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ATTRIBUTES OF GENZ AND MILLENNIALS INVESTING IN FOREIGN INVESTMENT

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The stock market is driven by emotions and investors driven by fear of purchasing or selling stock at the perfect time or fear that they shouldn't have bought or sold when they did. Millennials and Gen Z are turning to YouTube and social media to educate themselves on investing. They are appearing to be emotional, herding investors driven by companies that are involved in socially responsible efforts. They are creating a different investing culture and are due to take over the wealth of the baby boomers in the next couple of decades.

This article aims to evaluate the various investment strategies in foreign stock market.

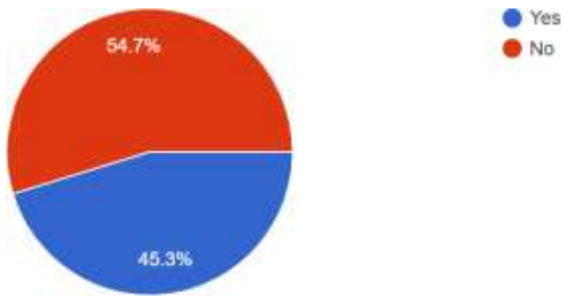
Young individuals are prepping up their game to join to low-cost investment and trading businesses and showing themselves how to contribute.

Behaviour is a guiding factor in many decisions people make. When making decisions about investments, investors are fearful they will lose money or miss out on an opportunity to make a lot of money, or greedy that they may stay in the stock market too long. No one wants to sell too early and find out the following day they could have made more money.

Millennials and Gen Z investors are a unique growing class of investors. They are greater emotional investors compared to GenZ and baby boomers. Millennials were the first generation to grow up with the internet and as a result it is a large part of their daily lives. GenZ have never known a life without the internet. They are more tech-savvy and would rather own a smartphone than a television. They tend to use a variety of tools and sources for their investing advice. Social media remains a main source of investing advice with YouTube as the number one source for investors 40 or younger. Millennials and Gen Z are being called "Robinhood investors" and are shaping the stock market of the future. Baby boomers are expected to transfer $30 trillion in wealth to the younger generation over the next two decades. This change in wealth can play an important role in optimizing its financial, social, and environmental value that the younger generation seeks.

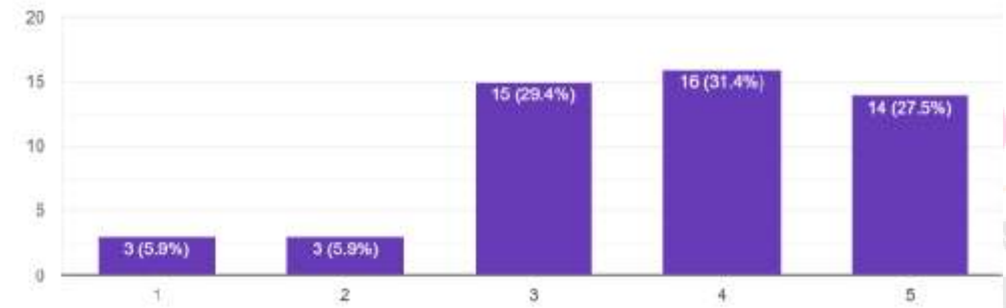
A process of trading starts in the minds of the consumer or traders, which leads to the finding of alternatives between products or services that can be acquired with their relative advantages and disadvantages. Millennial and Gen Z investors need to increase confidence in investment decisions and avoid the herding mentality of depending on the decisions of others. Risk aversion has a positive effect on decisions and an investor is only willing to invest if the invested return is greater than the risk. The generations are cautious when dealing with risk (Rosdiana, 2020).
Older investors with investment experience, over time, hold less risky portfolios, diversify, and trade less frequently. However, by the age of 70 their investment skills deteriorate due to adverse effects of cognitive aging.

