

## Lloyds Bank Investor Sentiment Index

### Investor sentiment falls further in February to lowest point in over two and a half years

- **Investor sentiment drops to its lowest level since May 2013.**
- **Sentiment towards UK equities falls to lowest level since the Index started in March 2013.**
- **Positivity towards gold soars as the actual market performance of the asset also increases in February.**

**This month's Lloyds Bank Private Banking Investor Sentiment Index** shows how investor sentiment has taken a significant hit following the turbulent start to 2016. With ongoing market turbulence, the actual market performance of most asset classes dropped again this month. As a result, overall investor sentiment has fallen to its lowest level since May 2013 (2.98%, see table 1).

Sentiment towards UK equities is now at its lowest level since the Index began in March 2013, dropping by over six percentage points (a 6.88% reduction) in the past month to a level of 6.38%.

US equities experienced a similar dip in sentiment, falling by 6.59% during the month to -0.80%, their lowest level since November 2013. Both UK and US equities also experienced their biggest ever year-on-year falls in February, with sentiment towards these two asset classes plummeting by 22.73% and 18.31% respectively.

When the actual market performance of equities is analysed, it is easy to see why sentiment has fallen so far. UK, eurozone, US, Japanese and emerging market equities all saw their performance fall between 5.8% and 8.6% in the past month. See table 2.

There is a similarly negative picture when comparing recent actual performance with that of six-months earlier; there were falls of between 9.3% (UK equities) and 14.3% (emerging market equities).

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

“This is a time for calm heads and careful research. As the trend of ‘growth’ investing dissipates, we may now be entering a period where investors have a preference for sectors with more predictable earnings. Now more than ever, identifying buying opportunities in the equity market requires a deep understanding of company valuations and how markets work.

“What’s more, both the understanding of risk, and the appetite for it have changed. It is notable that some investors seem to be adopting an increasingly negative attitude even towards lower risk assets, such as government bonds, which have seen performance improve in the last month. This shows the current levels of uncertainty among investors.”

Gold has been the stand-out performer when looking at actual market returns, and this has been reflected in investor sentiment rising by 8.57% over the month. In 2016, gold has overtaken UK equities as the second-most favourable asset class behind UK property.

The other positive actual market performance change over the past month was in government bonds, which improved by 2.2%. This asset class has experienced a 3.4% improvement in value over the past six months, making it the top-performing asset class over this period. However, investor sentiment has not reflected this, with confidence in government bonds dropping by 3.87% this month, following a fall of 4.08% in January.

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**For further information**

Chris Tuttlebee  
07850 723 184

[christopher.tuttlebee@lloydsbanking.com](mailto:christopher.tuttlebee@lloydsbanking.com)

Adrian Jones  
07990 567855

[adrian.jones@lloydsbanking.com](mailto:adrian.jones@lloydsbanking.com)

