

PRESS RELEASE

LLOYDS BANK INVESTOR SENTIMENT INDEX



Monday 17th July 2017

JULY

OVERALL INVESTOR SENTIMENT



2.59%

BIGGEST RISER (INVESTOR SENTIMENT)



Japanese equities
and commodities
+0.59%

BIGGEST FALLER (INVESTOR SENTIMENT)



UK equities
-10.75%

KEY POINTS

- Investor sentiment drops to its lowest level this year – but still up on 12 months ago
- Eight out of 11 asset classes saw a fall in sentiment in July, with UK assets taking the biggest hit
- UK shares, property and bonds all saw a fall in sentiment and performance in the period following the UK general election
- Pre-election optimism has failed to hold firm following the election result

JULY ANALYSIS

Investor sentiment has fallen to its lowest level this year, dropping by **3.7%**, from **6.29%** to **2.59%** in July. However, overall sentiment is up 7.34% since July last year when it hit record lows immediately following the EU referendum.

Eight out of 11 asset classes saw a fall in sentiment in July, with UK asset classes in particular losing favour among investors. UK equities were the biggest faller with a **10.75%** decline, falling from **13.5%** to **2.75%**. This drop happened in the period following the UK general election and in the midst of continuing negotiations on the UK exiting the EU. UK bonds were the second biggest faller dropping **8.72%** from **-1.05%** to **-9.77%**.

Although overall investor confidence fell in July, Japanese equities and commodities did see a minor upturn in popularity with an increase of **0.59%**.

Despite a subdued July, UK property and UK equities are still amongst the best performers over the past year. UK property has seen an increase in sentiment of **19.97%** since 2016, closely followed by UK equities which experienced an **18.04%** rise over the same period. They were only eclipsed by Eurozone equities which rebounded by a considerable **35.71%** in 12 months. Overall gold is still the most popular asset class even though it saw the biggest reduction in confidence over the past year, experiencing a fall of **17.24%**.

Asset class performance paints a similar picture and largely mirrored sentiment over the last month. Only three asset classes, Japanese equities (**2.4%**), US equities (**0.5%**), and cash (**0%**) were in positive or neutral territory. As with investor sentiment, UK equities also saw a dip in performance however this was more modest than the reduction in confidence.

INVESTOR SENTIMENT INDEX



6.29% as at June 2017

2.59% as at July 2017

SENTIMENT OVER 12 MONTHS

BIGGEST RISER



Eurozone Shares

35.71%

BIGGEST FALLER



Gold

-17.24%

JULY PERFORMANCE

TOP ASSET CLASS



Japanese Shares

2.4%

BOTTOM ASSET CLASS



UK equities

-2.8%

OUR CHIEF INVESTMENT OFFICER SAYS

Markus Stadlmann, CIO, Lloyds Private Bank:



After the highs come the lows, and it appears that investors are feeling less confident following the UK General Election. In May, we saw investor sentiment reaching levels not recorded since April 2016, but this month's sharp decline – particularly towards UK assets – suggests that the election outcome and ensuing political dynamics have caused uncertainty in the markets.

A reversal of bond market trends wasn't helpful either. In the UK and elsewhere, markets have been very sensitive to perceived changes in communication by monetary policy makers. Whilst we do not expect the end of asset purchases by central banks alone to cause an unmanageable fall in bond prices, investors are rightly concerned. There are several other factors to consider when assessing the future development of global sovereign bond yields, most importantly the growth and inflation outlook, as well as financing requirements. When looking closely at these factors, none of them makes the fixed interest outlook any brighter.

Finally, the fall in sentiment towards Gold is not overly surprising. We anticipate that it will struggle over the next year, dented by rising interest rates after inflation and a strengthening US dollar.