55% respondents don't want to invest in foreign markets

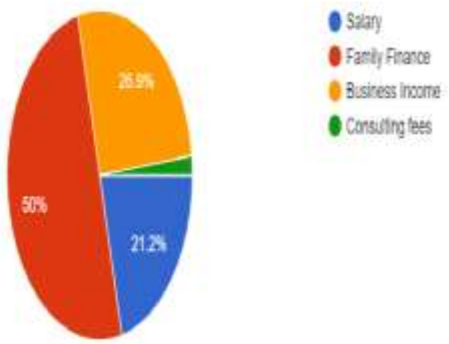


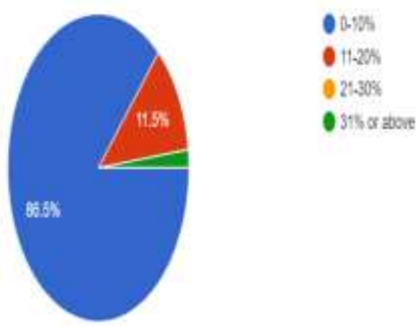
There is still less awareness or uncertainty in the mind of young investors to invest in foreign stock exchanges. One major reason for that is that they would **worry more about investing abroad for the reasons of transparency of markets and the way financial information flows.**

As proved by the following data:



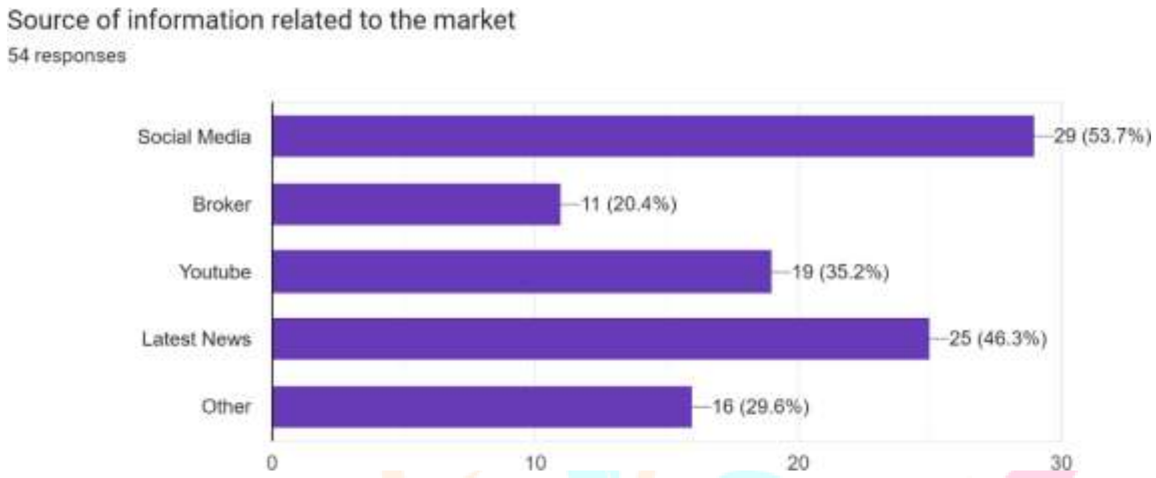
Both GenZ and millennials have higher income to expense ratio which indicates that they will have less savings and thus the investment capital would be less too.





Income source is an important determinant of how various age groups spend their money, it determines the income expenditure ratio as students are dependent on family finance and will have less savings to expenditure. The size of investment also depends on the source of income. A salary dependent respondent is less likely to spend as much as a business income respondent.

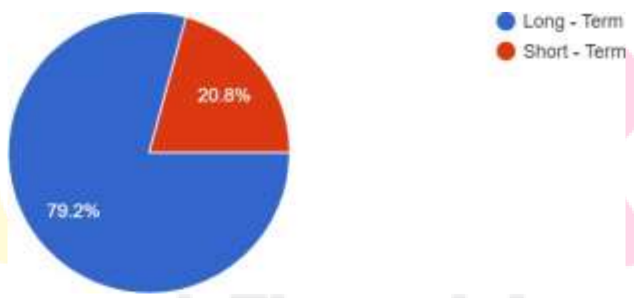
53% RESPONDENTS got investing information from social media



"Social media has gotten a bad rap in investing-related press lately. But it's worth noting that the *source* of investing information doesn't necessarily reflect the *quality* of information. An investor may follow a high-quality source of information on social media instead of receiving that source's newsletter, for example.
Social platforms also let investors be part of a community and more actively consume information than more traditional sources of investing information. There's no built-in channel to discuss your stock picks with other readers of a newspaper, for example."[1]

Behavioural Prospects of Investing

Unlike popular belief, **Majority of respondents being young believe in long term investment**

