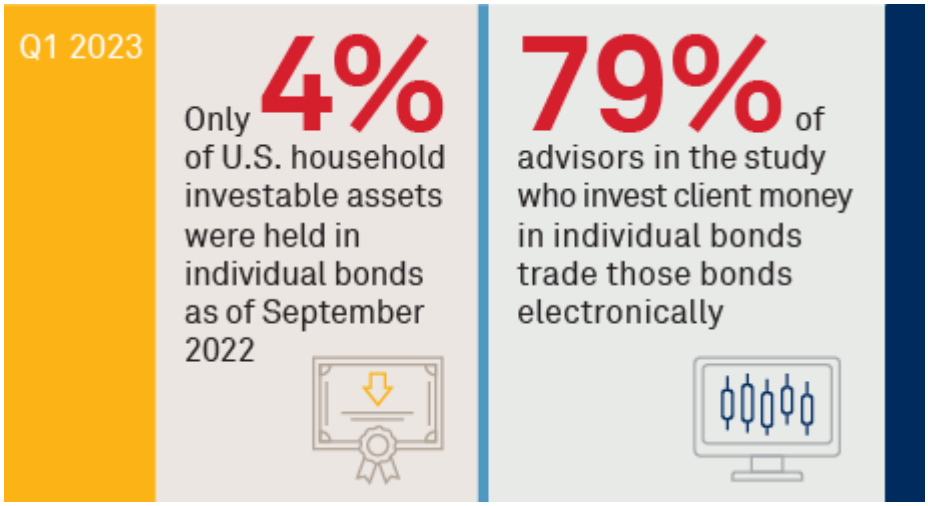
Crisil
Coalition
Greenwich

Understanding the Structure and Opportunity of Retail Bond Trading

January 10, 2023

Executive Summary:



According to the Federal Reserve, U.S. households held nearly $108 trillion in investable assets at the end of September 2022. Nine percent of the total—$9.3 trillion—was held in fixed income. Of that $9.3 trillion, $4.3 trillion (only 4% of the total) was in “directly held debt securities,” or, in simpler terms, bonds.

While nearly $4 trillion is nothing to sneeze at, the data shows that bonds have increasingly fallen out of favor with retail investors. That $4 trillion was $5 trillion a decade earlier in 2012, and accounted for 9% of invested assets. As another point of comparison, directly held stock accounted for 16% of invested assets in 2012 and 22% in 2022. That equates to a near tripling of the value of assets held (noting, of course, that equities markets had an incredible bull run in that period). And lastly, at 4% of invested assets today, bonds are the smallest piece of the pie for U.S.-based retail investors, dwarfed by everything else—equities, bank deposits, pension fund assets, and more.

But evidence now exists that retail bond buying is starting to make a comeback. November 2022 was a record month for reported bond transactions, with most of the growth coming from retail-sized orders. Bonds directly held by U.S. households jumped $500 billion from June to September of 2022. And given nearly risk-free returns of 4% or more, holding individual bonds to maturity gives investors what they have dreamed of for at least the past decade—a true fixed income.

Methodology:

Coalition Greenwich gathered responses from 537 financial advisors in the United States in August 2022. The advisors worked across several client segments for a diverse set of firms that included wirehouses, insurance

companies, registered investment advisors, and institutional asset managers. The research also includes data from Greenwich MarketView and the U.S. Federal Reserve.



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