

PRESS RELEASE

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LLOYDS BANK INVESTOR SENTIMENT INDEX

Little festive cheer for UK, US and Eurozone assets as geopolitical events take their toll

UK, Eurozone and US assets all suffer popularity dip over 2016

Cash is big December winner with sentiment jump of nearly 10%

Gold and commodities record best sentiment rises over 12 months

As 2016 draws to a close, UK investor sentiment has continued to fall despite the upswing in equity markets in the wake of the US election result.

In the last month, confidence in all UK and international equity markets declined, along with most other asset classes. Only UK Government bonds, UK corporate bonds and UK property saw sentiment improve, although feelings towards UK bonds remain in negative territory.

Sentiment towards European equities saw the greatest fall, down a significant 11.43%, taking it to almost -40%. Despite the US stock market rising 3.6% in November, sentiment towards US equities declined by nearly 10% (down 9.51%) to its lowest ever level since the ISI was launched in March 2013.

Confidence in UK equity markets remains positive overall, despite a 4.45% decline during the previous month. Over the last year, however, UK equities have seen the largest fall in sentiment of all equity asset classes – only UK property has seen a larger year-on-year drop. Sentiment towards gold remains strong and rose nearly 25% (+24.83%) over the year, although it slipped marginally in the last month, reflecting investor preference for safe haven assets. Although cash remains firmly negative in aggregate, investors warmed to it in December, with sentiment rising by 10%.

OVERALL INVESTOR SENTIMENT

-1.07%
monthly decrease



-5.11%
yearly decrease

ASSET CLASS PERFORMANCE by month



+ Japanese shares

4.9%



Gold

-8%



Markus Stadlmann, Chief Investment Officer at Lloyds Private Banking, says:

“It seems increasingly likely that 2016 will be seen as the beginning of a new era, with geopolitical issues at the fore. Whilst the EU referendum and the US election were both on the horizon a year ago, few people anticipated the level of change that these events have triggered.

Given this backdrop, it is no surprise to see both UK and US shares experiencing a fall in sentiment at the end of the year. Interestingly however, their drop in popularity contrasts with their uplift in asset class performance when we compare the data with this time last year.

Eurozone shares are the biggest loser in December and have suffered an *annus horribilis*. Their December sentiment reading is extreme and sits closer to -40% than in the previous month, and the outlook will continue to be bleak as we move into 2017, amidst much geopolitical uncertainty across the Eurozone. The resignation of Italian PM Renzi was simply the latest instalment. We have used this situation to our benefit and added to European equity positions counter-cyclically.

At the other end of the scale, sentiment towards Gold scores over 40% once again for the month, and finishes 2016 as the biggest sentiment winner in year-on-year comparisons. Emerging market equities and Japanese equities also both round off the year with healthy sentiment figures across 12 months.”



Actual performance of the asset classes over the past month has been mixed. Eurozone and UK equities both fell, as did emerging market equities, whilst US and Japanese equities gained in value. UK government and corporate debt declined by similar levels; commodities gained 2.5% whilst other real assets - UK property and gold - both fell. Although gold was the biggest faller in the month (down 8%), it has shown the biggest gain year-on-year, up 9.3%, reinforcing the view that investors have been focussed on safe haven assets. UK property has been the biggest loser from the EU referendum, declining by 19.2% over the last year.

