



FOR IMMEDIATE RELEASE THURSDAY 19 APRIL 2018

INVESTOR SENTIMENT GIVES VOTE OF CONFIDENCE TO CHINA IN GROWING TRADE DISPUTE WITH THE UNITED STATES

- **Investors shun US stocks as sentiment tumbles 12.2%**
- **Emerging markets equities – which include China – remain positive (+20.2%)**
- **Investor sentiment hits a low for 2018**
- **UK Government bonds are the only asset class to see positive sentiment**

Investors continue to show concern on global equities due to the potential impacts of trade spats escalating into a full blown trade war between the US and China. Sentiment towards US equities certainly came out the worse of the pair falling **12.2%**, to **-2.3%**, its biggest monthly fall since 2013.

Markets fell as proposed US tariffs were widened to include over a thousand Chinese products, from industrial robots to locomotives and aeroplanes. China said it will retaliate with tariffs on US soya beans, cars and chemical products.

At home, US share prices were down **2.4%** as the US market returned to 'correction' territory and the threat of increased regulation of big technology stocks, like Facebook and Amazon, also weighed on sentiment. This led to a broader sell off of technology stocks around the globe. In spite of this wobble, US share prices are **11.7%** higher than this time last year reflecting a robust economic backdrop aided by tax cuts and regulatory easing in the financial sector.

Despite the escalating trade rhetoric, sentiment toward emerging market shares, which include China, remained positive at **+20.2%**. This remained the highest amongst global equities and notably avoided the big fall sustained by sentiment on US equities.

Sentiment for UK equities continues to fall

UK shares saw the second largest drop in sentiment, falling **5.0%** to a barely positive **0.6%**. Brexit uncertainty continues to cloud the outlook for UK shares, with the headline FTSE100 index falling **2.2%**. The index has now dipped beneath the emblematic 7,000 level for the first time since 2016. UK Government bonds, also known as gilts, saw an increase in positive sentiment (up **2.6%**) as they benefited from a flight to safety amid market turbulence since the start of the year. This may be short lived however as a bear market in bonds begins to emerge.

Still positive on Japan and gold

Sentiment towards Japanese equities declined by **2.6%** in March, mirroring the **2.7%** drop in Japanese equities. Despite the headwinds of the negative global backdrop applying downwards pressure to markets, the overall sentiment remains positive at **+11.1%**. Fundamentally the Japanese economy is in robust health and Japanese companies are beginning to return more of their earnings to shareholders.

Despite a modest slip of **0.8%** investor confidence in gold remains at the highest level among the major asset classes at **+39.1%**. Investors tend to seek 'safe' havens in times of uncertainty however their appeal may falter as high inflation continues to erode the asset value. Sentiment for the broader commodity index fell by **1.5%** but remains healthy at **+12.4%**, showing there is confidence around a commodity recovery in 2018.

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

"The current political backdrop is unsurprisingly impacting on global equity markets. A fall in sentiment reflects investor concerns about the impact of a trade dispute between the world's two largest economies, the United States and China. This uncertainty has caused a repeat of the correction we saw in February and a flight to safety causing bond prices to stabilise following declines earlier in 2018. However we believe this stabilisation will only be temporary and the outlook for bonds moving forward remains bearish.

"Despite this, most of the world's economies are experiencing good growth than we have seen since the financial crisis of 2008. The recent correction has led to lower share prices, leading to some attractive opportunities for long term investors in equity markets and inflation continues to grow modestly in most developed nations; subsequently the overall sentiment remains positive "

-ends-

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

For further information

Karen Carpenter

07787 105 856

karen.carpenter@lloydsbanking.com

Lloyds Bank is part of Lloyds Banking Group

Tel: 0207 356 2374 Website: <http://www.lloydsbankinggroup.com/media.asp>

Notes to Editors:

¹Net 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. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 4510 adults, of which 1,070 were investors. Fieldwork was

undertaken between 28th March - 2nd April 2018. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

