4 Takeaways From Recent Retail Activity in Nordic & Baltic Markets
4 Takeaways From Recent Retail Activity in Nordic & Baltic Markets

Retail is a force to be reckoned with in today's markets. The rise in retail trading began with the broad availability of app-based digital trading platforms, alongside concerns over the viability of national pension systems. It accelerated during the COVID lockdowns in 2020 - when swathes of knowledge workers found themselves with newfound disposable income and plenty of free time (a group dubbed “Generation Investor” by Charles Schwab).

Professional traders, who might previously have ignored retail investors, can no longer afford to do so. In the U.S., retail investors’ share of equities trading nearly doubled between 2019 and 2021, nearing 25% of total volume; the rise of meme stocks served as further proof of retail's power to move markets. Market players, from retail traders themselves, to risk analysts and professional traders must all take retail and professional investment activity into account when trying to understand market context.

These global trends have not skipped European markets. Recent data from Nasdaq's Investor Activity Indicator, which provides trading statistics covering the sentiment of retail and professional investors across the Nordic & Baltic exchanges, shows that retail investment continues to have a significant impact – providing liquidity, funding innovation, and affecting stock prices.

In this report, we’ll look at four key data insights from the Investor Activity Indicator, and discuss their implications for the current state of retail investment in Nordic & Baltic markets.

1. Retail investors continue to play a major role in Nordic & Baltic markets

Over the course of 2021, retail investors represented 11% of exchange trade flow across the Nasdaq Nordic & Baltic markets. Despite a decrease in the first half of 2022 (which we will cover in the next item), the proportion of total trading volume attributable to retail investors was still markedly higher than pre-pandemic levels.
The prevalence of retail investors varies across market cap, market segments and even across geographies. Across the Baltic Main Markets, over 59% of trading volume was driven by the retail segment in July 2022. In the Nordics, Helsinki saw the lowest participation at 5.7% – while in Sweden, where retail investors are more active, they represented almost 12% of the total turnover.

2. Caution, not panic, in the face of uncertainty

To say 2022 started as a turbulent year is an understatement. Supply chain havoc, Russia’s invasion of Ukraine, and energy shortages have combined to create the perfect storm of macroeconomic trouble - and this has not skipped Nordic & Baltic markets.

The Nasdaq Nordic & Baltic exchanges saw a slight drop in retail trading activity, representing 9.7% of this year’s flow as of July 2022. In addition to Russia’s invasion of Ukraine and general economic uncertainty, the return to office of many ‘lockdown traders’ might also be playing a role.

Retail trading participation on the Nasdaq Main Markets

Source: Nasdaq Investor Activity Indicator
How Russia’s foreign policy and inflation changed investor behaviour: Data from the Investor Activity Indicator reveals the undeniable impact of the war in Ukraine on the retail market. On the 24th of February 2022, the day that Russia declared a full-blown war, retail investors sold on aggregate €203m of Nasdaq Nordic & Baltic equities, as the three main Nordic indices fell by between 3.4% and 4.3%. This sell-off was more than any single trading day since 2018. Rising inflation, which in June hit a 30 year high in Sweden, has put pressure on households and their savings, and likely played a part in decreasing online trading.

It’s worth noting that other data paints a more nuanced picture: the Swedish central bank’s highest interest rate hike in 22 years - announced on the 30th of June - seems to have had little impact on near-term retail trading strategies, with net retail buying of €50m across the main market and First North on the day.

Despite the general decline in 2022, we have seen a slight uptick in retail activity in July, with the retail segment representing on average 10% of trading through the month.

3. Retail investors prefer small caps

Data from the Investor Activity Indicator shows that smaller caps (companies below 150m EUR in market cap) have significant retail participation over the month of July, at just below 50% of average flow. These smaller and more dynamic companies are key drivers of growth in local economies. The data highlights the importance of public markets in connecting individual savers with innovation leaders as a means to unlock widespread and widely-shared economic growth.

Volume of retail trading in the Nasdaq Main Markets compared to the Nasdaq First North Growth Market

<table>
<thead>
<tr>
<th>Year</th>
<th>Main Market Retail (%)</th>
<th>First North Retail (%)</th>
<th>Main Market T/O ($bn)</th>
<th>FN T/O ($bn)</th>
<th>Market wide (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>7.7%</td>
<td>37.5%</td>
<td>790</td>
<td>9</td>
<td>8.0%</td>
</tr>
<tr>
<td>2019</td>
<td>7.7%</td>
<td>32.5%</td>
<td>727</td>
<td>13</td>
<td>8.1%</td>
</tr>
<tr>
<td>2020</td>
<td>9.9%</td>
<td>24.6%</td>
<td>960</td>
<td>34</td>
<td>10.4%</td>
</tr>
<tr>
<td>2021</td>
<td>9.6%</td>
<td>35.7%</td>
<td>1028</td>
<td>64</td>
<td>11.1%</td>
</tr>
<tr>
<td>2022*</td>
<td>9.0%</td>
<td>29.6%</td>
<td>504</td>
<td>17</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

