

Ahead of the June Fed Meeting, E*TRADE Study Reveals Investor Views on the Economy & Market Momentum

June 11, 2018

Topline views of the economy and the market, according to retail investors

The Good

- Most believe the economy is in good or great condition
- Most believe the economy is sustaining the bull market

The Bad

- Most believe volatility will increase this quarter
- Most are concerned about the administration's trade practices

E*TRADE

Amid competing market forces, there is no clear consensus among investors over how many more rate increases the Fed will enact this year

NEW YORK --(BUSINESS WIRE)--Jun. 11, 2018-- E*TRADE Financial Corporation (NASDAQ: EFTC) today announced results from the most recent wave of *StreetWise*, the E*TRADE quarterly tracking study of experienced investors. Results reveal the mindset of investors ahead of the June Fed meeting:

- **The majority think a strong economy is driving the bull market.** More than half of investors (56%) believe the economy is in "good" or "great" shape this quarter. Additionally, 54% believe an improving US economy is driving the bull market—more than strong earnings, tax reform, or President Trump.
- **Most investors believe GDP growth will be relatively strong.** More than eight out of 10 investors (82%) believe GDP can sustain 2% growth or higher this year.
- **Investors also think the economy can handle a June hike.** The majority of investors (58%) believe the economy is healthy enough to enact additional rate hikes this quarter.
- **But many think volatility is going to ramp up.** 60% of investors think volatility will increase this quarter.
- **And that current trade policy could hurt their portfolio.** 60% of investors believe the current administration's approach to international trade will have a negative effect on their portfolio.
- **Within this context, there is no majority opinion on the pace of future rate increases.** Despite the Fed telegraphing its intentions to raise rates a total of three times in 2018, less than half (47%) believe the Fed will do so. Two out of five (40%) believe the Fed will increase rates one more time or not at all, while 13% believe the Fed will raise rates three more times.

"With the seemingly never-ending parade of geopolitical events and trade talks dominating market headlines these past few months, it's more than understandable that investors are less than united on where the federal funds rate will end up this year," commented Mike Loewengart, VP of Investment Strategy at E*TRADE Financial. "It's hard to parse out what could truly be a headwind or a tailwind. Yet more than anything, it's important to keep in mind that economic fundamentals appear to be as strong as they've been in years. Job growth is robust, unemployment is at its lowest level since 2000, and inflation has nestled in nicely at the Fed's desired rate. If this is our guide, it's hard to argue that the Fed will change course in any dramatic way as 2018 continues."

Mr. Loewengart provided some considerations for investors ahead of the June Fed meeting:

- **Volatility is a hallmark of today's market.** While recent economic reports suggest the economy continues to strengthen, the market will not necessarily always move in tandem with the economy. Trade and tariff escalations, higher inflation, geopolitical tensions, or any number of other factors can play a role. However, understanding that pullbacks are a natural part of investing can be helpful, if only to serve as a reminder to remain calm and focus on long-term objectives.
- **Keep an eye on the yield curve.** Market observers have long been trained to view the yield curve, or the differential between short- and long-term Treasury yields, as a barometer of the strength of the economy. One common measure of the yield curve, the spread between 2- and 10-year yields, has been flattening recently. Some market observers fear that the curve could ultimately invert which could portend an economic recession.
- **Fed decisions can serve as checkpoints.** The announcement of a Fed decision can be a good opportunity for investors to review and rebalance their portfolios to help keep aligned with their goals and risk tolerance. Investors with well-diversified portfolios of domestic and global equities, fixed income securities across the credit and maturity spectrum, and cash can be well-positioned over the long term for a variety of market scenarios.

E*TRADE aims to enhance the financial independence of traders and investors through a powerful digital offering and professional guidance. To learn more about E*TRADE's trading and investing platforms and tools, visit etrade.com.

For useful trading and investing insights from E*TRADE, follow the company on Twitter, [@ETRADE](https://twitter.com/ETRADE).

About the Survey

This wave of the survey was conducted from April 1 to April 11 of 2018 among an online US sample of 947 self-directed active investors who manage at least \$10,000 in an online brokerage account. The survey has a margin of error of ±3.18 percent at the 95% confidence level. It was fielded and administered by Research Now. 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). The panel is 64% male and 36% female, with an even

distribution across online brokerages, geographic regions, and age bands.

Referenced Data

How many additional times do you think the Federal Reserve will raise interest rates in 2018?

	AGE			
	TOTAL	25-34	35-54	55+
Zero	4%	5%	6%	2%
One	36%	51%	37%	24%
Two	47%	40%	47%	53%
Three	13%	4%	10%	21%

Is the US economy healthy enough for the Fed to enact additional rate hikes this quarter?

