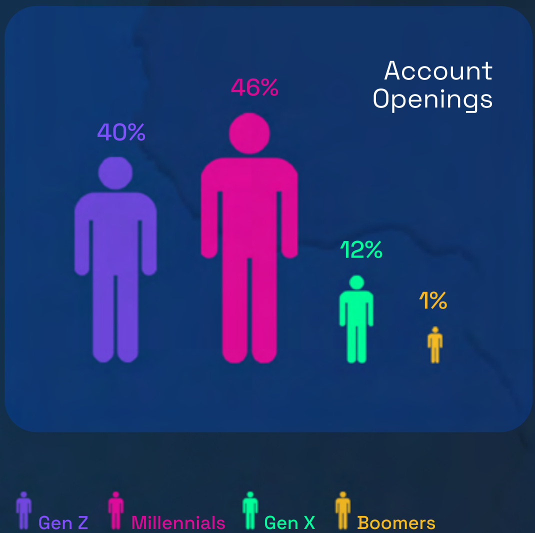
EMEA Fractional Trading Reigned Supreme

While Millennials still came out on top in EMEA, placing 69% of trades in 1H22, other generations are in the ring for the “Top Traders” title and are catching up – particularly Gen Z investors.

Millennials have consistently represented the largest percentage of account openings across generations in EMEA over the past year, reaching 46% in 1H22. However, while first-time Millennial account holders may represent the largest proportion of investors, the percentage of first-time Gen Z, Gen X, and Boomer investors has increased year-over-year (YoY), while Millennials decreased. Millennials may be number one, but investors of all ages are interested in the markets and are likely to become more involved over time.





Top Traded Symbols

TSLA
AAPL
AMZN
NIO
META

Nevertheless, for Millennial and Gen Z investors, the data shows that fractional investing is increasingly becoming habit. While 80% of trades across generations had a fractional component, Millennials and Gen Z investors were above average at 83% and 86% respectively, while Gen X and Boomers were below average at 69% and 66%.

So, what does this mean? EMEA’s current and future investors have become more prone to investing in fractional shares during the market downturn, while older generations stuck to what they know. They invested in whole shares while younger generations increasingly adopted fractional share trading technology that’s leveling the playing field for all.

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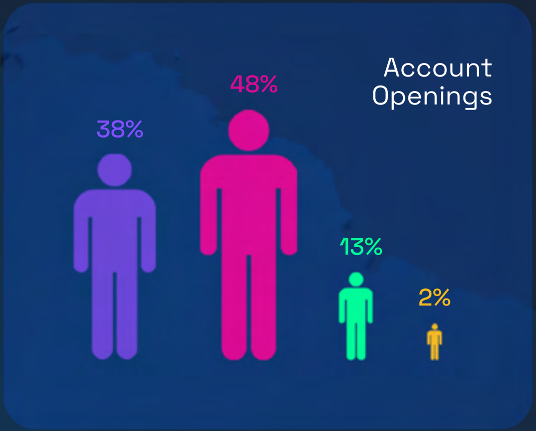
All data has been rounded and reflects approximate figures.

LATAM Millennials Met Their Match

Investing behaviors across age groups in LATAM differed slightly than what global data revealed. While total trades in EMEA and the U.S. decreased, they increased in LATAM, suggesting that all age groups are continuing to trade despite market lows.

Aligning with global trends, Millennials were the dominant traders in LATAM. They placed the most trades, opened the most accounts, and represented the most first-time investors in the region. Remaining consistent with YoY data, Millennials placed the largest proportion of trades at 53%, while all other generations placed over 26% fewer trades. They also represented the largest group of new investors, accounting for 48% of account openings, while older investors fell behind – Gen X and Boomers represented only 15% of new accounts collectively. Only time will tell if this trend continues in LATAM, but historical data suggests that it likely will.



Top Traded Symbols

AAPL
TSLA
AMZN
VOO
NVDA

There's a big universe of traders out there, and while Millennials have had the markets covered, other investors want in too. It's up to technology providers to equip investors with the tools that meet the needs of each age group.

