



Intelligence Quarterly



An overview of trading trends in Q1 2023



WELCOME

Markets move at blistering speed and understanding what drives them has never been more important. In our new quarterly data report, we combine data about trader activity on the CMC platform with insight from our Chief Market Analyst to cut through the background noise and bring some much-needed clarity. We look at individual stocks over longer periods (p08) as well as recent changes in trader activity in both companies (p06) and industries (p10). We see how the quarter’s geopolitical events affected FX trading (p07) and market sentiment (p05), and crunch the numbers on which traders have had a good quarter (p03).

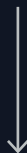
● Who’s had a good quarter?	p03
● Which stocks rose the most?	p04
● When were most trades happening?	p05
● What are the most popular stocks?	p06
● What’s been happening in FX?	p07
● Anatomy of a stock: Tesla	p08
● What sectors are people trading in?	p09
● Which sectors gained the most traders?	p10

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Spread bets and CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. **74% of retail investor accounts lose money when spread betting and/or trading CFDs with this provider.** You should consider whether you understand how spread bets and CFDs work and whether you can afford to take the high risk of losing your money.

Who’s had a good quarter?

Examining the successes of different demographic groups on the CMC platform

HOW IT WORKS

The charts show the percentage of total profitable trades among the subset of traders who made a profit on the CMC platform between 1 January and 31 March 2023. They are broken down by different demographic groups: gender, location, age and experience. Generations are defined by year of birth: 'Generation Z' (1995+), 'Millennials' (1980-1994), 'Gen X' (1965-1979), 'Baby Boomers' (1946-1964) and 'Silent Generation' (1925-1945). A newcomer is classed as anyone trading on the CMC platform for less than a year. All personal demographic data is self-assigned by the trader and those without data are excluded.



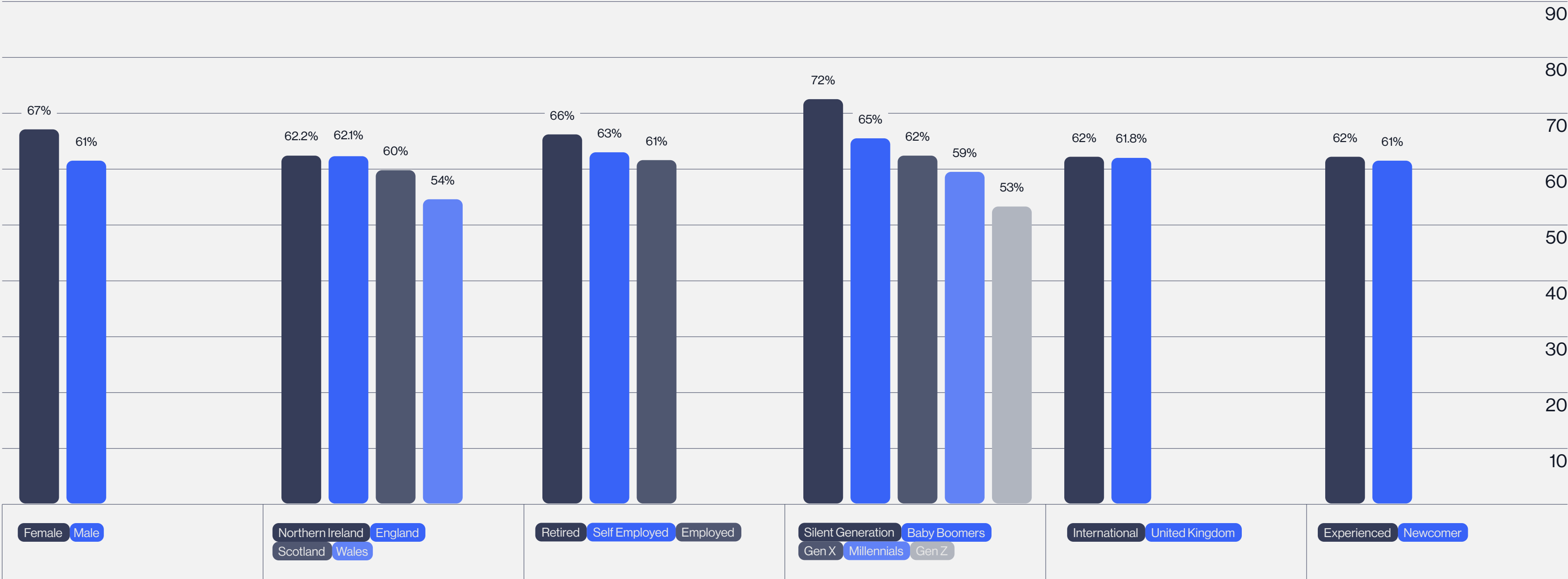
The expert's view: *Michael Hewson, Chief Market Analyst at CMC Markets*

The generation game

"I'm not surprised at all to see the Silent Generation enjoying greater success than Generation Z. From what I've seen, older people tend to do better when trading because they've got the experience of knowing when to sit on their hands. With younger traders, it tends to be a case of tempering their enthusiasm. You can learn by experience or by others' misfortunes, and if I think back to my own early days as a trader, I didn't have much experience of my own, but I didn't learn from others' mistakes either! I got my fingers burnt and that's why I always stress that everybody should use the risk management tools built into CMC. Why wouldn't you? It's like going out in the rain and not taking the umbrella you've been offered. You can never be complacent about markets because as soon as you are, the market will bite you very hard in your complacency."

“Older people tend to do better when trading and that’s generally because they’ve got the experience of knowing when to sit on their hands”

Percentage of total trades between 1 January and 31 March 2023 that were profitable



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Which stocks rose the most?

The large US and UK companies experiencing the greatest growth in share value this quarter



The expert's view: *Michael Hewson, Chief Market Analyst at CMC Markets*

Two different worlds of the biggest climbers in the UK and the US

"In the UK, Rolls-Royce has done really well. It was affected by the pandemic because it made most of its money from service and maintenance agreements on civil aircraft engines. So of course, if you ground all the planes, it loses half of its revenue overnight. Now it's clawing its way back again. Rolls-Royce is also a defence company and they are making mini nuclear reactors for energy production across the UK. So there's potential for an awful lot of upside for the company, given where it was. It's interesting to see three travel- or transport-related companies in the top five: Rolls-Royce, EasyJet and Wizz Air. All of those companies have seen massive share price falls in the past two or three years, and now they're hopefully starting their long journey back.

