**Keeping Track of the Retail Investor Boom**

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The rise of capital market investors has been nothing short of sensational. The number of investors has grown by 31.11 percent during the first four months of the year, reaching as many as 5,088,093 investors in April 2021. Since 2018, their numbers have soared by 214.2 percent. Stock investors also rose by 169.75 percent.

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Unsurprisingly, this phenomenon is occurring not only in Indonesia. In the US, the number of “amateur investors” has also skyrocketed. According to Bloomberg Intelligence, they make up 23% of all equity trading in the country—more than double their 2019 figure. It’s an interesting situation that first began at the end of March 2020.

Is there an emerging collective realization for investing that is causing this trend? Or is it a byproduct of the ‘work from home’ phenomenon?

One can hope that all this momentum and passion are born out of growing investor awareness and knowledge which will surely encourage these new players to keep on investing.

Investing in stocks is incredibly tempting. How could it not, with many investors enjoying value creation that varies from 10 percent to 2,000 percent? Imagine, if you buy one million rupiahs worth of shares and your money multiplies to 20 million rupiahs in just 5 short months.

**Fundamental vs. Sentiment**

There are at least two important items that every novice investor must take into account: first, recognizing the factors that make stocks rise, and second, understanding whether the stock price prevailing that day is counted as fundamental price or sentiment price.

The potential rise in stock prices can be attributed to several factors. The first factor is company performance. Both improved business performance and attractive business plans can easily drive a company’s share price up.

Second is reliable and trustworthy company management and ownership. When corporate actions are credible and the company itself boasts a good reputation, the level of investor confidence will also increase.

The third factor is bright industry prospects. It’s interesting to note that of the 20 largest companies in the world in terms of market capitalization in 1989, none entered the ranks of the 20 largest companies in terms of market cap in 2021.

Some sectors, such as pharmaceuticals and health, have experienced an upturn in their stock prices during this pandemic era. The same can be said for digital banking issuers and technology-based companies.

The fourth and last factor is the macroeconomic and political situation of the country that houses the capital market or issuer. Economic turmoil and political crises that are engulfing a country can disrupt the psychology of capital market investors and plunge the stock prices of issuers.

Besides understanding these factors, young and novice investors should closely observe the type of issuer’s share price that they own when conducting daily trading transactions. Being able to distinguish between fundamental and sentiment price is an essential strength to have.

**The Indicators**

Indicators such as price to book value (PBV) and price to earnings ratio (PER) are commonly used to assess fundamental stock prices. Furthermore, there are also price to revenue ratio (PRR), EBITDA multiple ratio, value per customer ratio, and many others.

These ratios are useful for assessing whether the price of the stock is expensive or cheap and whether it should be released or maintained.

To put it in simple terms, sentiment price is the price of a stock whose value is already very high and no longer matches its fundamental price. In this case, even if the price is already too expensive, it remains the target of investors—especially retail investors.

Take Tesla, for example, a company whose stock price is deemed too expensive and does not reflect its fundamental value. Institutional investors are uninterested while the opposite can be said for individual retail investors. Such stock prices can be classified as sentiment prices. With these two ways of thinking, it is hoped that novice investors will remain passionate about investing in stocks in the capital market.

On the other hand, issuers on the stock exchange are certainly expected to continue to improve their performance, better their ability to generate profits, and consistently distribute their dividends in the future.

Issuers should also refrain from making impossible promises or unrealistic prospects that can influence investors to buy their shares in an unhealthy manner. While this may entice investors to purchase shares, it’s always better for issuers to remain realistic in conveying industry or company prospects.

Despite the term *caveat emptor*—let the buyer beware—investors must be observant with the shares they acquired and issuers should strive to keep their promises in addition to producing a consistent and predictable performance. Hopefully, this can help maintain the rise of individual investors and bring even more novice retail investors in the capital market into the fold.