Table 1: Net Sentiment, Source: Investor Sentiment Index

	April '17	Mar' 18	Apr '18	Mar '18 - Apr '18 CHANGE	Apr '17 - Apr '18 CHANGE
UK Shares	9.1%	5.6%	0.6%	-5.0%	-8.4%
Eurozone Shares	-22.1%	-1.6%	-5.4%	-3.8%	16.7%
US Shares	-0.4%	9.9%	-2.3%	-12.2%	-1.9%
Japanese Shares	7.1%	13.7%	11.1%	-2.6%	4.0%
Emerging Market Shares	18.8%	21.3%	20.2%	-1.1%	1.4%
UK Government Bonds	-4.7%	-0.3%	2.3%	2.6%	7.0%
UK Corporate Bonds	-2.9%	-3.0%	-3.0%	0.0%	-0.1%
UK Property	27.3%	21.3%	19.1%	-2.2%	-8.3%
Gold	38.6%	40.0%	39.1%	-0.8%	0.5%
Commodities	11.8%	13.9%	12.4%	-1.5%	0.6%
Cash	-35.9%	-15.0%	-20.0%	-5.1%	15.9%
AVERAGE	4.3%	9.6%	6.7%	-2.9%	2.5%

Table 2: Asset Class Performance, Source: DataStream, all data to end of trading 31 March 2018

	1 month % Change	3 month % Change	6 month % Change	12 month % Change
UK Shares	-2.2%	-7.6%	-3.8%	-2.2%
Eurozone Shares	-1.0%	0.1%	1.7%	18.2%
US Shares	-2.4%	-1.1%	4.9%	11.7%
Japanese Shares	-2.7%	-5.1%	2.8%	12.8%
Emerging Market Shares	-1.4%	-1.3%	0.9%	14.4%
UK Government Bonds	1.2%	-1.4%	0.2%	-1.6%
UK Corporate Bonds	0.1%	-2.9%	-2.2%	-4.4%
UK Property	3.0%	-9.7%	-2.2%	-1.7%
Gold	0.4%	1.0%	2.8%	5.2%
Commodities	2.2%	2.2%	12.3%	13.8%
Cash	0.0%	0.1%	0.2%	0.3%

Source: DataStream, all data to end of trading 30th March 2018

Table 3: Indices Used For Asset Class Performance Measurement

	Thomson Reuters Definition	Code
UK Shares	UK-DS Market - PRICE INDEX	TOTMKUK
Eurozone Shares	EMU-DS Market - PRICE INDEX	TOTMKEM
US Shares	US-DS Market - PRICE INDEX	TOTMKUS
Japanese Shares	JAPAN-DS Market - PRICE INDEX	TOTMKJP
Emerging Market Shares	EUROPE-DS Market - PRICE INDEX	TOTMKER
UK Government Bonds	UK BENCHMARK 10 YEAR DS GOVT. INDEX - CLEAN PRICE INDEX	BMUK10Y

UK Corporate Bonds	Sterling Aggregate: Corporate GBP - Average price	LHSACOR
UK Property	S&P UK PROPERTY - PRICE INDEX	SBBPUK£
Gold	S&P GSCI Gold Total Return - RETURN IND. (OFCL)	GSGCTOT
Commodities	S&P GSCI Commodity Total Return - RETURN IND. (OFCL)	GSCITOT
Cash	JPM UK CASH 1M - TOT RETURN IND	JPUK1ML

Note: all asset class returns calculated and expressed in local currency terms

This document has been prepared by Lloyds Bank plc ("Lloyds Bank/Us/Our/We") for information purposes only. This document is not intended to be investment research and has not been prepared in accordance with legal requirements to promote the independence of investment research and should not necessarily be considered objective or unbiased. Any views, opinions or forecast expressed in this document represent the views or opinions of the author and are not intended to be, and should not be viewed as advice or a recommendation. You should make your own independent evaluation, based on your own knowledge and experience and any professional advice which you may have sought, on the applicability and relevance of the information contained in this document.

The material contained in this document has been prepared on the basis of information believed to be reliable and whilst We have exercised reasonable care in its preparation, no representation or warranty, as to the accuracy, reliability or completeness of the information, express or implied, is given. This document is current at the date of publication and the content is subject to change without notice. We do not accept any obligation to any recipient to update or correct this information. Lloyds Bank, its Directors, officers and employees are not responsible and accept no liability for the impact of any decisions made based upon the information, views, forecasts or opinion expressed.

This document has been prepared by Lloyds Bank, which is a trading name of Lloyds Bank plc. Lloyds Bank plc. Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 119278.