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RETAIL INVESTOR BEHAVIOUR
DURING THE COVID-19 CRISIS

MARKETS DIRECTORATE



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INTRODUCTION

Following the significant market swings that occurred in March amid the crisis triggered by the Covid-19 pandemic, the AMF was keen to study retail investor behaviour in equity markets.

The data available via transaction reporting under MiFID 2 provides an insight into the behaviour of retail clients of French financial institutions¹ over the period. This paper provides details of the volumes traded by retail clients during the six weeks of heightened market volatility observed in February and March. The analysis confirms the trend reported in the press. **Purchases of French equities² by retail clients increased fourfold in March 2020**, and overall volumes tripled.

Among the many equity buyers during this period, a significant proportion were new clients³ or clients who have not been particularly active recently: over **150,000 new investors bought SBF 120 shares in March 2020**.

These new clients are **between 10 and 15 years younger** than regular investors in French equities. They invested smaller amounts than regular investors (which is consistent with the volumes usually traded based on the age of the investors).

The figures⁴ presented in this paper are based on the MiFID 2 transaction reporting from French financial institutions for equities traded on the SBF 120 index⁵.

¹ French institutions and their branches outside France. Their French clients account for 94% of the transactions analysed in this paper.

² Equities making up the SBF 120 index represent 80% of the amounts traded by French retail investors.

³ These are investors who carried out no transactions between 1 January 2018 and 24 February 2020. They may have been active in previous years, but the AMF has only had client-level information since 2018, as a result of MiFID 2 reporting.

⁴ Figures as at the reporting date of 7 April 2020.

⁵ Its composition as of 31 March 2020.

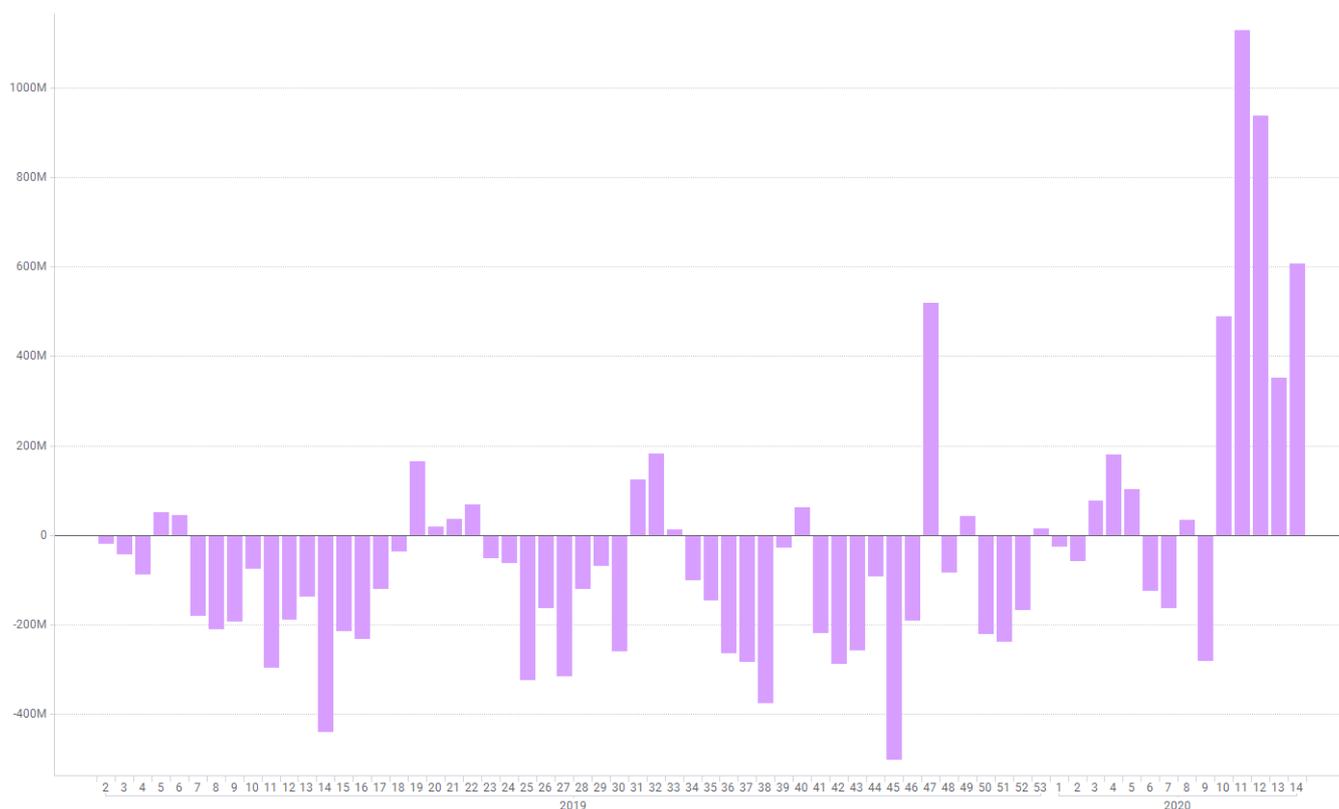
1. PURCHASES AND SALES OF SBF 120 SECURITIES DURING THE PERIOD OF HIGH VOLATILITY LINKED TO THE COVID-19 CRISIS

