



FOR IMMEDIATE RELEASE WEDNESDAY 14 MARCH 2018

INVESTOR SENTIMENT REFLECTS BREXIT VOTING PATTERN

- Regional investor sentiment on Eurozone and UK equities reflects Brexit voting patterns
- Overall investor sentiment falls for the first time in six months
- Spooked investors retreat from global equities to the safety of gold and cash

Investor sentiment towards UK and Eurozone equities closely reflects 2016 Brexit voting patterns, according to the latest investor sentiment index (ISI) from Lloyds Bank Private Banking. As the anniversary of the U.K. Government's decision to trigger Article 50 is on the horizon, the survey reveals notable differences in sentiment across the UK.

London, which had the highest Remain vote (62%) during the referendum, has the most positive sentiment on Eurozone equities (15%) in the UK.

The North, which includes Yorkshire and the Humber, and had the third highest Leave vote in the UK, has the highest positive sentiment towards UK equities (15.9%). The North also has the second most negative sentiment towards Eurozone shares (-9.5%). The East, which also voted Leave, (56.5%) reflects this trend with a positive sentiment score of 7.4% for UK shares but -4.7% for Eurozone stocks.

Scotland, although scoring both asset classes negatively, favoured Eurozone (-3.6%) over UK stocks (-5.7%), in line with the Remain vote (62%) cast during the referendum.

Northern Ireland* where there is uncertainty about its border following Brexit, is the only region to show opposing sentiment to its referendum vote, as the region with the strongest negative sentiment towards Eurozone shares (-27.9%).

Investor confidence wavers

Sentiment has fallen for the first time in six months to 9.6% (down 1.2%). The fall in sentiment follows increased market volatility in recent weeks, but investor confidence remains higher than any score achieved throughout 2017 and is up 3.7% compared to this time last year.

Global Equities remain attractive despite market volatility

Sentiment fell across all equity indices during the month, with sharp falls for U.S. (-9.3%) and U.K. (-9.2%) equities experiencing the largest drop in investor confidence out of all eleven asset classes surveyed. At the opposite end of the risk spectrum, sentiment improved for gold (up 2.6%), while cash climbed 7.5%, improving from February's reading of -22.5% to -14.9%. However sentiment across all equity markets is significantly higher relative to last year, with the exception of UK shares (-17.7%).

Asset class performance

With regard to asset class performance, tracking over a 12 month period shows global equities continue to produce

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strong returns, despite the recent correction. Following a **4.7%** fall during February, emerging market shares were the top performing region with a return of **27.6%**.

Both the US and Japan have produced impressive returns over the year at **14.8%** and **13.6%**, respectively. The US now appears expensive across a range of valuation metrics, while Japan continues to provide further opportunities. The UK continued to disappoint relative to other regions, with UK shares up **0.7%** over 12 months and UK Government Bonds down **1.2%**, over the same time period.

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

“As we approach the anniversary of the Government triggering Article 50, it’s interesting to see investor sentiment broadly mirroring the referendum results. It could reflect political leanings but it’s more likely that investors are simply keeping a close eye on how the negotiations unfold and what impact these will have regionally.

“The recent market correction was sparked by US wage growth being higher than expected, which will put further pressure on US policymakers to more aggressively increase interest rates. This news has particularly taken its toll on global equities and fixed income assets, with cautious investors viewing the safety appeal of gold and cash more favourably.

“Increasing political instability in Europe, and the impact of Trump’s US trade war have further added to investor nervousness this month, impacting both performance and investor confidence across nearly all asset classes.

“It’s not all doom and gloom however. While investors have wobbled slightly this month, confidence is still higher than at any point in 2017, and there are still clearly some very strong performers out there in the shape of emerging market and Japanese shares. US shares also continue to perform well compared to last year, in spite of the recent market correction.”

-ENDS-

EDITOR'S NOTES

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 4,575 adults, of which 1,091 were investors. Fieldwork was undertaken between 27th February - 1st March 2018. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

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Table 1: Net Investor Sentiment

Asset class	Mar '17	Feb '18	Mar '18	Feb – Mar '18 Change	Mar '17 - '18 Change
UK Shares	23.5%	14.8%	5.6%	-9.2%	-17.9%
Eurozone Shares	-34.4%	0.0%	-1.6%	-1.6%	32.8%

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US Shares	0.5%	19.2%	9.9%	-9.3%	9.4%
Japanese Shares	4.4%	14.8%	13.7%	-1.1%	9.3%
Emerging Market Shares	15.1%	25.3%	21.3%	-4.0%	6.2%
UK Government Bonds	-0.5%	-1.4%	-0.3%	1.1%	0.2%
UK Corporate Bonds	3.4%	-2.4%	-3.0%	-0.6%	-6.4%
UK Property	30.6%	18.5%	21.3%	2.8%	-9.3%
Gold	41.9%	37.4%	40.0%	2.6%	-1.9%
Commodities	13.9%	15.8%	13.9%	-1.9%	-0.1%
Cash	-33.4%	-22.5%	-15.0%	7.5%	18.4%
AVERAGE	5.9%	10.9%	9.6%	-1.2%	3.7%

Table 2: Asset Class Performance

	1 month % Change	3 month % Change	12 month % Change
UK Shares	-3.8%	-1.3%	0.7%
Eurozone Shares	-4.7%	-3.7%	3.6%
US Shares	-3.9%	2.5%	14.8%
Japanese Shares	-3.9%	-1.7%	13.6%
Emerging Market Shares	-4.7%	6.6%	27.6%
UK Government Bonds	0.2%	-0.4%	-1.2%
UK Corporate Bonds	-1.2%	-0.4%	1.4%
UK Property	-0.6%	0.0%	2.2%
Gold	-5.7%	3.5%	12.3%
Commodities	-3.3%	4.4%	7.0%
Cash	0.0%	0.1%	0.4%

Source: Bloomberg, all data to end February 2018, *except UK Property 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*

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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.

Table 4: Regional investor sentiment for UK vs Eurozone shares for March 2018

Region	UK Shares	Eurozone Shares
North	15.9%	-9.5%
Northern Ireland	13.8%	-27.9%
East	7.4%	-4.7%
South	5.4%	2.6%
London	2.5%	15.0%
Midlands	0.9%	-8.1%
Wales	-1.6%	-1.7%
Scotland	-5.7%	-3.6%

*Low sample size

Table 5: 2016 UK referendum results by region

Region	Voted Leave	Voted Remain
Midlands	59.1%	40.9%
East	56.5%	43.3%
North	55.9%	44.1%
Wales	52.5%	47.5%
South	52.1%	47.9%
Northern Ireland	44.2%	55.8%
London	40.1%	59.9%
Scotland	38.0%	62.0%

Source: BBC News: EU referendum - The result in maps and charts

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