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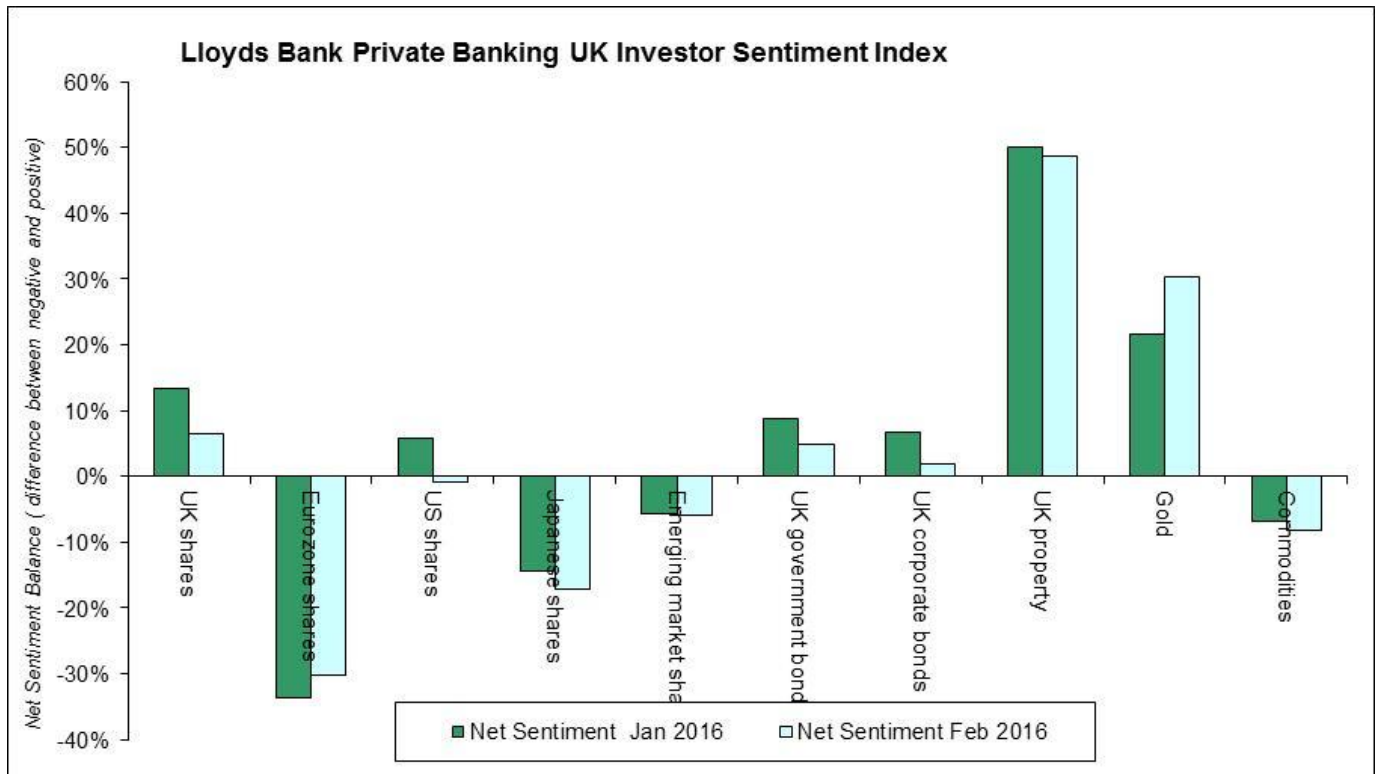
Tel: 0207 356 2374 Website: <http://www.lloydsbankinggroup.com/media.asp>

**Notes to Editors:**

**Table 1: Net Sentiment, Source: Investor Sentiment Index**

	Net Sentiment February 2015	Net Sentiment January 2016	Net Sentiment February 2016	Monthly PP Change in Net Sentiment January 2016 – February 2016	Annual PP Change in Net Sentiment February 2015 – February 2016
UK shares	29.11%	13.26%	<b>6.38%</b>	-6.88%	-22.73%
Eurozone shares	-46.48%	-33.75%	<b>-30.28%</b>	3.47%	16.20%
US shares	17.51%	5.79%	<b>-0.80%</b>	-6.59%	-18.31%
Japanese shares	-5.46%	-14.31%	<b>-17.05%</b>	-2.74%	-11.59%
Emerging market shares	11.53%	-5.75%	<b>-5.90%</b>	-0.15%	-17.43%
UK government bonds	19.47%	8.84%	<b>4.97%</b>	-3.87%	-14.50%
UK corporate bonds	13.42%	6.62%	<b>1.86%</b>	-4.76%	-11.56%
UK property	46.72%	50.05%	<b>48.61%</b>	-1.44%	1.89%
Gold	31.49%	21.67%	<b>30.24%</b>	8.57%	-1.25%
Commodities	1.41%	-6.88%	<b>-8.26%</b>	-1.38%	-9.67%
<b>Average</b>	<b>11.87%</b>	<b>4.55%</b>	<b>2.98%</b>	<b>-1.58%</b>	<b>-8.90%</b>

Chart 1: Lloyds Bank Private Banking UK Investor Sentiment Index



<sup>1</sup>Net 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 4933 adults, of which 1,123 were investors. Fieldwork was undertaken between 1st - 2nd February 2016. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

Table 2: Asset Class Performance

	1 month % Change	3 month % Change	6 month % Change	12 month % Change
UK Shares	-5.8%	-7.8%	-9.3%	-11.0%
Eurozone Shares	-7.9%	-11.2%	-13.7%	-9.5%
US Shares	-8.3%	-10.1%	-11.0%	-7.1%
Japanese Shares	-8.6%	-9.0%	-13.7%	-1.6%
Emerging Market Shares	-8.0%	-11.6%	-14.3%	-11.5%
UK Government Bonds	2.2%	1.1%	3.4%	-1.8%
UK Corporate Bonds	-0.4%	-0.9%	-2.0%	-8.3%
UK Property	-9.1%	-14.2%	-11.0%	-7.5%
Gold	4.5%	-5.2%	1.7%	-13.6%
Commodities	-5.9%	-21.9%	-27.8%	-29.8%

	<b>Thomson Reuters Definition</b>	<b>Code</b>
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	BARCLAYS £ AGG AGG: CORPORATE (£)	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

Source: Datastream, all data to end of trading 28th January 2016

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

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