Source: Nasdaq Investor Activity Indicator

Turning to the mid-cap segment (from €150mn to €1bn), we still see very important retail participation at 26%, while the number decreases to 14% for stocks over €1bn. For the 72 largest companies on the Nordic exchanges (over €5bn in market cap), retail participants represented only 7% of trade activity on average. However, within this larger cap segment, we noticed that on any single trading day over July there was at least one company where retail investors represented 29% of trade activity.
Retail trading participation on the Nasdaq First North Growth Markets

4. An IPO boom fuelled by retail

Macro trends impact retail investors and how they invest into companies, but the activity of retail investors also affects the liquidity of listed companies – with their participation particularly interesting around IPOs.

2021 was a record year for IPOs on Nasdaq Nordics with 165 listings – and retail investors played a key role in providing liquidity to new equity issuances, accounting on average for 30% of the trading on the day of IPOs, with an average return of over 21%.

Retail investors provide liquidity at a critical crossroads and can have a significant impact on share price performance. Notable examples include:

- Volvo Cars, the top issuance in the Nordics during 2021 - retail traders represented between 31% and 52% of trading in the 10 days following the listing
- CTEK's share price rose 98.9% on IPO day, with much of the demand driven by the retail segment – which represented a remarkable 41% of the flow on IPO day. The IPO was over 20 times oversubscribed.
- Storskogen is (arguably) less of a household name compared to the previous two companies - and we see significantly lower retail activity at 13% of flow on the day of the IPO. However, the retail group remained active and accounted for 15% of activity throughout the rest of the year.
- Islandsbanki was Iceland’s largest ever IPO. Retail investors represented 20% of the flow on the first day of a heavily oversubscribed IPO (by both institutions and retail), and made up practically one quarter of the trading throughout the rest of the year.

Here too we see the bias towards growth companies: Across the 36 Main Market IPOs in the 2021 calendar year, retail investors represented 25% of trading on average; whereas for the 129 Nasdaq First North IPOs during 2021, the average retail participation exceeded 45% during the first day of trading.

<table>
<thead>
<tr>
<th>Proceeds raised</th>
<th>Retail flow day IPO</th>
<th>10 days post IPO</th>
<th>Average rest of year</th>
<th>IPO date</th>
<th>Money raised day IPO</th>
<th>IPO day share perform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volvo Car AB ser. B</td>
<td>2,011,081,054</td>
<td>31%</td>
<td>35%</td>
<td>34%</td>
<td>29.10.21</td>
<td>19,534,130,707</td>
</tr>
<tr>
<td>Islandsbanki. hf.</td>
<td>342,884,471</td>
<td>20%</td>
<td>24%</td>
<td>23%</td>
<td>22.6.21</td>
<td>1,290,436,109</td>
</tr>
<tr>
<td>CTEK AB</td>
<td>206,727,921</td>
<td>41%</td>
<td>45%</td>
<td>39%</td>
<td>24.9.21</td>
<td>568,706,395</td>
</tr>
<tr>
<td>Storskogen Group AB ser. B</td>
<td>1,318,963,026</td>
<td>13%</td>
<td>17.6.22</td>
<td></td>
<td>783,440,670</td>
<td>31%</td>
</tr>
<tr>
<td>All IPOs 2021</td>
<td>12,302,700,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Closing: ignore retail at your own peril

The data from Nordic & Baltic markets tells an unequivocal story: retail investors play a critical role in well-functioning and liquid capital markets. Their focus on smaller companies, which are often the most innovative and fastest growing, demonstrates the many ways capital markets can support economic growth which benefits the whole of society.

In addition to the societal impacts, there are also more direct financial implications to the rise of retail. Despite the turbulence of the first half of 2022, retail trading is still strong and can cause significant shifts in the market, which go far beyond a temporary rise in the price of this or that meme stock. Professional investors cannot ignore these forces, and are increasingly considering retail sentiment and activity when making their own investment decisions.

The Investor Activity Indicator, a new data product by Nasdaq, provides transparency into the drivers of market activity. The data showcases the split of retail against professional investors, with a wide range of indicators offering detail on the activity of these two groups across Nordic & Baltic cash equity markets:

- Activity indicators/scores (stocks ranked/scored on how active retail/professional investors are)
- Net buying (shares bought minus shares sold)
- Retail volumes vs professional volume

To learn more about Nasdaq's Investor Activity Indicator, use cases, and how it can help you gain better market transparency across Nordic & Baltic equity markets visit:
www.nasdaq.com/solutions/investor-activity-indicator or contact EUdatasales@nasdaq.com.

Sources: Nasdaq Investor Activity Indicator (all retail flow stats), Nasdaq (Nordic share price data), Sveriges Riksbank (inflation + interest rate data), BNY Mellon - The Rise of Retail Traders (link)