The chart below shows the balance of purchases and sales⁶ by retail clients investing in SBF 120 equities, based on the MiFID 2 transaction reporting data submitted by French investment services providers.

During 2019, weekly balances were generally negative, with one notable exception of week 47 when the Française des Jeux (FDJ) security was first listed.

When the stock market crisis linked to Covid-19 erupted in week 9 (week of 24 February 2020), the balance was initially significantly negative. However, it then reversed sharply in weeks 10 to 14 (weeks from 2 March to 3 April), exceeding €1 billion in the week of 9 March and remaining largely positive for five weeks in a row.

Balance of amounts invested and divested by retail clients in SBF 120 securities, in euros per week of trading since the beginning of 2019



The following table shows the specific purchase and sale amounts for each of the weeks concerned, and provides a comparison with the entire 2019 period.

⁶ See also the charts of the purchase and sale amounts over the same period in the annex.

Period		Purchase amount in €m	Sale amount in €m	Balance in €m	No. of new clients purchasing	SBF 120 change over the period
2019 (weekly average)		535	650	-115		0.5% ⁷
2020 Week 9	24/02 to 28/02	1,540	1,820	-280	6,500	-9.3%
2020 Week 10	02/03 to 06/03	1,540	1,050	490	10,400	-5.2%
2020 Week 11	09/03 to 13/03	2,555	1,420	1,135	36,000	-15.8%
2020 Week 12	16/03 to 20/03	2,250	1,310	940	42,100	4.3%
2020 Week 13	23/03 to 27/03	2,160	1,810	350	31,500	11.8%
2020 Week 14	30/03 to 03/04	1,690	1,090	600	27,000	-4.7%

The trend in 2019 was one of divestment (-€115 million per week on average, i.e. -€5.9 billion over the entire year), even though FDJ's initial public offering (IPO) attracted many new equity investors (around 340,000 investors had not carried out any transaction in financial instruments since 1 January 2018).

In the first five weeks of the Covid-19 crisis (weeks 10 to 14 of 2020), a positive balance of around **€3.5 billion** was invested by retail clients in SBF 120 equities. Overall volumes on Euronext Paris increased threefold compared with the 2019 average, **while purchases by retail investors increased fourfold**.

Over the 2018 and 2019 combined period, 1,100,000 retail clients bought SBF 120 shares (if we exclude the week of the FDJ IPO, 750,000 retail clients bought shares over these two years). **In the 6 weeks** between 24 February and 3 April, **580,000 retail clients bought SBF 120 shares**, including more than **150,000 retail clients** who had not made any direct financial instrument transaction in 2018 and 2019. These "new" investors, most of whom were active between 9 and 27 March, accounted for 27% of retail equity buyers. They also accounted for up to 20% of the amounts invested in equities by retail investors (see charts in the annex).

From the beginning of March, retail clients of French financial institutions bought shares on a massive scale, increasing their average purchase volumes fourfold, with overall volumes up threefold.

580,000 clients bought SBF 120 shares over a six-week period. This included 150,000 new investors.

⁷ This is a weekly average; the SBF120 grew by 26% over 2019.

2. AGE AND BREAKDOWN OF NEW CLIENTS BETWEEN TRADITIONAL HIGH-STREET BANKS AND ONLINE BROKERS

The table below shows the breakdown of new investors between high-street banks and online brokers. The table also shows the weighting of these clients in relation to the number of investors trading SBF 120 shares in 2018 and 2019 and the median age of these new investors compared with the median age of active investors in 2018 and 2019.