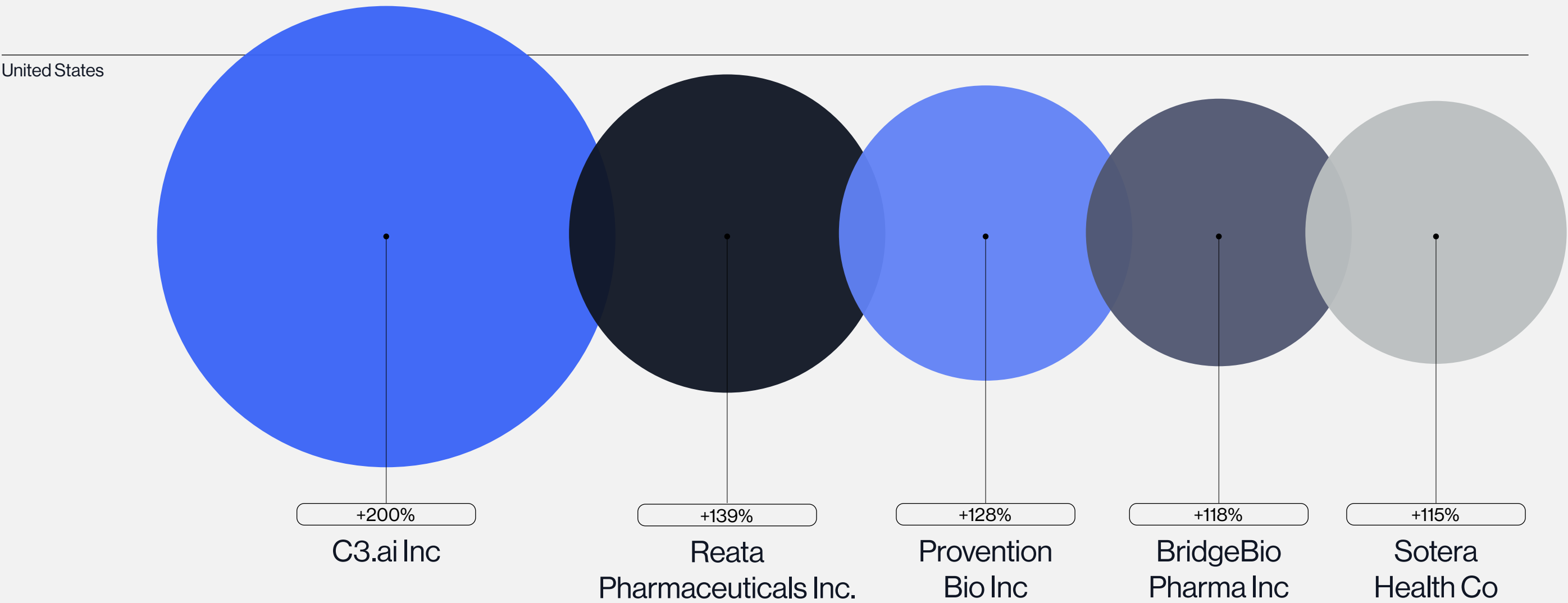
And then there's retail. JD Sports is a fairly good and well-run company. It has had its problems over the years, but it also has a presence in the US and

its US operation has been doing very well. Meanwhile, Marks & Spencer has been on a journey over the last 15 years, and it seems to me that they've finally struck on a formula that works. I think they've got a good business offering. They've revamped their website, they've shut down an awful lot of unprofitable stores and they are starting to become a lot more nimble by offering an outlet for small boutique stores, like White Stuff, to sell their wares on their website.

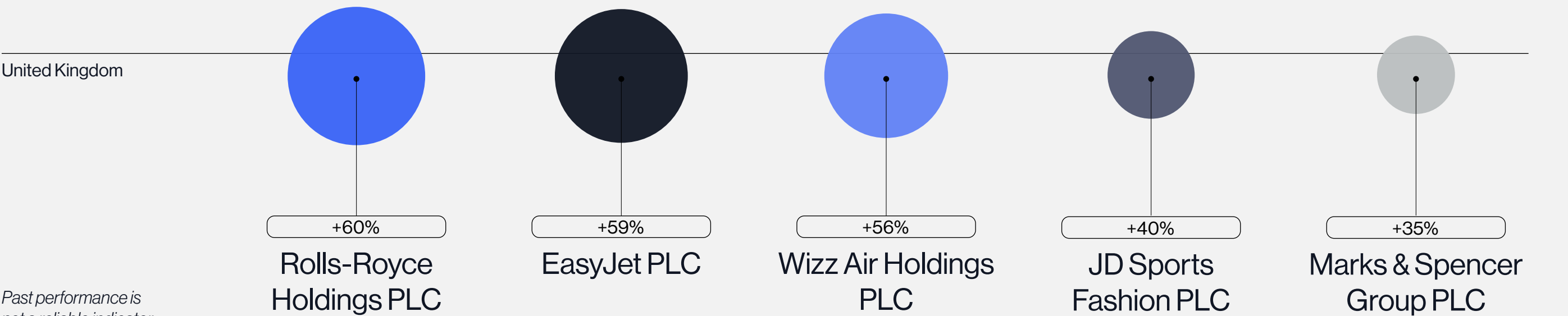
If we turn to those US-listed companies, they're not what I would call household names—if you take companies with a market cap of \$2bn in the UK you get big hitters, but in the US they can still be relative unknowns. In this quarter, they're all biotech. A small biotech company where there's very little in the way of revenue can be valued at \$3bn, and yet you can get a huge retailer in the UK that doesn't even come close to that.

If you look at the story behind some of these increases in the US, you'll see that during the quarter Sanofi announced it was acquiring ProventionBio in a deal worth \$2.9bn, so that's why its share price went up. Reata Pharmaceuticals shares shot up after the FDA decided to approve a drug that they were working on testing. So this is where you often see upticks for biotech companies and they get a breakthrough or someone else bigger comes along and has a little nibble. But for every one of those, there's about a dozen that don't do anything."

United States



United Kingdom



Past performance is not a reliable indicator of future results.

HOW IT WORKS

Each circle represents the five companies listed on the US and UK stock markets with a market cap above \$2bn that saw the largest growth in share price between 1 January and 31 March 2023. Circles are sized according to the percentage growth over this period.



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When were most trades happening?

