



# U.S. household trading: Coronavirus market volatility

Vanguard research note | March 23, 2020

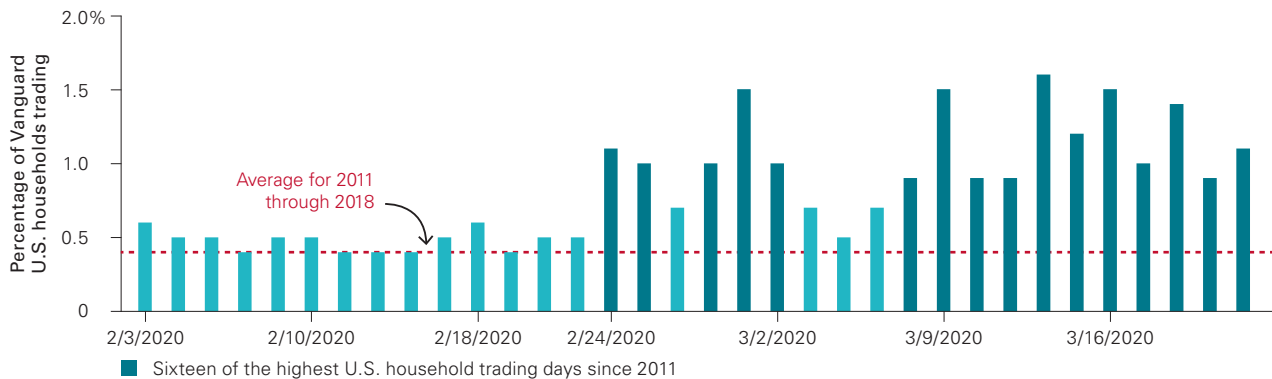
- Recent trading among Vanguard U.S. self-directed individual investors has been more elevated than usual.
- Although about 8% of Vanguard U.S. households<sup>1</sup> made trades between February 19 and March 20, half of those made only one trade.
- More than 90% of Vanguard U.S. self-directed individual investors have “stayed the course” and not traded in response to the market decline.

Reflecting the substantial stock market declines due to Covid-19, trading among Vanguard U.S. self-directed individual investors has been elevated since February 19, 2020, when U.S. markets reached record peaks. Of the 22 trading days since that inflection point in the U.S.

markets, 16 were among the highest U.S. household trading days since we began tracking in 2011, a period that includes more than 2,000 trading days (see **Figure 1**).

**Figure 1. Percentage of Vanguard U.S. households trading has risen in response to Covid-19**

Sixteen (dark blue bars) of the highest U.S. household trading days since 2011 have occurred since February 24



Note: Data are from February 3, 2020, through March 20, 2020.  
Source: Vanguard, 2020.

<sup>1</sup> Household trading or exchange activity is the movement of existing account assets from one investment option to another. We use the aggregate household portfolio as our basis of measure because we consider individuals in the same household to be investing together. We exclude from our analysis trading activity that occurs when accounts are initially established. Since most begin as cash and are then invested, accounts appear in our data set four months after inception. We also exclude from our analysis investors enrolled in Vanguard Personal Advisor Services and the Vanguard Managed Account Program.

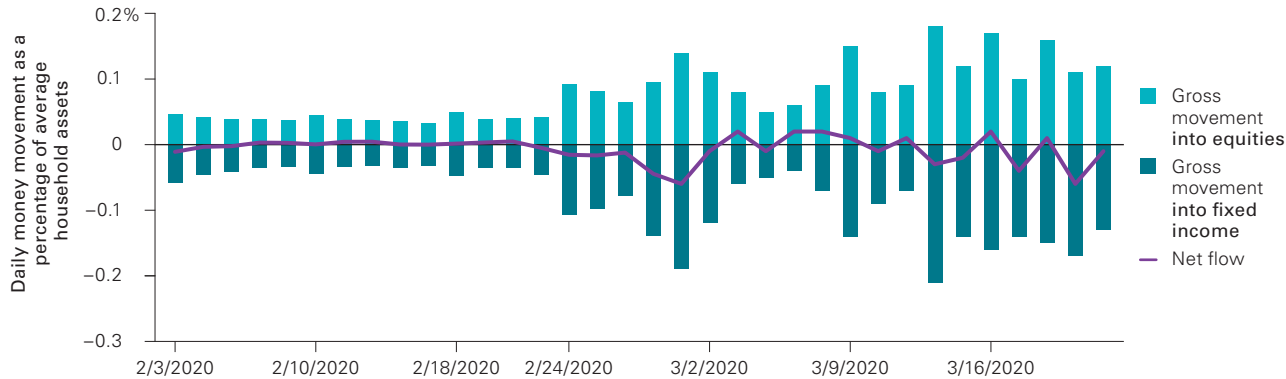
The majority of households making trades—about seven out of ten since February 19—have moved money into equities rather than into fixed income (bonds and cash). However, net money flow into fixed income since February 19 has been modestly positive (see **Figure 2**), indicating that households with the highest balances are moving away from equities. This suggests that older and/or wealthier households are more likely (by a small margin) to sell into stock market declines, while the typical household “buys on the dips.”