These new investors represent on average **almost 14%** of the number of investors in SBF 120 equities in 2018 and 2019. They are **much younger** than regular investors, between 10 and 15 years younger on average across all institutions.

This is an overall trend for all financial institutions. For online brokers, whose regular clients are significantly younger than those of other institutions, these new investors represent nearly 20% of their 2018-2019 clients and are less than 40 years old on average.

Entity category	No. of retail investors on SBF120 2018-2019	No. of new investors (24 Feb to 3 April)	Share of new investors	Median age of retail investors 2018-2019	Median age of new investors
High Street banks	900 000	112 000	12%	61	48
Online brokers	220 000	41 000	19%	49	36

New investors who bought shares between 24 February and 3 April 2020 are much younger than regular investors (10 to 15 years younger for most financial institutions).

3. AMOUNTS INVESTED

While many new equity investors have emerged during the crisis, they have invested smaller amounts than existing investors, which is consistent with their age group.

The table below compares the median of the total amounts purchased (without subtracting sales) by new investors during the crisis period from 27 February to 3 April 2020 with those of existing investors active during the crisis.

Taking all institutions together, the median amounts purchased by new investors are half those purchased by existing investors. The amounts invested in traditional banks are higher than the amounts invested through online brokers, for both existing and new investors.

Entity category	Median amounts purchased for "existing" investors	No. of "existing" investors active during the crisis	Median amounts purchased for new investors	No. of new investors
High Street banks	5 100	305 000	2 900	112 000
Online brokers	4 500	123 000	2 000	41 000

Taking all financial institutions together, the median purchase by "existing" investors was around €5,000, whereas the median purchase by "new" investors was around €2,500, i.e. half as much.

The following chart shows the median amounts of SBF 120 securities bought and sold by active retail investors (who made at least one transaction), by age group and by week since the beginning of 2019. The age groups have been defined in such a way as to ensure that each of them includes a significant number of investors (see annex). Overall investment capacity increases with age. Median purchase amounts are relatively stable during the crisis period. However, the median sale amounts show a significant increase during the crisis, with a peak in week 9, reflecting a higher portfolio turnover related to increased volatility.

The amounts on this chart are consistent with the amounts invested by new investors (the weekly medians for clients aged between 35 and 50 are close to €2,000, whereas they are around €3,000 for those aged 50 and over).

Medians of weekly purchase and sale amounts of SBF 120 securities made by retail investors, by age group and week



4. NUMBER OF LONG POSITIONS TAKEN DURING THE CRISIS WEEKS

During the six weeks analysed here, 580,000 investors bought SBF 120 securities at least once. These purchases were spread over 2.06 million pairs (Security, Person), or an **average of 3.5 different securities per investor**.

The table below differentiates between new investors and existing investors. Existing investors, who invested more on average, also invested in a larger number of securities (3.8 securities on average compared to 2.8 for new investors).

The table also shows, for each of the purchases made during the period, whether the position was also “closed” during the period (sale of shares previously purchased). Approximately 10% of the shares purchased were sold during the period (slightly more for new investors than for existing investors).