The ebb and flow of trades in the last quarter—and what’s driving them



The expert's view: *Michael Hewson, Chief Market Analyst at CMC Markets*

How a bank going bust hit the markets

“At the end of every quarter there's a little bit of a rebalance. People have a look back at how their portfolios have done. This quarter also marks the end of the tax year, which also increases end-of-quarter flows.

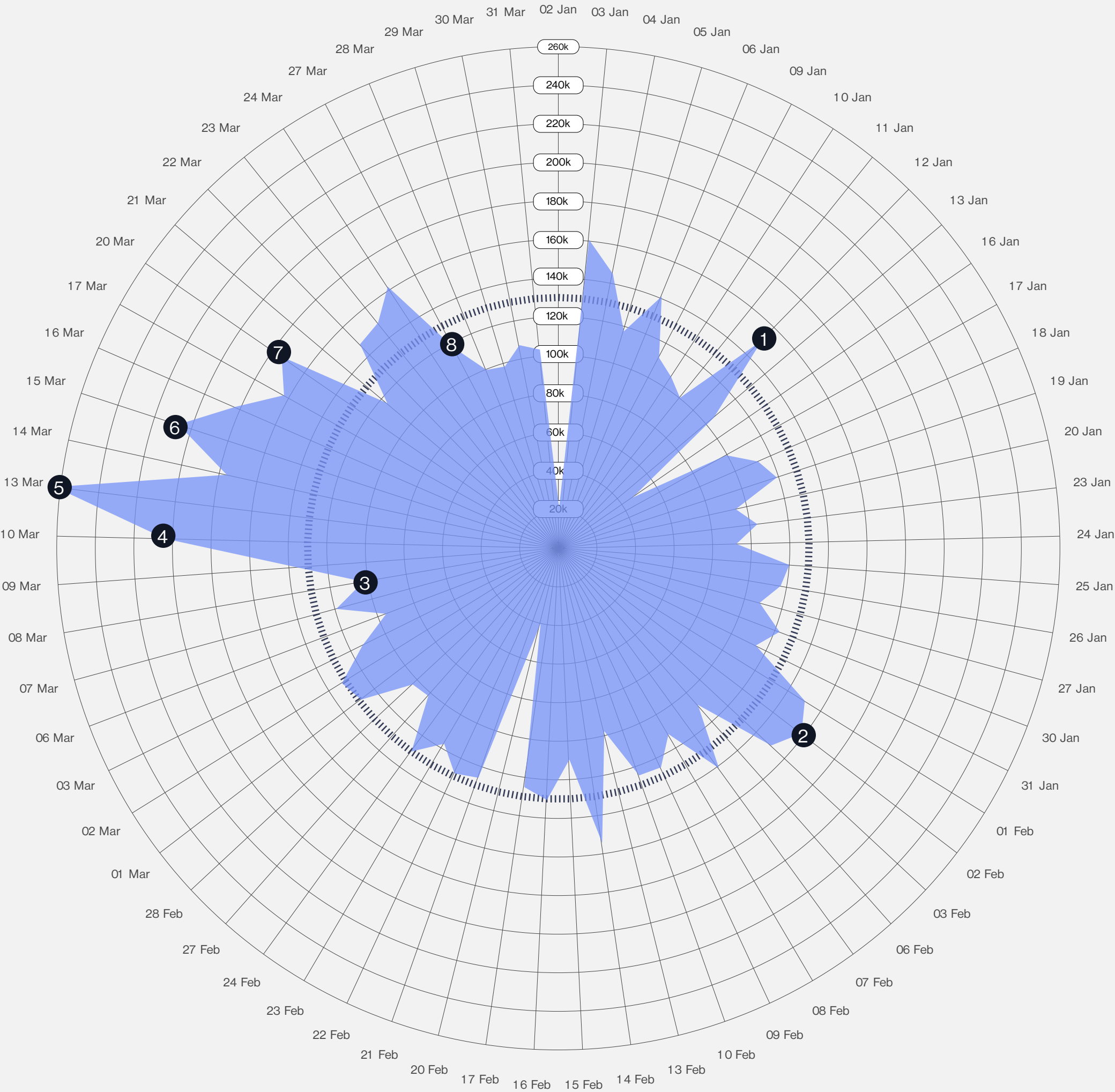
But even so, this March was a particularly busy month. That big spike you see is the week after Silicon Valley Bank (SVB) went bust. When the news started to hit the wires on the night of the 9 March, I was in Dublin doing a presentation. I was looking at the markets and thinking, ‘Why are they falling?’

The week after that, you started to get these stories about Credit Suisse being in danger of collapse when its biggest shareholder, the Saudi National Bank, was asked if it was going to put any more money in, and it said no. And that’s when everyone went to

the banks and did a massive offload; they started to pile out of equities and pile into bonds and you saw yields come crashing. By the time I came back into the office on 20 March, Credit Suisse had been bailed out by UBS and the Swiss government.

When things like this happen people start thinking back to 2008, and no one wants to be caught out again like that. For a lot of people, 15 years ago still feels fairly recent. But one of the things about the last 15 years is that markets have generally tended to go up. So there’s also a whole new generation of traders who have never seen a bear market. And they’ve been conditioned to buy the dip because central banks have always been there—there have been low rates and plenty of liquidity.

Inflation has been very benign for a long time. Now we have an inflation problem and central banks want to get on top of that. At the end of March they put rates up again, and they will continue to do that until something else breaks. When you’ve been conditioned to low interest rates, it’s very difficult to shake out of that mindset. But as we go through the rest of this decade, we will find that there will be a slow adjustment to that new paradigm, that new reality.”



Trade count

Average trades

1
12 January
'Earnings season', when a large number of publicly traded companies release their quarterly earnings, begins.

2
2 February
Markets move ahead of the January US Jobs Report, released the following day. It announces that the unemployment rate has hit a 53-year low.

3
8 March
Silicon Valley Bank (SVB) announces losses of \$1.8bn.

4
10 March
US regulators take control of SVB, shutting it down.

5
13 March
SVB's UK arm is sold to HSBC for £1. HSBC says SVB UK had loans of £5.5bn and deposits of £6.7bn.

6
15 March
As worries of a bank run spread, Credit Suisse announce it is to borrow up to CHF50bn (\$53.7bn) from the Swiss National Bank.

7
20 March
Markets react after UBS agrees to take over Credit Suisse for more than \$3bn.

8
27 March
First Citizens BancShares agrees to purchase the bulk of SVB's assets.