Between February 19 and March 20, 8.3% of U.S. households traded one time or more (see **Figure 4**), about double the percentage that traded over the same time frame in prior years. The proportion of all U.S. household assets that traded was 4.8%, more than double the amount traded during the same time frame in prior years. Between February 19 and March 20, households with only a DC Vanguard account had the lowest incidence of trading at 2.5%. IRA and taxable-only households had the highest incidence—one-quarter of them traded.

Consistent with longer-term trends,<sup>2</sup> households that have only a defined contribution (DC) relationship with Vanguard exhibited the lowest levels of trading (see **Figure 3**). The highest levels were found among affluent households with both IRA and taxable Vanguard accounts.

**Figure 2. Vanguard U.S. household assets have moved modestly into fixed income**

While more clients have moved into equities, affluent clients have moved into fixed income

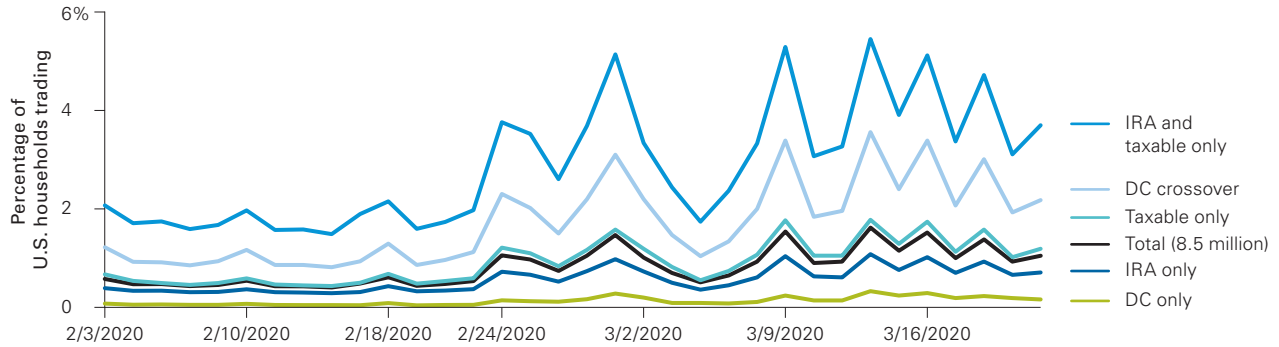


Note: Data are from February 3 through March 20, 2020.

Source: Vanguard, 2020.