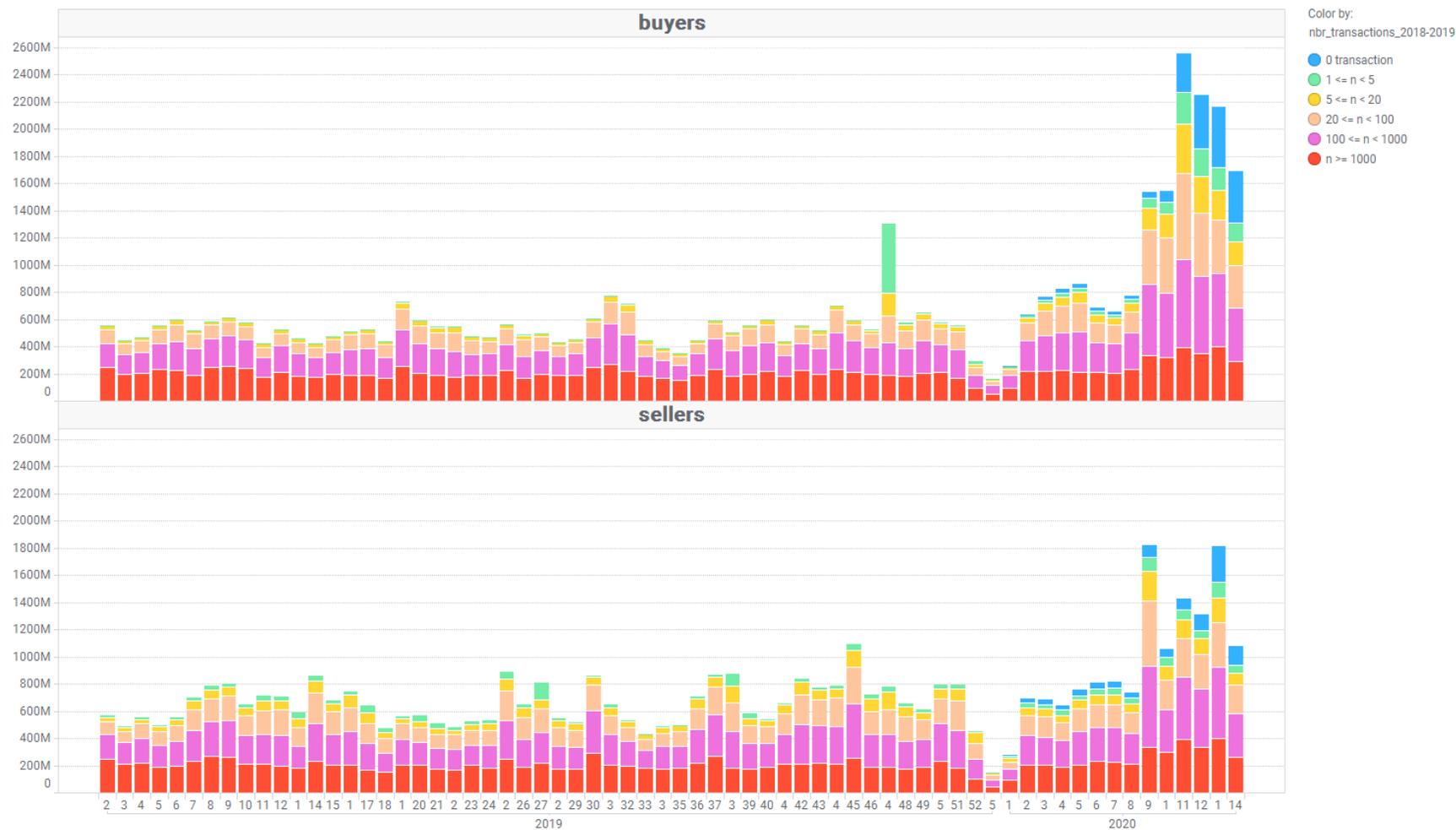
Investor category	No. of active investors buying securities	No. of long positions (No. of Security*Person pairs)	Average number of securities per investor	No. of long positions taken and closed during weeks 9 to 14 of 2020	Share of closed positions
Existing investors	428 000	1 630 000	3,8	170 000	10,4%
New investors	153 000	430 000	2,8	53 000	12,3%

While it may be premature to refer to long-term investment, it is worth noting that 90% of the long positions were still held at the end of the six crisis weeks analysed, with only 10% having been subject to opportunistic trading or asset reallocation.