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What are the most popular stocks?

A look at the top ten stocks held by different groups of CMC traders



The expert's view: *Michael Hewson, Chief Market Analyst at CMC Markets*

The power of the herd

"What's interesting here is that we're not seeing a lot of variation across the demographic groups. It's mostly the same ten companies in a slightly different order with Tesla number one throughout. It has always been this way — human beings are herd-like creatures.

The top ten is totally dominated by tech companies. Everyone thinks that the problems humans face will be solved by tech and they want a part of that. Over the last 15 years, we've seen these tech stocks rise consistently, but the last year has seen the value of a lot of the big tech companies fall. I think that was an overdue correction.

A problem with the herd mentality can be the creation of bubbles. So many people can pile into the same stock that it becomes overvalued, and if everyone gets out at the same time that can cause problems. It's like being on a small boat. If everyone moves to one side at once, it'll capsize."

Key:

Automobile

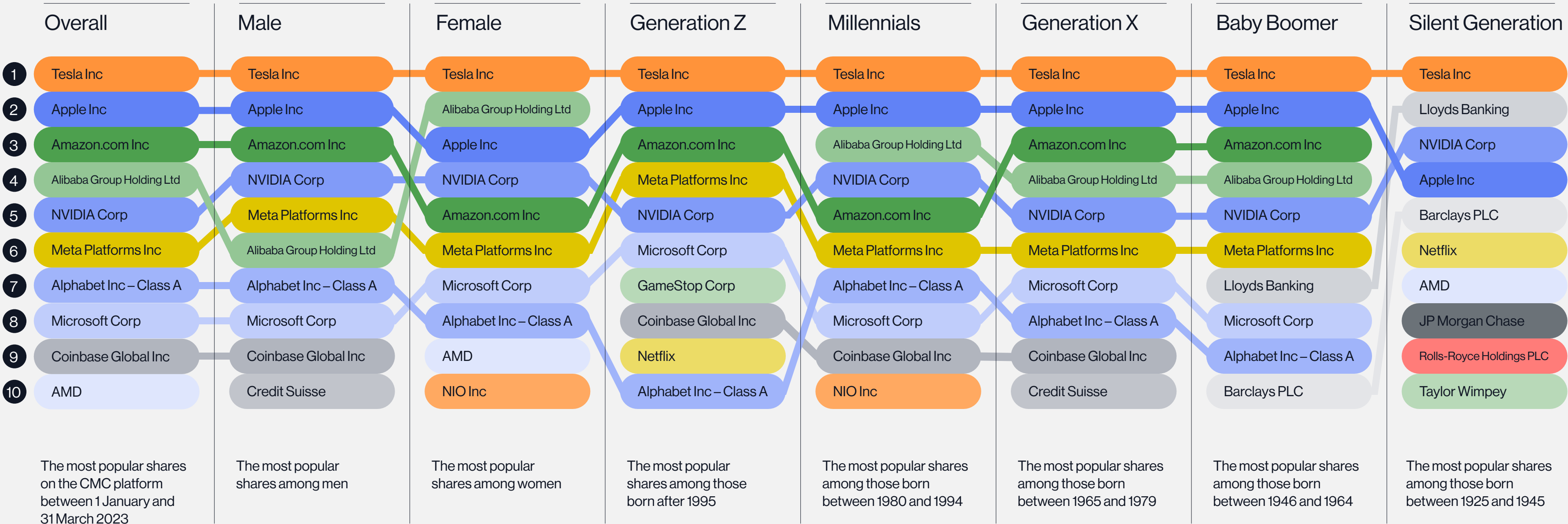
Consumer & Retail

Financial Services

Information Technology

Media

Aerospace & Defence



HOW IT WORKS

The tables show the ten most popular shares with traders on the CMC platform broken down by different demographic groups. Popularity is defined by the number of CMC traders trading or holding an open position in a stock between 1 January and 31 March 2023. All demographic data is self-assigned by the trader and those without data are excluded.



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What’s been happening in FX?

A focus on the political and economic background to fluctuations in the sterling-dollar market



The expert's view: *Michael Hewson, Chief Market Analyst at CMC Markets*

When politics meets finance

“What stands out to me in the sterling-dollar market over the course of the last six months is obviously the UK’s ‘mini budget’ on 23 September 2022, and that big spike in trades with people selling sterling and buying dollars.

I think one of the reasons why you got that surge was as a consequence of how that mini-budget was framed. The budget itself wasn’t so much of a bad thing. It was the fact that the UK government felt that it was a good idea to fund tax cuts with extra borrowing and decided that getting forecasts by the Office for Budget Responsibility (OBR) didn’t really matter. You need to give the impression of competence.

