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**E*TRADE STUDY REVEALS DIVERGENT VIEWS REGARDING
THE MARKETS AND THE ECONOMY**



Amidst volatility, experienced investors are drawing a line between the health of the U.S. markets and the economy

NEW YORK, January 29, 2016 — E*TRADE Financial Corporation (NASDAQ: ETFC) today announced results from the most recent wave of *StreetWise*, E*TRADE's quarterly tracking study of experienced investors. Results indicate bearish views towards the market:

- The majority of investors are bearish this quarter — at the highest level in more than a year.
- “Dazed and Confused” remains the movie title that best describes how investors personally feel about the market this quarter.

When considering the U.S. economy, however, investors appear relatively positive:

- Four out of five investors rate the U.S. economy as fair, good, or great, while only one out of five take a decidedly negative view.
- Nearly half of all investors agree the U.S. economy is healthy enough for the Fed to enact additional rate hikes this year.

“A bearish outlook on the stock market can be expected given the performance we have seen at the start of this year,” commented George Fischer, SVP, Trading, Margin Lending, and Cash Management at E*TRADE Financial. “Yet, when coupled with a positive view of the U.S.

economy, short-term market movements can be viewed as opportunities. Options may be a possible vehicle in seeking to hedge downside risk or generate income.”

Mr. Fischer offered the following general insights for investors who feel that options⁽¹⁾ may be an appropriate investment vehicle for them in a bear market.

- **Put options may protect against downturns.** Investors with a long-term bullish view, but who are also worried about periodic market downturns, may choose to hedge their long positions by purchasing put options (the ability to sell assets to another investor at a predetermined price and date). Put options may offer protection against downside risk in the event that the underlying position decreases in value.
- **Covered calls may provide income.** Writing covered call options (when an asset owner sells the ability for another investor to buy the owner’s assets at a predetermined price and date) may generate income if the price of the underlying asset remains relatively stable or decreases in value.
- **Bear spreads can be a tool to help balance risk and reward.** For investors who are bearish about a particular stock or the overall market, a bear spread (the simultaneous purchase and sale of options that expire on the same date) can be used to reduce downside risk, while limiting upside potential.

Visit E*TRADE’s [Newsroom](#) for the full Q116 StreetWise study results.

E*TRADE helps investors balance today’s needs with tomorrow’s goals, through pioneering digital tools and personalized, smart guidance online and from seasoned financial consultants. To learn more about E*TRADE’s trading and investing platforms and tools, visit etrade.com.

For useful insight from E*TRADE and third-party investment professionals, follow the Company on Twitter, [@ETRADE](#).

About the Survey

This wave of the survey was conducted from January 6 to January 11 of 2016 among an online U.S. sample of 919 self-directed active investors who manage at least \$10,000 in an online brokerage account. The survey has a margin of error of ±3.2 percent at the 95 percent confidence level. It was fielded and administered by ResearchNow. The tracking study fields quarterly at the beginning of each quarter and does not reflect data from the complete quarter. The panel is broken into thirds of active (trade more than once a week), swing (trade less than once a week but more than once a month), and passive (trade less than once a month) investors. The panel is 65 percent male and 35 percent female with an even distribution across online brokerages, geographic regions, and age bands.

Referenced Data

<i>When it comes to the current market are you?</i>					
	Q1'16	Q4'15	Q3'15	Q2'15	Q1'15
Bearish	55%	50%	44%	41%	34%
Bullish	45%	50%	56%	59%	66%

Which of the following do you think is most likely to occur in the next three months? The U.S. equity markets will... (Question asked beginning in Q1 '16)

	Q1'16
Rise	34%
Rise 20%	0%
Rise 15%	3%
Rise 10%	10%
Rise 5%	21%
Stay basically where it is	20%
Drop 5%	23%
Drop 10%	16%
Drop 15%	5%
Drop 20%	2%
Drop	46%

If you had to pick a movie title that best describes how you personally feel about the market right now, which would it be?

	Q1'16	Q4'15	Q3'15	Q2'15	Q1'15
Dazed and Confused	34%	38%	29%	25%	27%
Easy Rider	14%	18%	20%	26%	25%
Pulp Fiction	13%	12%	14%	14%	13%
Fear and Loathing in Las Vegas	11%	7%	8%	6%	6%
Apocalypse Now	10%	4%	5%	3%	3%
Singin' in the Rain	7%	9%	13%	14%	14%
Jackass	7%	6%	6%	5%	6%
Raging Bull	4%	5%	6%	8%	7%

How do you think the U.S. economy is doing? (Question asked beginning in Q4 '15)

	Q1'16	Q4'15
Top 2 Box	33%	32%
Great	3%	3%
Good	30%	29%

Fair	47%	48%
Poor	16%	17%
Extremely poor	4%	3%
Bottom 2 Box	20%	20%

<i>Is the U.S. economy healthy enough for the Fed to enact additional rate hikes? (Question asked beginning in Q1 '16)</i>	
	Q1'16
Agree (Top 2 Box)	47%
Strongly agree	7%
Somewhat agree	40%
Neither agree nor disagree	28%
Somewhat disagree	19%
Strongly disagree	6%
Disagree (Bottom 2 Box)	25%

(1) Options transactions are complex and involve a high degree of risk, are intended for sophisticated investors, and are not suitable for all investors. For more information, please read the [Characteristics and Risks of Standardized Options](#) before you begin trading options. There are specific risks associated with covered call writing, including the risk that the underlying stock could be sold at the exercise price when the current market value is greater than the exercise price the call writer will receive. Also, there are specific risks associated with buying options including the risk of the purchased options expiring worthless. Moreover, there are specific risks associated with trading spreads including substantial commissions, because it involves at least twice the number of contracts as a long or short position and because spreads are almost invariably closed out prior to expiration. Because of the importance of tax considerations to all options transactions, the investor considering options should consult his/her tax adviser as to how taxes affect the outcome of each option strategy. Commissions and other costs may be a significant factor. An options investor may lose the entire amount of their investment in a relatively short time.

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