**Figure 3. Vanguard U.S. household trading has varied significantly by investor type**

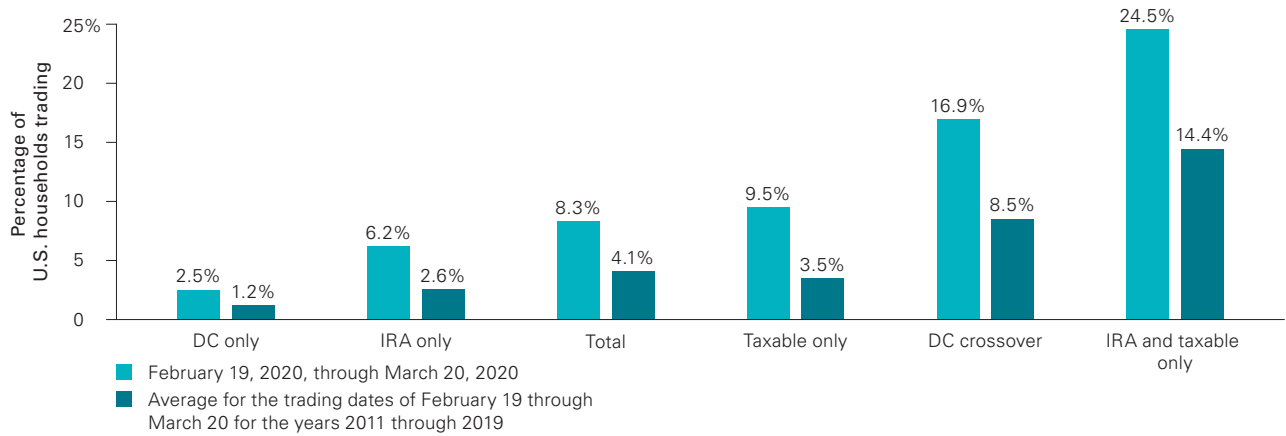
Affluent households with both IRA and taxable accounts at Vanguard tended to trade the most, DC-only clients the least



Notes: Data are from February 3 through March 20, 2020. Vanguard households total 8.5 million, of which 42% hold only DC plans, 27% hold only IRAs, 11% hold only taxable accounts, 5% hold DC crossover accounts, and 15% hold only IRA and taxable accounts.  
Source: Vanguard, 2020.

**Figure 4. Trading by investor type shows a similar pattern**

The percentage of U.S. households trading has gone up for all investor types



Source: Vanguard, 2020.

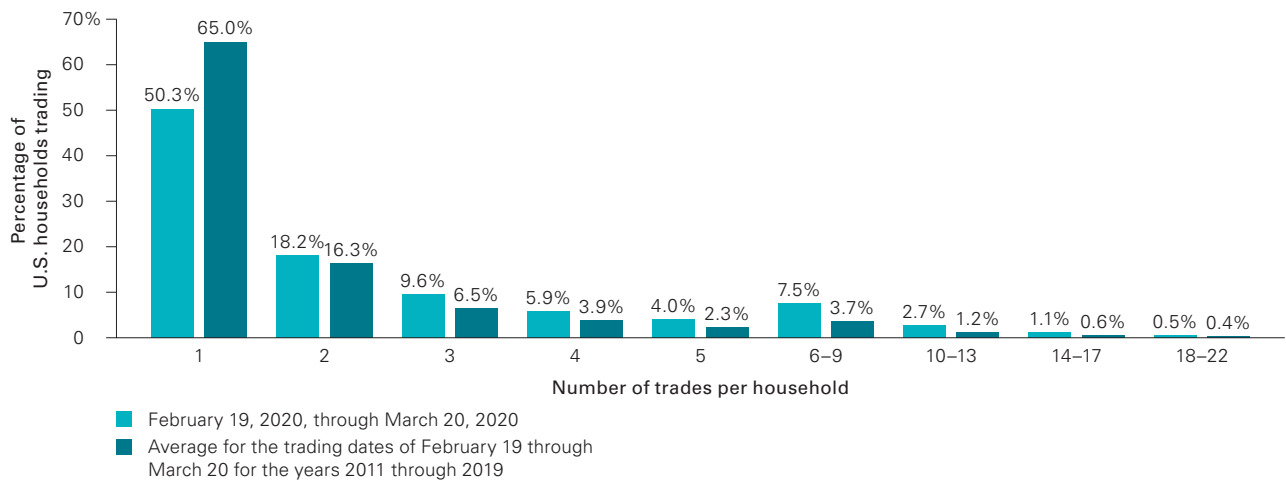
Half of U.S. households that traded between February 19 and March 20 made only one trade. However, 12% traded six times or more, double the level seen during the same time frame in prior years (see **Figure 5**).

A key takeaway is that, despite the sharp jump in trading, over 90% of Vanguard U.S. individual investors have “stayed the course” and not traded in response to

the market decline. Among those clients who are trading, there are some modest differences. While the typical trader is buying equities on the dips, older, wealthier traders are moving modestly to fixed income. On balance, we believe these levels of trading indicate that the vast majority of investors are maintaining a long-term perspective despite market turmoil.

**Figure 5. Vanguard U.S. households trading by number of trades**

Among Vanguard U.S. households that trade, the number of trades tends to be low



Source: Vanguard, 2020.

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