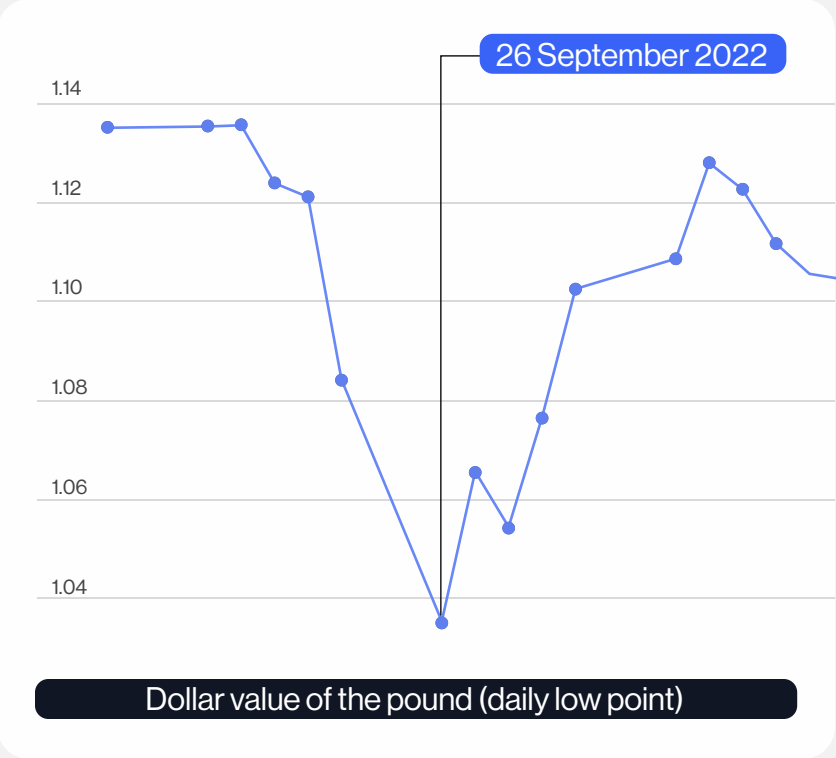
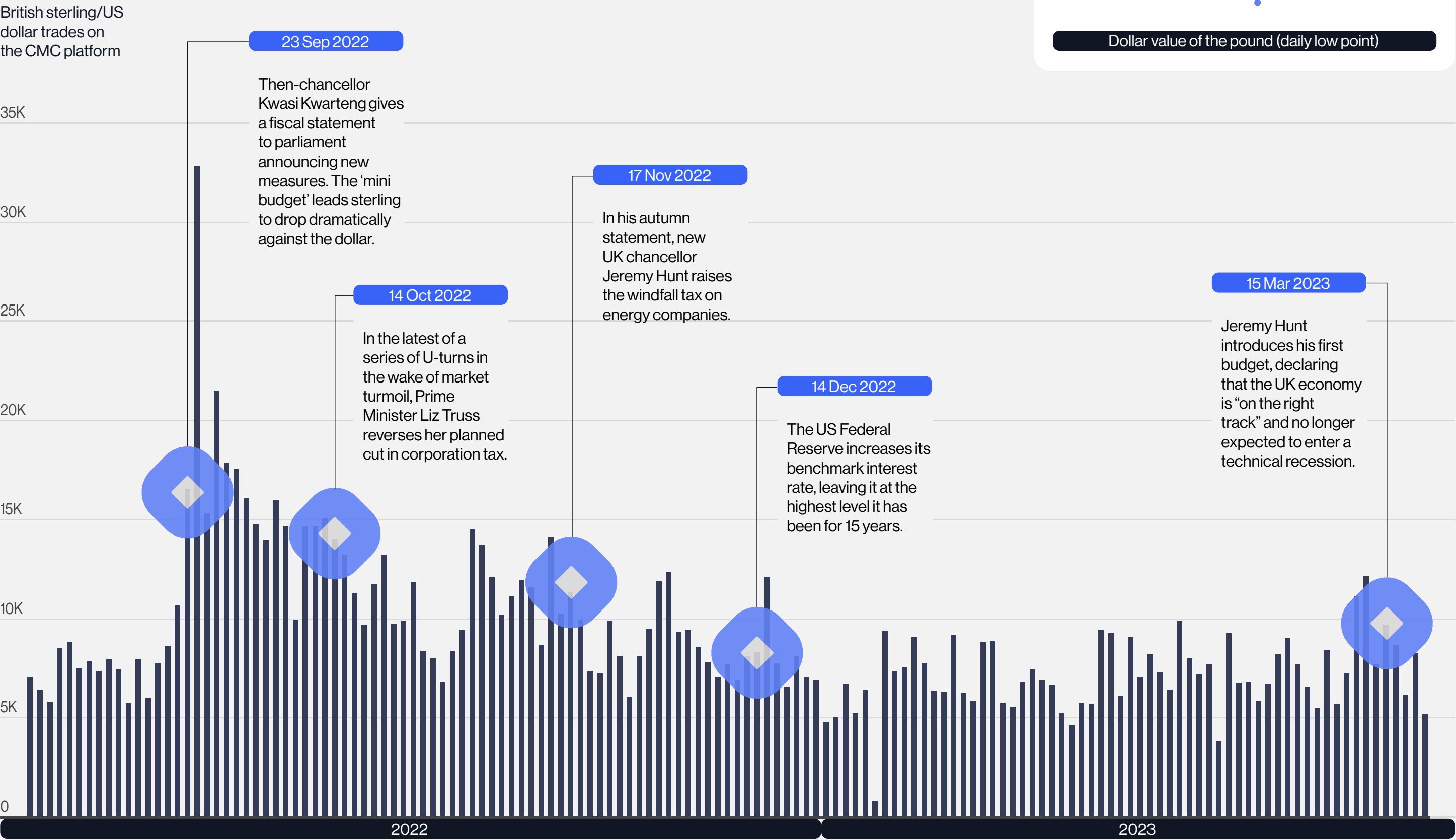
After the spikes in September and October, I think the new government has gone too far in the other direction, and now runs the risk of grinding the UK economy into the dust with

high tax rates. We’re already seeing companies saying, ‘We’re not going to invest in the UK economy, why should we?’ Chancellor Jeremy Hunt has also suggested the tax system in the UK is way too complicated, and he’s right, it stifles investment.

On the US side of things, I don’t think traders are really thinking too much about the Inflation Reduction Act which was signed into law in August 2022 and aims to curb inflation by reducing the deficit and investing in domestic energy production. But the perception there is that it’s probably going to be inflationary, because it will invite new investment into the US economy. New investment just makes the dollar more attractive because it means US interest rates are likely to stay higher for longer, whereas traders look at the UK and think the government doesn’t know what it’s doing, the opposition doesn’t know what it’s doing and the economy’s in the doldrums. It means that the Bank of England is more likely to cut rates sooner than the US and that makes sterling much less attractive.”

HOW IT WORKS

The chart shows the number of daily trades in the sterling-dollar market on the CMC platform between 1 September 2022 and 31 March 2023



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Anatomy of a stock: Tesla

Tesla is the most popular stock on CMC's platforms: here are its fluctuating fortunes over recent times



The expert's view: *Michael Hewson, Chief Market Analyst at CMC Markets*

The Elon effect

"Tesla is far and away our most traded share. There are a number of reasons for this: it has cachet, it's fairly new, it's difficult to pigeonhole and, of course, it has Elon Musk.

Musk generates interest in the brand. The Tesla stock he sold towards the latter end of 2022, when he needed to fund his Twitter acquisition, did affect the market, but he still owns a fair chunk of the company.

