PRESS RELEASE

LLOYDS BANK

MONDAY 12 FEBRUARY 2018

FOR IMMEDIATE RELEASE MONDAY 12 FEBRUARY 2018

ANOTHER RECORD MONTH FOR UK INVESTORS

- **February marks the fifth month in a row in which sentiment improves.**
- **Ongoing financial market correction will most likely make investors cool on a range of asset classes.**
- **Mixed results for UK assets overall, although good news for property.**

UK investors continue to feel good about global investment opportunities, returning an improved overall sentiment score of 10.9% for February, according to the latest investor sentiment index (ISI) from Lloyds Private Bank.

While the score is likely to have moved since the start of the month in light of the fast-paced correction on global stock markets last week, it represents an increase of **+1.9%** compared to January, and **+4.8%** since this time last year. It also comes on the back of four consecutive month-on-month rises, with 2018's two sentiment readings both outscoring anything seen in 2017.

Equities proving to be alluring, again

U.S. shares saw the biggest monthly jump in investor confidence out of all eleven asset classes surveyed. The rise of **7.8%** echoes a similar uplift recorded in January, and there were further improvements for UK shares (**+2.5%),** Eurozone shares **(+1.8%)** and Emerging Market shares **(+0.1%).** Conversely, there was a small dip in popularity for Japanese shares (**-0.3%**) which goes against the current favourable in-house view of Lloyds Private Bank. Japanese shares still offer good value for money and are holding up well in the eye of the storm.

Mixed fortunes for UK assets

Unfortunately February was a poor month for both UK government bonds and UK corporate bonds, as last month's improvements were wiped out, leaving them as February's biggest losers. Popularity in UK government bonds – also known as Gilts - fell by **1.8%** and put sentiment back in negative territory at **-1.4%.** Similarly, corporate bonds dipped **1.7%** to finish February at **-2.4%**.

On the flip side, UK property continued to re-establish itself as one of the more favoured asset classes. You have to go back to June 2017 to find a sentiment score that was higher than this month's score of **18.5%** which is up **3.8%** compared to last month.

Asset class performance

With regard to asset class performance, tracking over a 12 month time period shows global equities at the top, led by emerging market shares on **38.0%**, then US shares on **23.9%**, followed by Japanese shares on **19.1%**. Over the same time horizon and aside from cash, the three worst performing assets were all UK-based. The biggest improvement this month was seen in emerging market shares (+**8.3%**), while the biggest decline was jointly held by UK shares and UK government bonds (both returning **-2.0%**).

MEDIA CONTACTS

Karen Carpenter
07787 105 856
Karen.Carpenter@lloydsbanking.com

Kay Broadie
07747 756 641
Kay.Broadie@lloydsbanking.com

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

"Despite our sentiment tracker scores showing good results for global equities, we know that valuation metrics reveal a number of different scenarios developing in key economies. Sentiment may well have shifted since the fall of stock markets from grace this week, but it's not something for investors to be overly concerned about. US equities - this month's most improved asset class for popularity - have been showing as extremely expensive for some time. This is in contrast to China and Japan where equities continue to offer good value.

We have been anticipating a correction in global equities markets for a while now, although the historic point plunge in the U.S. took some investors by painful surprise. If there is a positive to take away from it, it would be that investors need not panic. Given the current condition of the global economy, we would expect this correction to last for a few weeks before being followed by a recovery.

For several months now, we have seen that investors in the UK continue to feel good about their prospects, with good investment conditions out there for those who know where to look. That said, you only need to consider current price fluctuations on equity markets around the globe to see the need for proactive risk management."

-ENDS-

EDITOR'S NOTES

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 4,442 adults. Fieldwork was undertaken between 30th January - 1st February 2018. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

Table 1: Net Investor Sentiment

	Feb '17	Jan '18	Feb '18	Jan '18 – Feb '18 CHANGE	Feb '18 - Feb '17 CHANGE
UK Shares	15.5%	12.3%	14.8%	2.5%	-0.7%
Eurozone Shares	-34.1%	-1.9%	0.0%	1.8%	34.1%
US Shares	-5.1%	11.3%	19.2%	7.8%	24.3%
Japanese Shares	5.4%	15.1%	14.8%	-0.3%	9.4%
Emerging Market Shares	13.7%	25.3%	25.3%	0.1%	11.7%
UK Government Bonds	4.1%	0.4%	-1.4%	-1.8%	-5.5%
UK Corporate Bonds	5.5%	-0.8%	-2.4%	-1.7%	-7.9%
UK Property	31.1%	14.7%	18.5%	3.8%	-12.6%
Gold	46.4%	34.8%	37.4%	2.6%	-9.0%
Commodities	15.5%	13.8%	15.8%	2.0%	0.2%
Cash	-30.9%	-26.2%	-22.5%	3.8%	8.4%
AVERAGE	**6.1%**	**9.0%**	**10.9%**	**1.9%**	**4.8%**

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Table 2: Asset Class Performance

	1 month % Change	3 month % Change	12 month % Change
UK Shares	-2.0	0.5	7.2
Eurozone Shares	3.0	-1.8	11.7
US Shares	5.6	9.7	23.9
Japanese Shares	1.1	4.0	19.1
Emerging Market Shares	8.3	12.1	38.0
UK Government Bonds	-2.0	-0.3	1.6
UK Corporate Bonds	-0.7	0.8	5.3
UK Property	-0.6	1.3	2.7
Gold	8.0	12.3	12.4
Commodities	3.4	9.5	11.0
Cash	0.0	0.1	0.3

Source: Bloomberg, all data to end January 2018

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.

This information is intended for the sole use of journalists and media professionals.

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