5. ANNEX: CHARTS

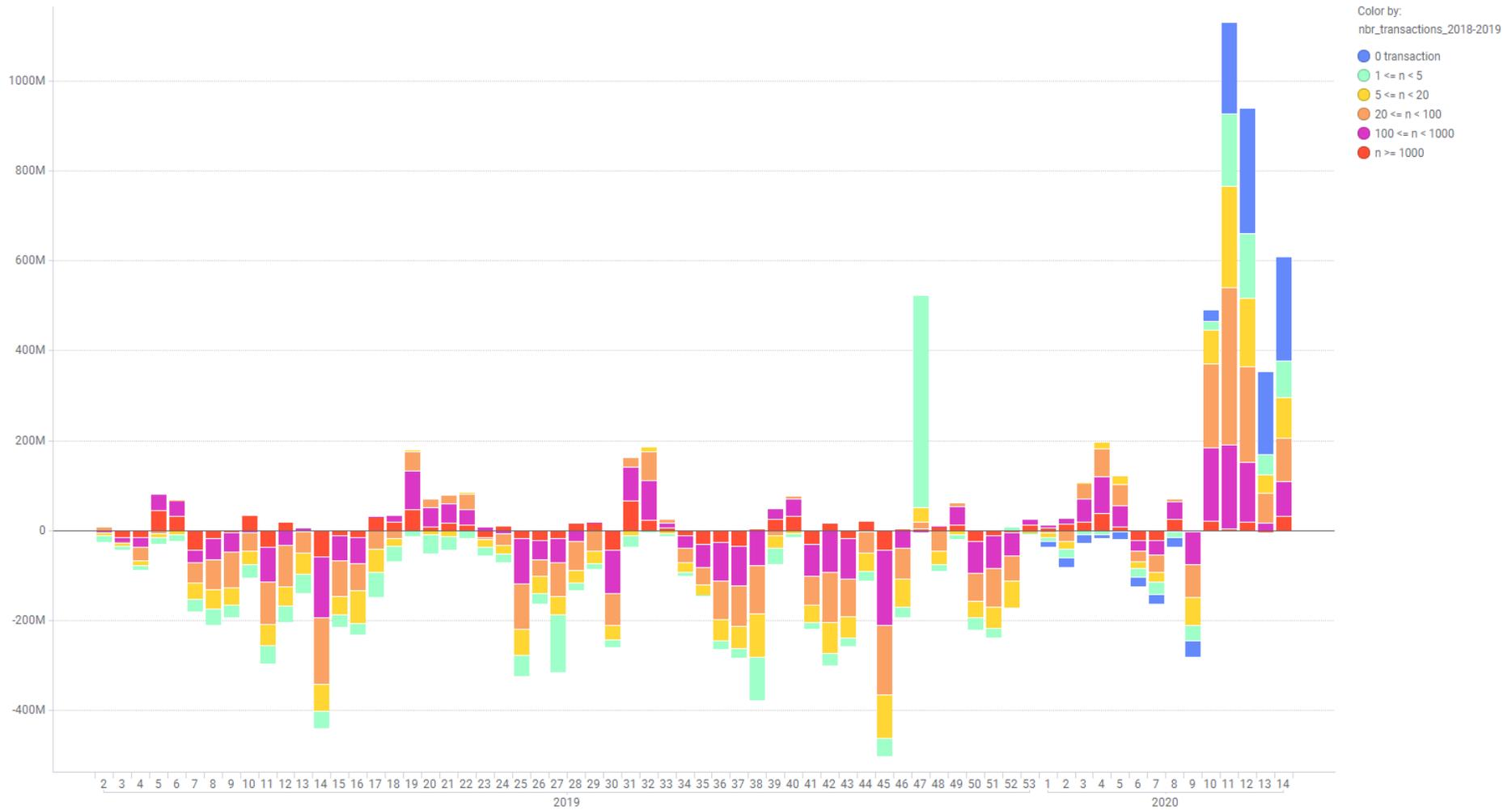
This chart shows the amounts invested (bought) and divested (sold). The amounts are broken down by the number of transactions made by retail investors during the years 2018 and 2019 (most active at the bottom, least active at the top). A very significant proportion of clients who were not active at all in 2018 and 2019 (in blue) have been buying since the end of February 2020. The buy peak in week 47 of 2019 is due to the FDJ IPO.

Amounts invested and divested by retail clients in SBF 120 securities, in euros per week of trading, broken down by level of investor activity in 2018-2019



This chart shows the balance (amounts bought less amounts sold) by week and by investor category, broken down by their 2018-2019 activity. The weekly balances consistently close to zero for the very active investor category (more than 1,000 transactions 2018-2019) can be observed, even during the crisis weeks.

Balance of amounts invested and divested by retail clients in SBF 120 securities, in euros per week of trading, broken down by level of investor activity in 2018-2019



This chart is the same data but showing, for each week, the percentage of purchases made by each category of retail investor. Investors with low levels of activity in 2018 and 2019 (fewer than 20 transactions) account for up to 40% of purchases made in March 2020 (compared with less than 10% over the whole of 2019, with the exception of the week in which FDJ was first listed).

Percentages of amounts invested and divested by retail clients in SBF 120 securities, in euros per week of trading, broken down by level of investor activity in 2018-2019