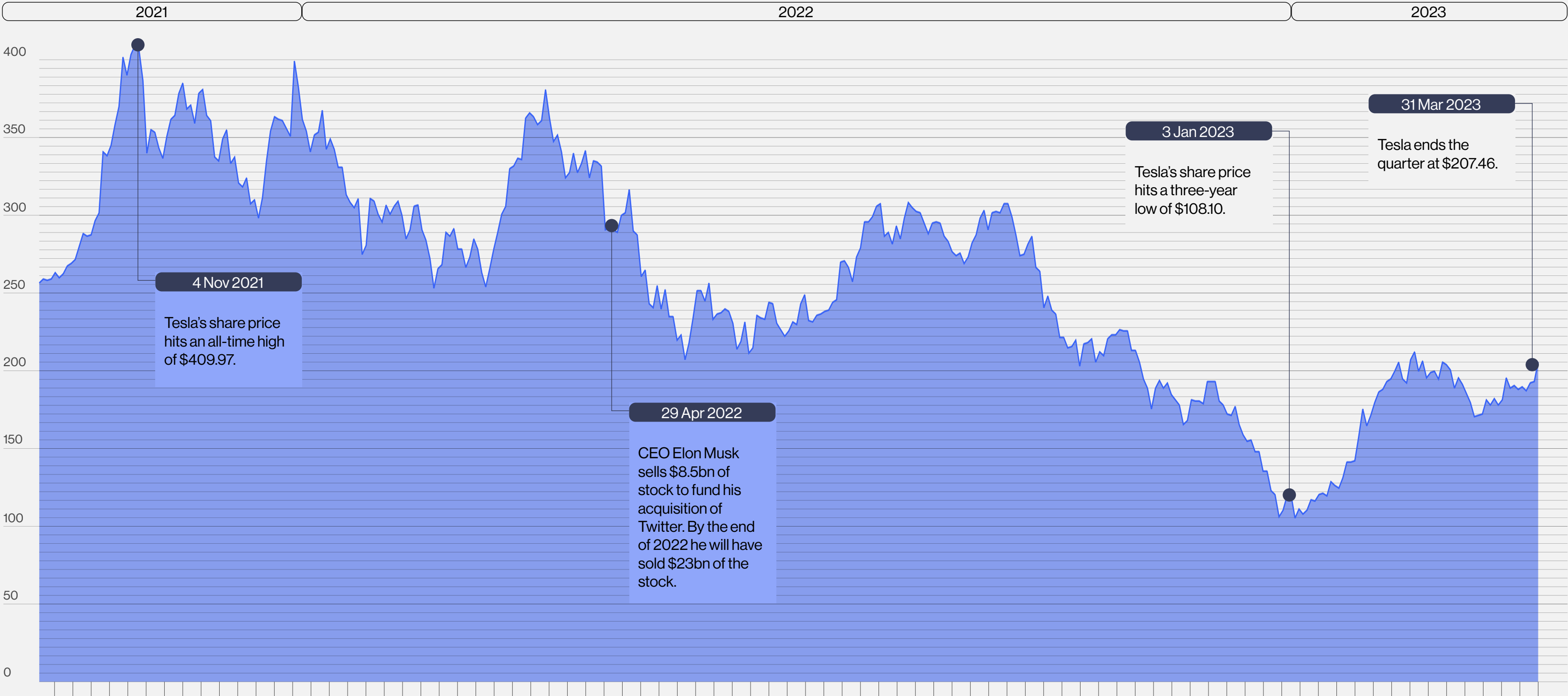
The problem that Tesla has sustaining its current valuation is that it will be operating in an increasingly competitive market, as the big car companies go electric.

Tesla's stock has been on quite a ride. Its high in 2021 was \$410 and we saw a low in January this year of \$108 and by February it had rallied to \$210. I think these fluctuations are one of the reasons why people like to trade it, because there are plenty of opportunities to make money – but obviously plenty of opportunities to lose money as well."

HOW IT WORKS

The timeline shows the closing price for Tesla stocks in US dollars over the 18-month period from 20 September 2021 to 31 March 2023.

“Tesla’s stock has been on quite a ride. I think these fluctuations are one of the reasons why people like to trade it”



Past performance is not a reliable indicator of future results.



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What sectors are people trading in?

The industries dominating trades and why retail's worth looking at



The expert's view: *Michael Hewson, Chief Market Analyst at CMC Markets*

Retail opportunities?

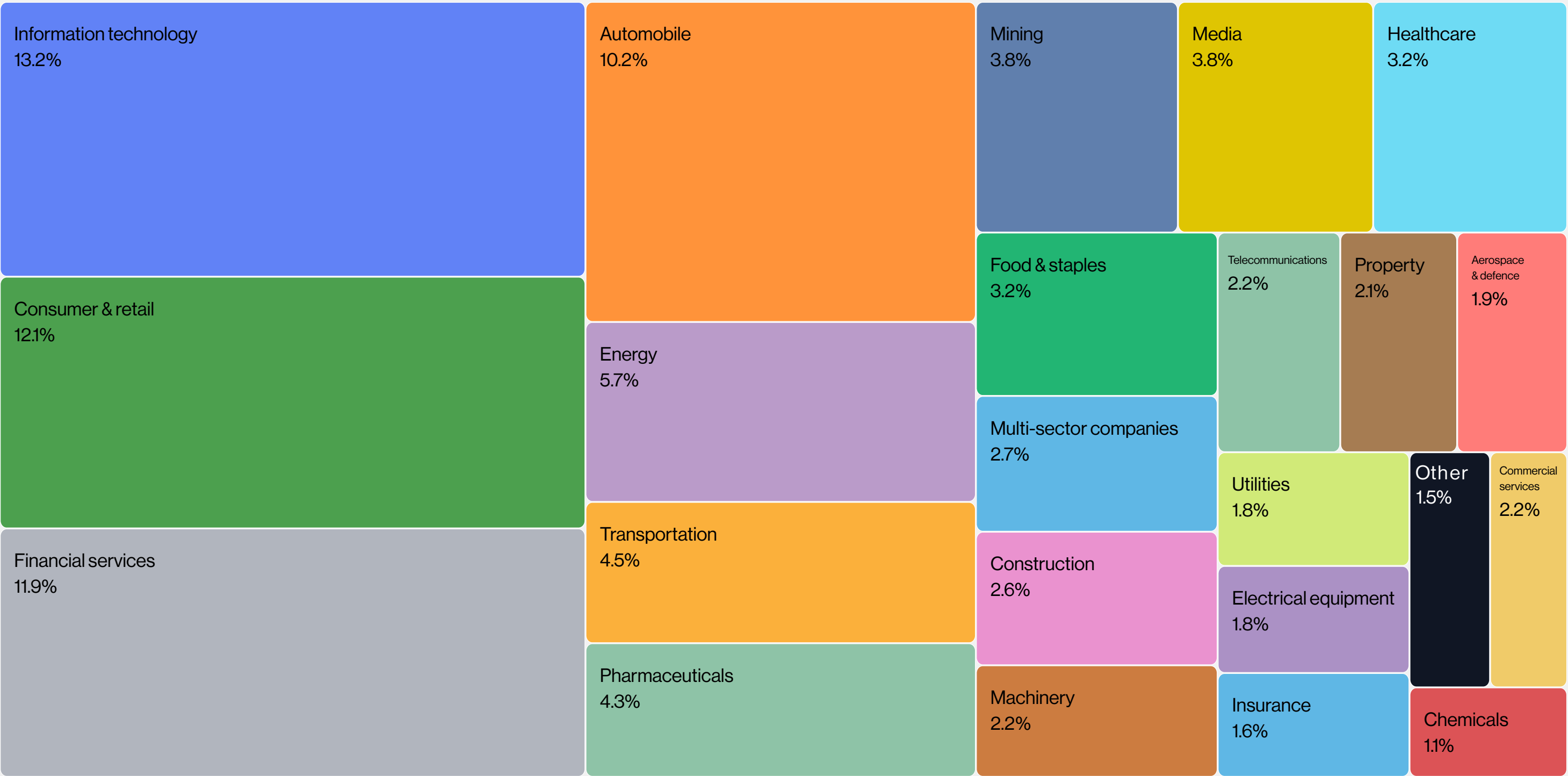
"Information technology, consumer and retail, automobile and financial services dominate traders' holdings at CMC, but there is certainly crossover in many companies. Take Ocado, for example—is it a retailer or is it a tech company? I think it's a bit of both.

