

Lloyds Private Bank Investor Sentiment Index

A VERY HAPPY NEW YEAR FOR UK INVESTORS

- **January's sentiment score springboards UK investor mood to highest level since May 2017**
- **UK and US shares come first and second respectively, in monthly sentiment growth**
- **Nine out of eleven asset classes see growth in investor confidence**

17 January 2018

UK investors have started 2018 in buoyant mood, with investor sentiment increasing for the fourth month in the row, up by 2.5% since December 2017 according to the latest investor sentiment index (ISI) from Lloyds Private Bank. Overall sentiment now sits at 9.0%, marking an increase of 3.3% compared to this time last year.

After a topsy-turvy year in 2017 which saw the sentiment tracker rising and dipping amidst an uncertain geopolitical climate, January's sentiment score springboards UK investor mood to its highest since May 2017 (6.7%).

UK assets continue to bounce back

UK shares have seen the most noticeable improvement in January, increasing by 8.5% to 12.3% - a high not seen since last summer (13.5% in June 2017). They are closely followed in second place by US equities which jumped 6.3% since last month.

There is more good news for domestic assets with investor confidence in UK government bonds and UK corporate bonds both increasing by 2.9%. This is encouraging for UK government bonds which crossed back into positive sentiment (0.4%), signalling a good turnaround from the last 10 months. Scores during this time for the asset class were uniquely negative, dipping as low as -9.8% in July 2017.

A solid month for international equities

Further afield, investors have warmed more to international shares. January sees improvements across the board for Eurozone shares (+2.2%), US shares (+6.3%), Japanese shares (+3.0%) and Emerging Market shares (+4.4%).

With regards to asset class performance, the 12 month time period shows Emerging Market equities as the standout performer (+34.3% vs. January 2017), followed by US shares (+19.4%) and Japanese shares (+18.1%). Through month-on-month comparisons, we can see that UK shares show the biggest improvement (+4.7% vs. December 2017), mirroring their status as January's most popular asset class in the sentiment tracker. Emerging Market shares posted a return of +3.4% for the month, followed by Japanese equities with +1.2%.

Markus Stadlmann, Chief Investment Officer at Lloyds Private Bank said:

"There are two interesting angles playing out in this month's findings. The first is the month-on-month score surge which takes overall sentiment in January above anything we saw in 2017.

The second angle comes from the differences we see when comparing sentiment, performance and valuation. Although UK and US shares both scored highest this month for sentiment, we see contrasting valuation scores between the two. In our view, despite some good growth signals emerging from the US where tax cuts should further support corporate growth in 2018, we currently think US equities are expensive. Conversely, we see UK equities – and also Emerging Market equities – as being cheap.

A final thought: Despite a mid-ranking performance score this month, Japanese equities are our ‘one to watch’ in 2018. The Japanese economy is in rude health, with less support now required of the central bank. Tellingly, the profit margins of Japanese corporates as a percentage of revenues are currently higher than their previous peak in the 1980s.”

-Ends-

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For more information please contact:

Sophie Church, +44(0) 7566 9700 / lansonslloydspb@lansons.com

Notes to Editors: figures, unless otherwise stated, are from YouGov Plc. Total sample size was 4358 adults, of which 1,065 were investors. Fieldwork was undertaken between 29th December 2017 - 2nd January 2018. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

Investor sentiment is a statistic showing the difference between those who hold a positive view and those who hold a negative view each month on the outlook for each type of investment over the next 6 months. A positive net sentiment indicates that a greater proportion of investors surveyed hold a positive view, while a negative net sentiment indicates a greater proportion of investors with a negative view. All figures are rounded to the nearest whole number.

Table 1: Net Investor Sentiment

	Jan '17	Dec '17	Jan '18	Jan '18 - Dec '17 CHANGE	Jan '18 - Jan '17 CHANGE
UK Shares	21.5%	3.9%	12.3%	8.5%	-9.1%
Eurozone Shares	-35.8%	-4.0%	-1.9%	2.2%	34.0%
US Shares	1.9%	5.1%	11.3%	6.3%	9.4%
Japanese Shares	3.5%	12.1%	15.1%	3.0%	11.6%
Emerging Market Shares	17.0%	20.9%	25.3%	4.4%	8.3%
UK Government Bonds	0.2%	-2.5%	0.4%	2.9%	0.2%
UK Corporate Bonds	4.3%	-3.7%	-0.8%	2.9%	-5.1%
UK Property	28.8%	14.2%	14.7%	0.5%	-14.1%
Gold	40.8%	37.9%	34.8%	-3.1%	-6.0%
Commodities	14.0%	12.4%	13.8%	1.4%	-0.2%
Cash	-33.8%	-25.2%	-26.2%	-1.1%	7.6%
AVERAGE	5.7%	6.5%	9.0%	2.5%	3.3%

Table 2: Asset Class Performance

	1 month % Change	3 month % Change	12 month % Change
UK Shares	4.7	4.2	9.0
Eurozone Shares	-1.8	-2.5	6.5
US Shares	1.0	6.1	19.4
Japanese Shares	1.2	8.7	18.1
Emerging Market Shares	3.4	7.1	34.3
UK Government Bonds	1.4	2.0	1.8
UK Corporate Bonds	1.5	2.0	5.0
UK Property	-0.6	1.3	2.7
Gold	1.7	0.2	10.9
Commodities	4.4	9.9	5.8
Cash	0.0	0.1	0.3

Source: Bloomberg, all data to end December 2017

Table 3: Indices Used For Asset Class Performance Measurement

Asset class	Index	Return type
UK Shares	FTSE All Share	Price index
Eurozone Shares	Euro Stoxx 50	Price index
US Shares	S&P 500	Price index
Japanese Shares	JPX Nikkei Index 400	Price index
Emerging Market Shares	MSCI EM	Price Index
UK Government Bonds	FTSE ActUKConvGlt All	Total return
UK Corporate Bonds	IBOXX £ CRP OA TR	Total return
UK Property	UK Markit/Halifax House Price	Total return*
Gold	S&P 500 GOLD	Total return
Commodities	S&P GSCI	Total return
Cash	UK Cash Indices LIBOR	Total return

*Property return based on change in Markit/Halifax published figures for each time period which use quarterly changes where possible.