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Notes to Editors

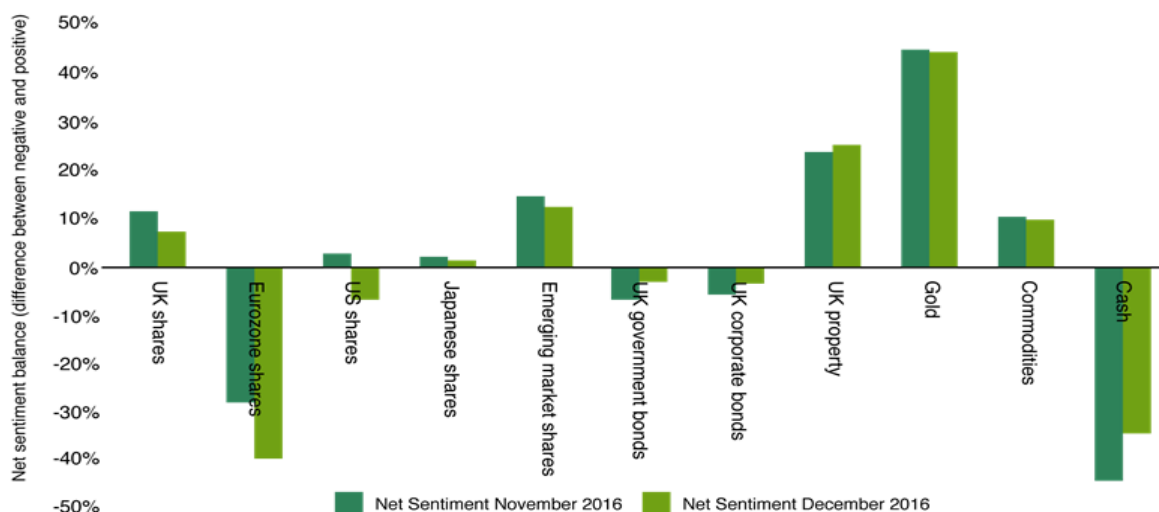
All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 4,494 adults, of which 1,132 were investors. Fieldwork was undertaken 30 November - 2 December 2016. The survey was carried out online.

Table 1: Net Sentiment, Source: Investor Sentiment Index

	Net Sentiment December 2015	Net Sentiment November 2016	Net Sentiment December 2016	Monthly PP Change in Net Sentiment November 2016 – December 2016	Annual PP Change in Net Sentiment December 2015 – December 2016
UK shares	26.35%	11.34%	6.89%	-4.45%	-19.46%
Eurozone shares	-28.84%	-28.29%	-39.72%	-11.43%	-10.88%
US shares	11.06%	2.56%	-6.95%	-9.51%	-18.01%
Japanese shares	-7.49%	2.03%	1.72%	-0.31%	9.21%
Emerging market shares	6.04%	14.63%	12.32%	-2.31%	6.28%
UK Government bonds	12.92%	-6.75%	-3.57%	3.18%	-16.49%
UK corporate bonds	11.28%	-6.04%	-3.80%	2.24%	-15.08%
UK property	48.17%	23.93%	25.26%	1.33%	-22.91%
Gold	19.63%	44.86%	44.46%	-0.40%	24.83%
Commodities	-1.46%	10.06%	9.96%	-0.10%	11.42%
Cash		-44.25%	-34.26%	9.99%	NA
Average*	9.77%	2.19%	1.12%	-1.07%	-5.11%

*Average excluding cash

Lloyds Bank Private Banking UK Investor Sentiment Index



Asset Class Performance

	1 month % Change	3 month % Change	6 month % Change	12 month % Change
UK shares	-2.0%	-0.3%	7.0%	4.7%
Eurozone shares	-3.8%	-4.4%	-4.8%	-8.6%
US shares	3.6%	1.4%	5.0%	5.6%
Japanese shares	4.9%	9.6%	5.0%	-7.5%
Emerging market shares	-2.5%	-4.5%	-5.3%	-8.6%
UK Government bonds	-1.6%	-6.9%	1.3%	4.6%
UK corporate bonds	-1.6%	-7.5%	1.2%	3.1%
UK property	-0.6%	-7.9%	-12.7%	-19.2%
Gold	-8.0%	-10.6%	-4.2%	9.3%
Commodities	2.5%	5.2%	-3.1%	-2.8%
Cash	0.0%	0.1%	0.2%	0.4%

Source: Datastream, all data to end of trading 30 November 2016

Editor's Notes

	Thomson Reuters Definition	Code
UK shares	UK-DS Market - PRICE INDEX	TOTMKUK
Eurozone shares	EUROPE-DS Market - PRICE INDEX	TOTMKER
US shares	US-DS Market - PRICE INDEX	TOTMKUS
Japanese shares	JAPAN-DS Market - PRICE INDEX	TOTMKJP
Emerging market shares	EMU-DS Market - PRICE INDEX	TOTMKEM
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	SBBPUKE
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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