If you take the consumer and retail segment, there's been a significant improvement in share prices over the quarter. There was so much pessimism at the end of last year, and an awful lot of that pessimism was really baked into the price of retail companies, like Sainsbury's, Tesco, Marks & Spencer and JD Sports. If you look at a retail company like Next, it's well run, it doesn't discount very often and its share price hasn't really reflected that over the course of the past 12 months. If you compare the share price now to where it was a year ago, it's actually about the same, and yet it's more profitable now than it was then.

Another example is Associated British Foods, which owns Primark. Its share price has taken big falls over the last two or three years. And of course, because they don't have an online operation, when the shops were shut down during the pandemic, their Primark business came to a halt, so they got absolutely battered on that front.

But Associated British Foods also have a sugar business and they have a groceries business. They also do Twinings teas and other products like that, so they have a diverse revenue stream—they even do agriculture as well. Although only half of the business is retail in terms of clothing, people focus on that rather than the other parts of the business that are still generating revenue. They tend to get caught up in the negativity. And again, they're coming back. I think retail is a sector to keep an eye out for over the course of the next year because it's still well below the 2019 valuations."

“I think retail is a sector to keep an eye out for over the course of the next year because it’s still well below the 2019 valuations”



HOW IT WORKS

The chart shows the percentage of CMC traders that have traded or held an open position in at least one share in key sectors between 1 January and 31 March 2023. Sectors with less than one percent are bracketed into 'other'.



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Which sectors gained the most traders?

A look at the sectors that saw the greatest increase in the number of traders in the last quarter



The expert's view: *Michael Hewson, Chief Market Analyst at CMC Markets*

Financial services saw a spike in trades—might travel and tourism have potential?

“The big outlier in this graphic is financial services, which saw a big quarter-on-quarter increase in trades. Traders go where the markets are moving. Given the volatility that we saw in banking in March, which saw the collapse of Silicon Valley Bank, trades in financial services spiked because there were opportunities to make money. We'll probably find that soon there'll be a significant move away to a completely different sector.

One potentially interesting industry is travel and leisure [as part of the transportation sector]. Looking at the share prices of airlines, even with the rebounds that we've seen thus far, they're well below their pre-pandemic peaks.

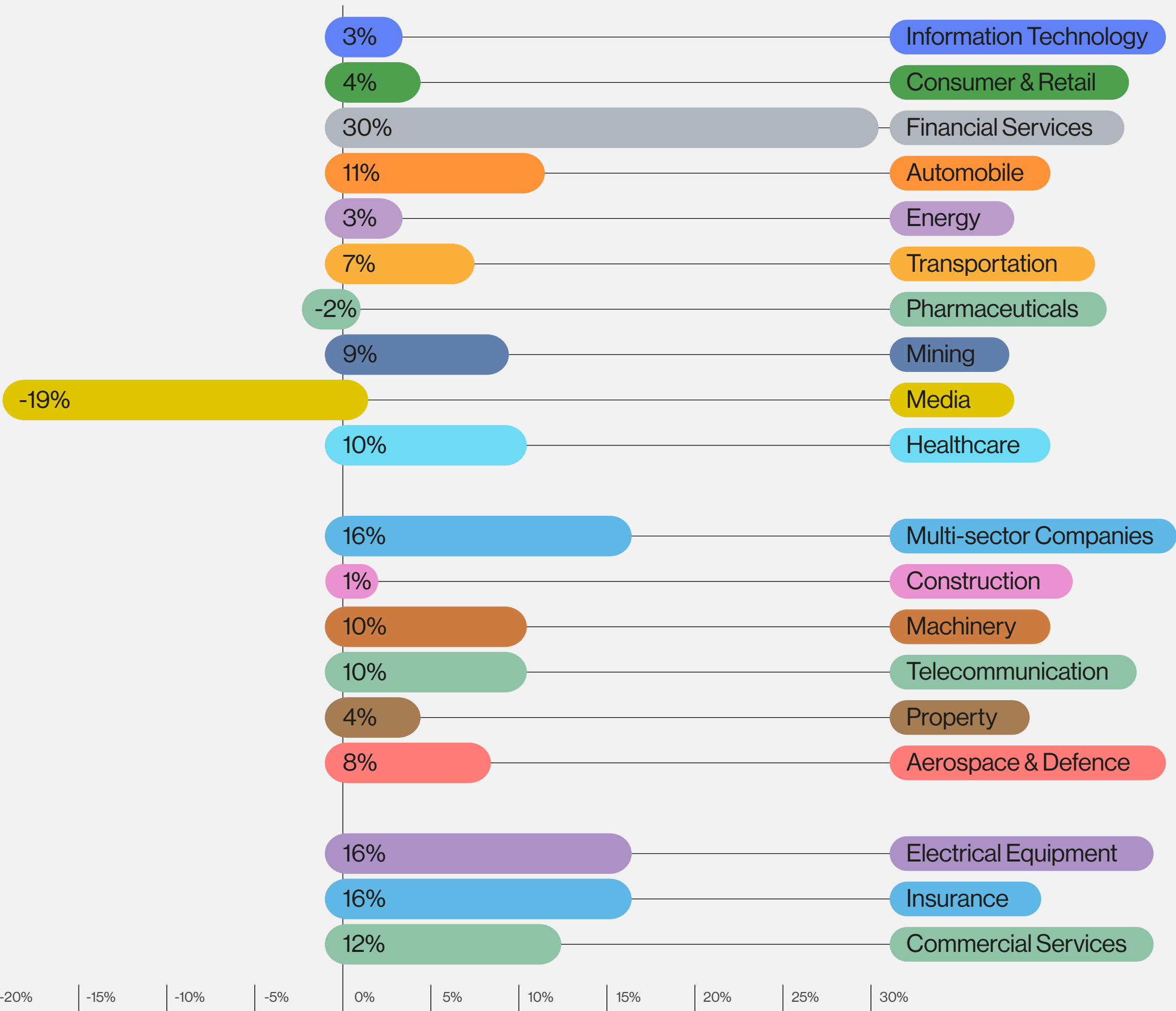
But this sector shouldn't be underestimated. Originally the thought

