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December 27, 2016

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Millennials Get Trumped in ETF Market

By [Cyril Tuohy](#)

The headline on a Bloomberg story last week turned up some strange, unsettling news about how young Americans looked not only to exchange-traded funds, or ETFs, in the wake of Donald Trump's win at the polls, but to "leveraged" ETFs designed to amplify gains or losses.

This is bad news.

I don't profess to know anything about trading but unless you are a seasoned trading professional (and by seasoned I mean unless you've lost a couple of fortunes, won them back and come out slightly ahead after taking your lumps over 30 years), you have no business taking positions in funds designed to triple or double your positions.

But no, this article talked about a bunch of millennials "flooding into a pair of triple-leveraged ETFs that own gold mines," and how these young investors "plunged into the ProShares Ultra VIX Short-Term Futures," a futures ETF.

Evidently, these young investors were betting against Trump and wanted to buy funds with exposure to the safe haven of gold.

Bloomberg Intelligence ETF analyst Eric Balchunas is quoted in the article as saying that millennials favor extremes in terms of their growing ETF usage, at least when it comes to "tactical" trades and moving in and out of positions on short notice.

Favoring extremes? Speculative investments? Tactical trading? This from a generation that, so we've been told, saw their parents suffer through the Great Recession?

It's hard to know whether millennials are getting sucked in by the booming ETF industry and just don't know any better, or whether they truly believe they can win at the nation's largest gambling parlor.

By Dec. 20, six weeks after the election, the average performance of the five ETFs most favored by millennials since the election was down 27 percent, Bloomberg reported.

By contrast, broad market benchmarks have rallied with the Dow Jones Industrial Average up about 9 percent since the Nov. 8 election.

Don't take it from me, take it from professional advisors I talked to earlier this month for a piece on ETFs we'll be publishing in an upcoming issue.

Leveraged ETFs, inverse ETFs and all manner of the funds designed to magnify ups and downs marketed and sold like the latest flavor of Baskin-Robbins ice cream, "I don't touch those," said Kashif A. Ahmed, once of our sources for the story.

And our man Ahmed is professional advisor who also teaches the subject of financial

planning.

The article leaves a question unanswered. If millennials placed bad bets on precious metals in the wake of the Trump election, who was on the winning side of the trade? Gen Xers? Boomers? Institutional traders?

For now, millennials and whoever else bet on gold played the Big Casino and got their heads handed to them.

Happy New Year!

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