



### Lloyds Bank Investor Sentiment Index

#### Investors continue gold rush in the face of prolonged drop in price

- Investor sentiment continues to improve slowly, with gold topping the popularity stakes
  - US equities mark an upturn in sentiment
- UK property sees the largest decline in confidence over the last four weeks
  - Actual asset class performance paints a positive picture month on month

The latest figures from the Lloyds Bank Investor Sentiment Index show that investor confidence continues to edge up gradually for the second month in a row, despite current market and economic unpredictability, correlating with positive one-month actual performance figures for all but three asset classes.

Gold's reputation as a 'store of value' once again enables it to gain the highest sentiment, despite its recent price volatility. Commodities are maintaining the upward confidence trajectory that began last month which would appear to reflect recent higher prices in the asset class. Also, the sentiment towards US equities has swung from negative to modestly positive, which corresponds with the fragile improvement in the US economy.

Sentiment towards UK equities is positive, however it is currently 34 percentage points lower than it was this time last year, representing a significant downward change to what appears to be one of the most trusted investments among survey respondents.

There were just two asset classes for which the sentiment fell month-on-month. While UK property remains popular, investor sentiment fell by almost 10 percentage points in the past month and it suffered its biggest year-on-year drop of almost 26 percentage points. Rather more surprisingly, the other asset class with lower month-on-month sentiment was UK government bonds, which has gone from positive to negative after years of predominantly positive ratings and, it too, has endured its biggest year-on-year fall in confidence of nearly 17 percentage points.

Eurozone equities and, perhaps unexpectedly in the current risk-off climate, cash are generating the most negative sentiment, followed by Japanese equities. Nonetheless, faith in all three asset classes has risen over the last month, with the biggest change in stance brought about by the upsurge in sentiment towards Japanese equities (an improvement of 10.83%).

**Markus Stadlmann, Chief Investment Officer at Lloyds Private Banking**, says: "The change in attitude towards UK property could be telling and is consistent with the broader feeling that there could be reduced potential in house price gains following sustained growth. Likewise there may be the desire

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to increase liquidity during a period of market turbulence.”

Actual Performance of the asset classes over the past month has correlated with the overall sentiment by being relatively positive. However, gold, eurozone equities and emerging market equities did experience month-on-month declines of 5.8%, 1.7% and 1.6% respectively. Performance over the past 12 months is more negative, led by a 26.2 percentage point decline for commodities. Only UK government bonds up 3.8 percentage points, gold up 1.9% and cash up 0.5% improved during this period.

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Notes to Editors:

Table 1: Net Sentiment, Source: Investor Sentiment Index

	Net Sentiment June 2015	Net Sentiment May 2016	Net Sentiment June 2016	Monthly PP Change in Net Sentiment May 2016 – June 2016	Annual PP Change in Net Sentiment June 2015 – June 2016
UK shares	40.20%	4.86%	<b>6.46%</b>	1.60%	-33.74%
Eurozone shares	-29.28%	-37.44%	<b>-36.20%</b>	1.24%	-6.92%
US shares	16.44%	-0.66%	<b>5.55%</b>	6.21%	-10.89%
Japanese shares	2.19%	-16.62%	<b>-5.79%</b>	10.83%	-7.98%
Emerging market shares	20.02%	1.97%	<b>4.50%</b>	2.53%	-15.52%
UK government bonds	16.47%	1.99%	<b>-0.38%</b>	-2.37%	-16.85%
UK corporate bonds	13.02%	-0.11%	<b>0.10%</b>	0.21%	-12.92%
UK property	55.44%	38.70%	<b>29.50%</b>	-9.20%	-25.94%