process at the end of last year was that the UK economy was going to go into recession because we saw a two-tenths contraction in Q3. Everyone and his dog—the Bank of England, the OBR—was saying Q4 would be negative for GDP. What in fact happened was that the economy grew by 0.1%, confounding all those doomsters. And do you know why I think that was? Because people decided that they'd had enough of all this nonsense and booked foreign holidays in November and December.

You can argue that airlines are very risky investments, and of course they are. But we're not going to get another lockdown simply because people won't put up with it, and because there's been so much damage done to the economy as a consequence of the last one.

No matter how bad things sound—and you get fed this daily diet of doom and gloom from the *BBC*, *Sky*, *ITV News* and so on—it's never that bad for an awful lot of people. Yes, it's bad for some people, but there'll always be some more people who will actually think 'I need to do something to change my mindset. Let's book a holiday somewhere now.' And it really underestimates people's resilience.

Yes, the cost of living is rising. But there are trade-offs. Maybe you can't afford the holiday of your dreams, but maybe you can still afford a holiday.”



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AT A GLANCE

CMC Group was established in 1989 and is a leading global provider of online retail financial services complete with a comprehensive institutional offering. We enable clients to trade a broad range of financial instruments through our award-winning* Next Generation trading platform, supported by sophisticated charting, competitive pricing and automated execution.



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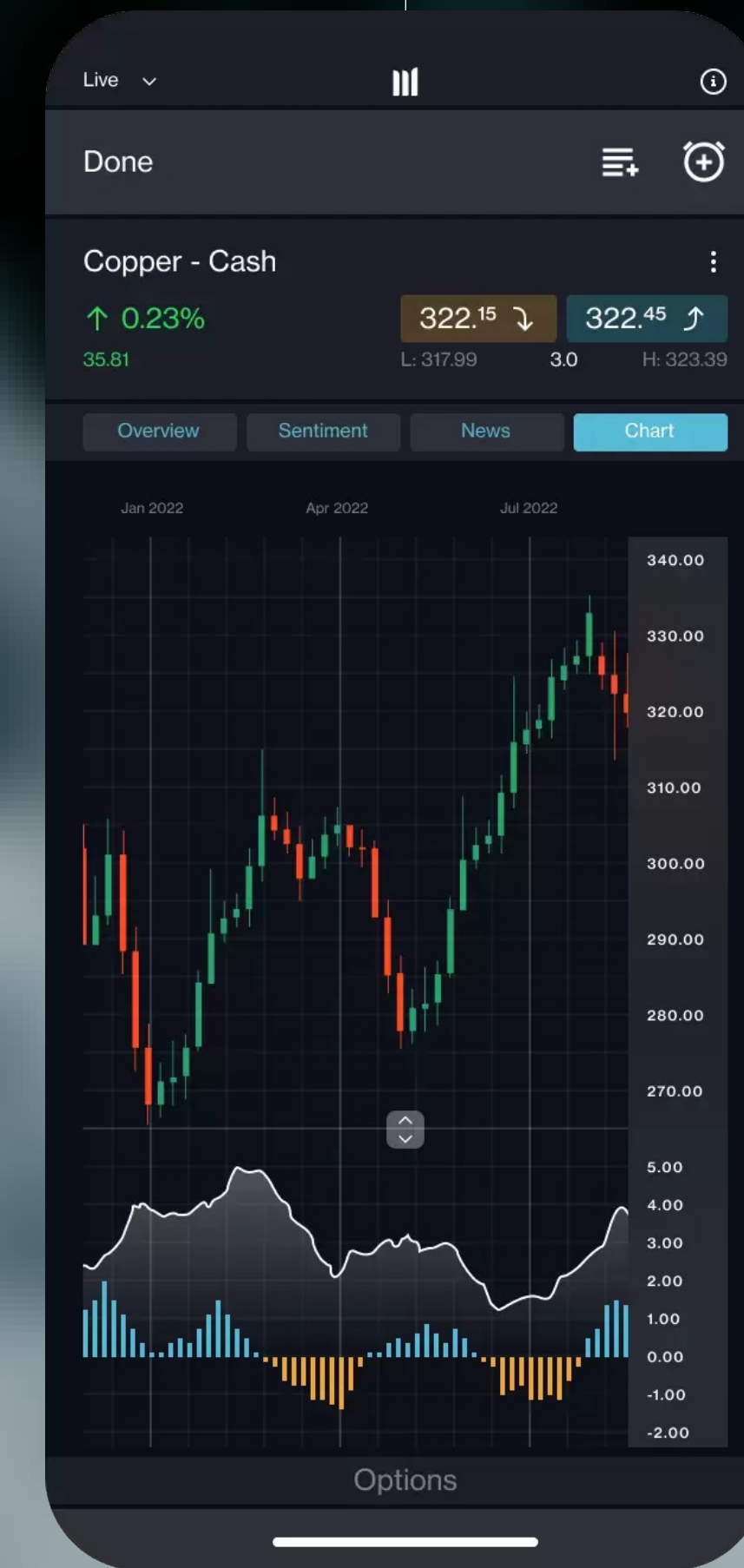
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