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E*TRADE STUDY REVEALS THE WIDE MAJORITY OF INVESTORS VIEW INFLATION AS TRANSITORY



Yet most investors are considering increasing exposure to inflation-hedging strategies

ARLINGTON, Va., August 24, 2021 — E*TRADE Financial Holdings, LLC today announced results from the most recent wave of StreetWise, the E*TRADE quarterly tracking study of experienced investors. Results reveal investor views on Fed policies and inflation:

- **The majority of investors believe inflation is transitory.** Almost four out of five investors (78%) are aligned with the Federal Reserve’s view that current inflation is transitory.
- **Most predict a rate hike in the first half of 2022.** Over two in three investors (67%) expect the Fed to raise rates in 2022, with 42% anticipating the decision happening in the first half of the year—the top choice among respondents, and somewhat accelerated from Fed officials, the majority of whom predict rate increases will start in 2023.¹
- **They’re looking to make portfolio moves.** Specific to the current inflationary environment, over two out of five investors (43%) said they’re considering investing in stocks sensitive to higher interest rates, followed by real estate investment trusts (REITs) (29%).
- **And while they think inflation isn’t here to stay, fears spiked.** Inflation jumped to the top portfolio risk among investors (35%), increasing 21 percentage points from last quarter, followed by market volatility (27%), and coronavirus (23%).

“While inflation has been in the spotlight for quite some time now, we’re starting to see the pace moderate a bit, supporting the Fed’s transitory position,” said Mike Loewengart, Managing Director of Investment Strategy at E*TRADE Financial. “But as consumers face rising prices in their day-to-day lives amid supply bottlenecks, labor shortages, and increased demand, inflation

is pretty hard to ignore. So, it's no surprise that investors are taking inflation seriously when it comes to their portfolios. Inflation always has the potential to eat into returns, so now could be a good time to check allocations and make adjustments, while keeping long-term goals and risk tolerance top of mind."

Mr. Loewengart offered additional guidance when considering your portfolio amid inflation concerns:

- **Consider inflation strategies.** While there's no perfect inflation hedge, there are investments that can benefit when inflation is on the rise. A diversified portfolio likely already captures these, but historically equities have tended to keep up with, or stay a little ahead of, inflation. Treasury inflation-protected securities (TIPS), commodities, and REITs could also help diversify during rising inflation.
- **Diversification remains key.** Maintaining a diversified portfolio can help weather varying market conditions. A mix of investments and asset classes can ward off volatility while taking advantage of areas of the market that may be outperforming.
- **Remember to curb emotions.** Chasing performance is a risky business—you're always looking in the rear-view mirror. And amid rising inflation concerns, it may be tempting to shift to the sidelines. While checking in on positions every so often is prudent, avoid making rash decisions during market downturns or increased macro concerns.

1. [The Federal Reserve now forecasts at least two rate hikes by the end of 2023](#) (6/16/21)

About the Survey

This wave of the survey was conducted from July 1 to July 9 of 2021 among an online US sample of 898 self-directed active investors who manage at least \$10,000 in an online brokerage account. The survey has a margin of error of ± 3.20 percent at the 95 percent confidence level. It was fielded and administered by Dynata. 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 60% male and 40% female, with an even distribution across online brokerages, geographic regions, and age bands.

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E*TRADE Financial engages Dynata to program, field, and tabulate the study. Dynata provides digital research data and has locations in the Americas, Europe, the Middle East and Asia-Pacific. For more information, please go to www.dynata.com.

Referenced Data

Please rate how much you agree with the following statement about inflation: The current inflation our economy is experiencing is transitory.

	Q3'21
Top 2	78%
Strongly agree	24%
Somewhat agree	54%
Somewhat disagree	17%
Strongly disagree	5%
Bottom 2	22%

When do you expect the Fed to first raise rates above its current level of 0 to .25%?

	Q3'21
Top 2	67%
First half of 2022	42%
Second half of 2022	25%
Second half of 2021	25%
2023	5%
2024 and later	3%

And specific to the current inflation environment, are you considering increasing exposure to any of the following?

	Q3'21
Stocks sensitive to higher rates (financials, energy, materials)	43%
Real estate investment trusts (REITs)	29%
Cash	26%
Commodities	21%
Treasury inflation-protected securities (TIPS)	20%
None	24%
Other	1%

Which of the following risks are you most concerned about when it comes to your portfolio? (Top Two)

	Q2'21	Q3'21
Inflation	14%	35%
Market volatility	26%	27%
Coronavirus and other pandemic concerns	22%	23%
Recession	25%	17%
US trade tensions	25%	17%
Current presidential administration	23%	16%
Job market	3%	15%
Gridlock in Washington	14%	14%

Economic weakness abroad	21%	12%
Fed monetary policy	15%	12%
The yield curve	6%	7%
None of these	2%	3%
Other	1%	1%