	Q2'18	Q1'18	Q4'17	Q3'17	Q2'17
Agree (Top 2 Box)	58%	66%	59%	58%	62%
Strongly agree	17%	20%	17%	14%	16%
Somewhat agree	41%	46%	42%	44%	46%
Neither agree nor disagree	25%	25%	27%	24%	26%
Somewhat disagree	13%	7%	12%	15%	10%
Strongly disagree	4%	2%	2%	3%	2%
Disagree (Bottom 2 Box)	17%	9%	14%	18%	12%

Do you think the current administration's approach to international trade (including tariffs and renegotiated trade deals) will have a positive or negative effect on your portfolio?

	AGE			
	TOTAL	25-34	35-54	55+
Positive (Top 2 Box)	35%	64%	30%	19%
Very positive	9%	26%	5%	3%
Positive	26%	38%	25%	16%
Negative	41%	26%	43%	51%
Very negative	19%	10%	25%	21%
Negative (Bottom 2 Box)	60%	36%	68%	72%
Not at all	5%	1%	3%	9%

What percentage GDP growth do you think the economy will sustain in 2018?

	AGE			
	TOTAL	25-34	35-54	55+
Less than 1%	5%	4%	7%	5%
1%	13%	8%	15%	13%
2%	42%	37%	43%	44%
3%	31%	29%	29%	34%
4%	6%	10%	5%	4%
More than 4%	3%	12%	1%	0%

How do you think the U.S. economy is doing this quarter?

	AGE			
	TOTAL	25-34	35-54	55+
Top 2 Box	56%	63%	50%	55%
(5) Great	14%	23%	10%	9%
(4) Good	42%	40%	40%	46%
(3) Fair	34%	29%	37%	34%
(2) Poor	9%	7%	11%	10%
(1) Extremely poor	1%	1%	2%	1%
Bottom 2 Box	10%	8%	13%	11%

Over the next quarter, do you think volatility will

	AGE			
	TOTAL	25-34	35-54	55+
Increase (Top 2)	60%	72%	62%	49%
Greatly increase	15%	25%	14%	10%
Somewhat increase	45%	48%	49%	39%
Stay the same	31%	25%	27%	41%
Somewhat decrease	8%	3%	10%	10%
Greatly decrease	1%	0%	0%	0%
Decrease (Bottom 2)	9%	3%	11%	10%

What factors do you believe are driving this extended bull market? (TOP THREE)

	AGE			
	TOTAL	25-34	35-54	55+
Improving U.S. economy	54%	50%	52%	59%
Strong earnings	47%	47%	40%	50%
Tax reform	38%	20%	39%	48%
President Trump and the current administration	37%	42%	39%	33%

Strong performance in certain sectors	27%	16%	33%	27%
Strengthening global economy	27%	30%	26%	27%
General optimism / 'Spirit Animals'	24%	28%	27%	19%
Monetary policy	18%	23%	17%	14%
Other	4%	3%	6%	4%
None of these	4%	5%	3%	5%

“Millennial” defined as age 25–34 // “Gen X” defined as age 35–54 // “Baby Boomer” defined as age 55+

About E*TRADE Financial and Important Notices

E*TRADE Financial and its subsidiaries provide financial services including brokerage and banking products and services to retail customers. Securities products and services are offered by E*TRADE Securities LLC (Member FINRA/SIPC). Commodity futures and options on futures products and services are offered by E*TRADE Futures LLC (Member NFA). Managed Account Solutions are offered through E*TRADE Capital Management, LLC, a Registered Investment Adviser. Bank products and services are offered by E*TRADE Bank, and RIA custody solutions are offered by E*TRADE Savings Bank, both of which are federal savings banks (Members FDIC). More information is available at www.etrade.com.

The information provided herein is for general informational purposes only and should not be considered investment advice. Past performance does not guarantee future results.

E*TRADE Financial, E*TRADE, and the E*TRADE logo are trademarks or registered trademarks of E*TRADE Financial Corporation. ETFC-G

© 2018 E*TRADE Financial Corporation. All rights reserved.

E*TRADE Financial Corporation and Research Now are separate companies that are not affiliated. E*TRADE Financial Corporation engages Research Now to program, field, and tabulate the study. Research Now Group, Inc. provides digital research data and has locations in the Americas, Europe, the Middle East and Asia-Pacific. For more information, please go to www.researchnow.com.

View source version on businesswire.com: <https://www.businesswire.com/news/home/20180611005550/en/>

Source: E*TRADE Financial Corporation

E*TRADE Media Relations

646-521-4418

mediainq@etrade.com

or

E*TRADE Investor Relations

646-521-4406

IR@etrade.com