Video Transcript

Watch James Kostulias

Fast Money

CNBC

By Staff

July 29, 2025

Melissa Lee: That is the highest since the survey's inception in 2022. For more on the findings, Schwab's Head of Trading Services, James Kostulias, joins us here on set. James, great to see you. I feel like the retail trader actually got it right in terms of staying long during this whole volatile period. Why are they cautious now?

James Kostulias: I agree. I think when you look at the overall bullish sentiment, coupled with 57%, I think the market may be a bit overvalued. I think there are two stories there. I think there's a bullish story long-term and maybe some caution in the short term that maybe things are a little bit oversold. You know, you had Carter on yesterday showing some of the technicals around the S&P and sort of some of the resistance levels. And then Michael Khouw talking about the futures forwards. And so I think there's some trepidation in the short term. But overall a lot of bullishness in the longer term.

Melissa Lee: Okay. So they're still staying long, or are they changing how they're positioning given the cautiousness?

James Kostulias: Yeah, it's a great question. I think they're mostly long. We've certainly seen some hedging activities. And I don't think it's any type of irrational exuberance when you look at the sentiment right now. And so some of the more higher-leverage strategies, the risk-on strategies that we saw back in April, we're seeing less of that. So overall margin growth is back to healthy levels as it was in April. But the more riskier strategies are not ones clients are undertaking right now. I think they learned a little bit of a lesson where they saw what could have been back in April, and they're a little bit more cautious right now.

Guy Adami: So James obviously watches the show, number one.

Melissa Lee: Yes. Huge fan of the show.

Guy Adami: Huge fan, as is Adam Sandler. Number two, it's a much different retail trader than even five years ago. Did you think that they feel that they're nimble enough that if they see the turn coming, they'll be able to get out, I guess is my question?

James Kostulias: I do. I do. I agree with your hypothesis completely. The retail trader has evolved a lot over the course of the last few years. We wrap, personally at Schwab, a lot of education and service, and risk management around the value proposition. We talk about high probability trading, as opposed to some of the more riskier strategies that traders would be in. And I think the retail trader is a smart trader right now in 2025.

Timothy Seymour: James, where in terms of positioning is it, though? Is the caution around mega-cap tech stocks? Is it that the broadening of the market really isn't there? In other words, is it the narrowness of this movement? Where would you say positioning really is, especially in the biggest companies in the world?

James Kostulias: Yeah, we certainly saw in June, with some selling on Nvidia. We saw some selling on Coinbase. And so, some of the stocks that have really broken out in the megacaps definitely have a little bit more caution on them. And I think one of the things I know we talked a little bit about is the sort of, you know, next wave of meme stock trading, and so maybe taking some profits off the table on some of the mega-caps and moving them into some of the undervalued names, perhaps. But I couldn't agree more with Guy's point, of even with a little bit of an increase in some of those stocks, your Krispy Kremes and your Kohl's. Nothing like what we saw back in the pandemic.

Steve Grasso: James, when you hear the clamoring for new products or the new offerings, when are you guys going to start trading crypto?

James Kostulias: Yeah. So we have a lot of ways for clients to get exposure to crypto today. So we've got roughly 20% of the ETP market in the crypto ETFs. We offer Bitcoin futures, Ethereum futures, and obviously options on the ETFs. We're arduously working on a spot crypto offering, and we're going to deliver to our clients in the not-too-distant future.

Melissa Lee: So when you talk about a client that's getting more cautious, does that include crypto as a risk asset, or how do they view crypto in their portfolio?

James Kostulias: Yeah, I think their views on crypto have probably changed a bit after what we saw in April, right? At some point, there was some talk, maybe even on this show. Guy, I don't watch every day, but I watch most days, around crypto.

Guy Adami: Definitely the night before he’s on!

James Kostulias: Around crypto, becoming a little bit more of a safe haven, right. And so I think when we talk about the overvaluation of the market, that roughly 57% of the survey clients said, I don't think crypto is at the heart of that overvaluation. I think it was more what Tim was talking about in terms of the mega-caps and the Mag 7.

Melissa Lee: And something jumped out at me in the notes. The two busiest trading days were in the second quarter for Schwab?

James Kostulias: Yeah. Right, right, right around all the. Yeah, right around the seventh, eighth, and ninth, those three days in April. But one other point I just wanted to make, Melissa, on the survey was that 80% of clients were talking about buying the dip. And I think, to me, that's another sort of affirmation on, 'Hey, I'm bullish long term, but maybe not as much in the short term. But if I see that dip, I'm going to ultimately go ahead and buy it.' And as we know, retail investors have been rewarded for doing that.

Melissa Lee: Yep. James, great to see you. James Kostulias. He didn't know he had that in common with Adam Sandler, I bet.

###