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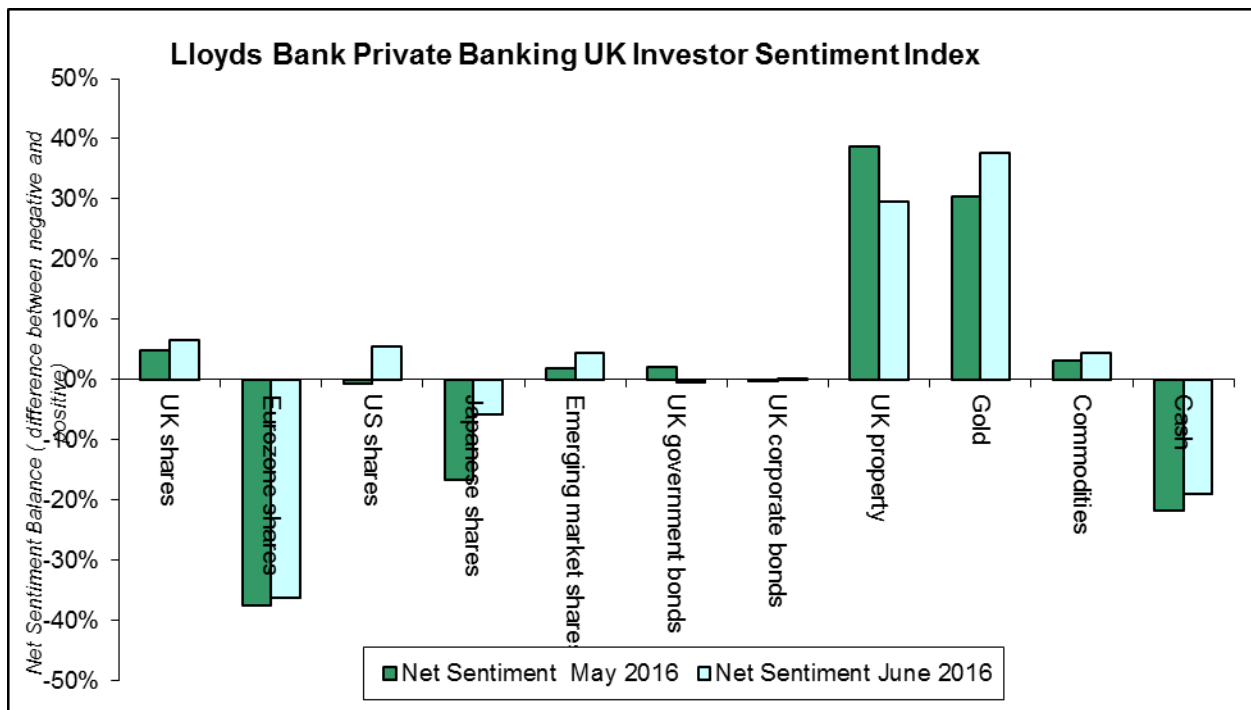


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Gold	29.77%	30.49%	<b>37.56%</b>	7.07%	7.79%
Commodities	13.71%	3.24%	<b>4.45%</b>	1.21%	-9.26%
Cash		-21.71%	<b>-19.09%</b>	2.62%	-19.09%
<b>Average*</b>	17.80%	2.64%	<b>4.58%</b>	1.93%	-13.22%

\*Average excluding cash

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 4,445 adults, of which 1,057 were investors. Fieldwork was undertaken between 28th April - 3rd May 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

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	1 month % Change	3 month % Change	6 month % Change	12 month % Change
UK Shares	0.2%	2.5%	-2.1%	-9.9%
Eurozone Shares	-1.7%	7.4%	-4.0%	-9.0%
US Shares	1.6%	8.9%	0.6%	-2.0%
Japanese Shares	2.8%	6.0%	-11.9%	-16.1%
Emerging Market Shares	-1.6%	7.1%	-3.5%	-10.5%
UK Government Bonds	1.4%	-1.0%	3.3%	3.8%
UK Corporate Bonds	0.9%	3.8%	1.8%	-1.1%
UK Property	1.5%	8.4%	-7.5%	-7.4%
Gold	-5.8%	-1.6%	14.1%	1.9%
Commodities	2.2%	18.1%	0.3%	-26.2%
Cash	0.0%	0.1%	0.3%	0.5%

	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	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
Cash	JPM UK CASH 1M - TOT RETURN IND	JPUK1ML

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Source: Datastream, all data to end of trading 31st May 2016. Note: all asset class returns calculated and expressed in local currency terms.

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