Gen Z Millennials Gen X Boomers

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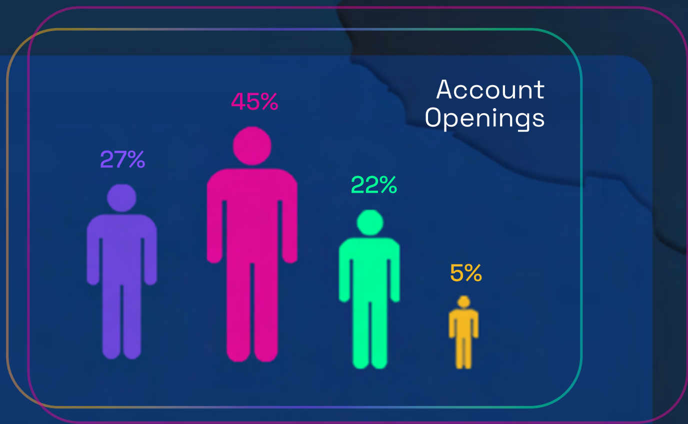
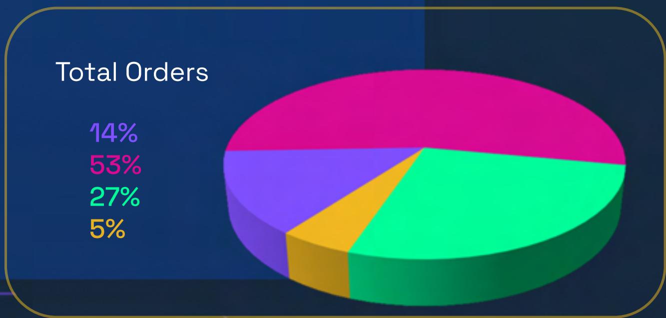
U.S. Diversified Portfolios Dominated





Top Traded Symbols

VOO
VTEB
SUB
VXF
VEA

Gen Z · Millennials · Gen X · Boomers

Investors in the U.S. were on the money in terms of aligning with behaviors of investors globally. Similar to all other regions, trading was down in the U.S., but for younger investors, activity was up.

Millennials were the champions when it came to total orders and account openings in the U.S. They placed the highest percentage of trades at 53%, while all other generations placed over 25% fewer trades. Millennials also represented the largest proportion of account openings at 45%, while Gen Z followed at 27%. But, what's interesting about account openings in the U.S. is that over the past six months, the percentage of openings by Gen Z investors decreased since 2H21, while all other generations increased. This suggests that while the universe of investors skewed young, investors across age groups still want to throw their hat in the ring.

Nevertheless, the most interesting trend laid within investors' top traded symbols. The inclusion of fixed income bond funds like Vanguard Tax-Exempt Bond ETF (VTEB) and iShares Short-Term National Muni Bond (SUB) on the top symbols list suggests that as investors' fear in investing their cash in equities increased, so did their interest in fixed income bonds – an inverse relationship typically seen with increasing interest rates. As the Fed increased interest rates in 1H22, so did the position of fixed income bonds on the top trades list.

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DriveWealth, a global fintech investment rail, is a pioneer of fractional equities trading and visionary company that empowers more than 100 partners around the world to engage their customers by placing the markets in the palm of their hands. We believe the future is fractional, transactional, and mobile. Every mobile device should be a gateway to accessing investing and savings products, services, advice, and assistance for global citizens of all ages, wealth stages, and levels of financial expertise. DriveWealth's consultative support and cloud-based, modern technology platform allow partners to seamlessly offer branded investing experiences to drive customer acquisition, loyalty, retention, and revenue growth.

To learn more about DriveWealth, go to www.drivewealth.com, contact us here, or follow us on social media:

Sources

1. Bloomberg Data
2. LPL Financial Research, FactSet, Stocks Do Well After They Go Into A Bear Market, May 20, 2022