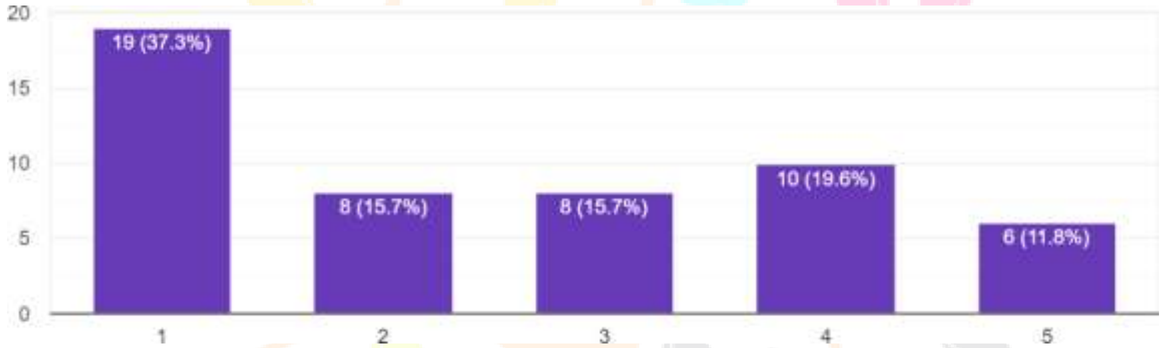


Typically, short-term investments involve less risk than long-term investments. Long- term investments give the investor's money a substantial period to grow and recover from major dips in the market.[2]

GenZ and Millennials are mostly risk taking as they have their age to cover up for early losses.

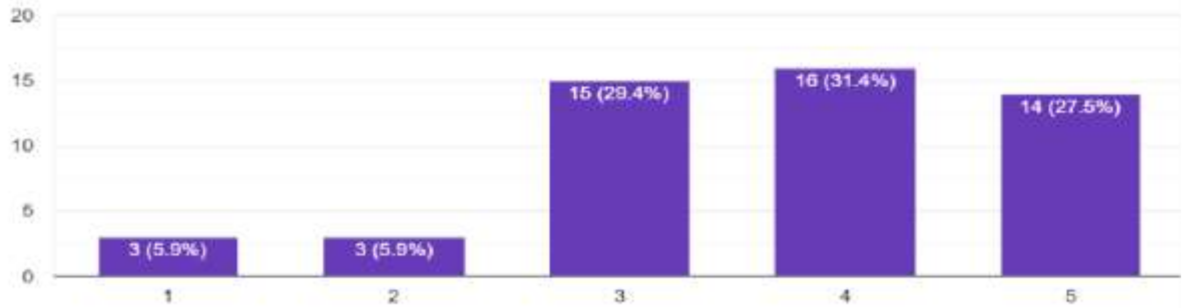
"Millennials — Too Young to Play Safe, Too Old for Big Risks
Caught in between taking risks and playing safe are Millennials, who were born between 1981 and 1996. The younger Millennials are fresh into the investing world, and a large chunk of them are unmarried, career-oriented, and paying off student loans.
Gen Z — The Truest Contrarians
Gen is made up of youth born between 1997 and 2012. So, a good part of this cohort consists of students. Those who invest are just starting their careers and are often the least burdened financially."[3]

Positive feedback trading refers to buying an asset when prices rise.
Most respondents rather don't believe in Positive feedback trading and the response is mixed. This can be due lack of practical knowledge to execute the strategy or foreign trading all together.
As shown by their response on if they would buy securities in a rising market and sell them in a falling market



Herding is a subsequent conduct that a single investor follows another investor for different reasons and conditions. This behaviour is the most well-known misstep wherein investors will in general follow the greater part in settling on choosing their investment. The impact of individuals around them is the principal reason an investor has herding behaviour. [4]

56% have reacted positively towards the strategy.



Members of Generation Z (age 18 to 24) and millennials (25 to 40) can more easily access the stock market and other investments than any previous generation.

This wave of new market participants brings with it a wave of liquidity that had been otherwise out of the reach of traditional financial markets. Many of these participants are millennials and Gen Z, and their moves are shaping markets now and will continue to do so in the future.

By examining our data we have come to know that GenZ and Millennials, although they lack capital and knowledge also follow what's trending, but are for sure the new era of trading the foreign stock exchange.

(All Infographics in the article are a part of research conducted by the author Ms. Mahek Kalani and she has the exclusive right to use them.)

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CITATIONS:

1. (genz and millennial investors, n.d.)

Gen Z and Millennial Investors: Ranking the Most Used, Trusted Investing Tools (fool.com)

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4. (Sukamulja, 2017)

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