NOTES TO EDITORS

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 4,516 adults, of which 1,064 were investors. Fieldwork was undertaken between 28 June and 1 July 2017. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

Table 1: Net Sentiment

	Net Sentiment July 2016	Net Sentiment June 2017	Net Sentiment July 2017	Monthly PP Change in Net Sentiment June 2017 – July 2017	Annual PP Change in Net Sentiment July 2016 – July 2017
UK shares	-15.29%	13.50%	2.75%	-10.75%	18.04%
Eurozone shares	-48.27%	-11.93%	-12.56%	-0.63%	35.71%
US shares	3.39%	0.78%	0.86%	0.08%	-2.53%
Japanese shares	-1.10%	6.90%	7.49%	0.59%	8.59%
Emerging market shares	7.29%	18.99%	15.89%	-3.10%	8.60%
UK government bonds	-15.96%	-1.05%	-9.77%	-8.72%	6.19%
UK corporate bonds	-13.83%	-0.17%	-4.07%	-3.90%	9.76%
UK property	-5.76%	21.18%	14.21%	-6.97%	19.97%
Gold	53.58%	40.37%	36.34%	-4.03%	-17.24%
Commodities	5.55%	11.46%	12.05%	0.59%	6.50%
Cash	-21.90%	-30.83%	-34.71%	-3.88%	-12.81%
Average*	-4.75%	6.29%	2.59%	-3.70%	7.34%

*Average excluding cash

Source: Investor Sentiment Index

Chart 1: Lloyds Bank Private Banking UK Investor Sentiment Index

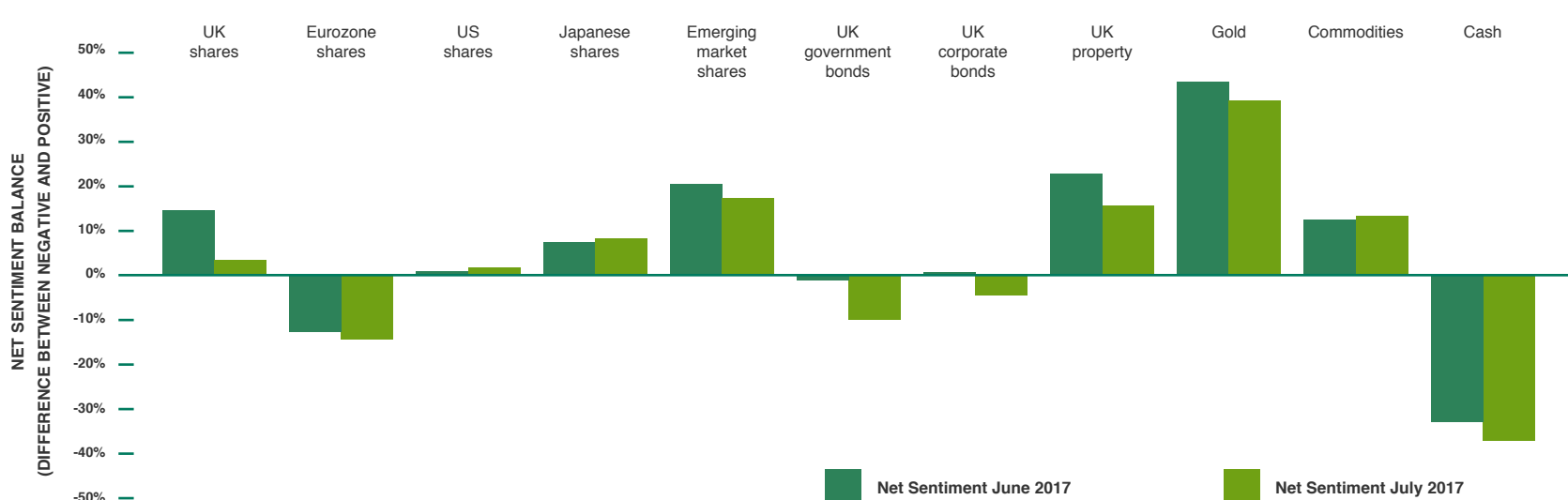


Table 2: Asset Class Performance

	1 month change (%)	3 month change (%)	6 month change (%)	12 month change (%)
UK shares	-2.8%	0.1%	3.4%	13.8%
Eurozone shares	-1.2%	7.8%	16.9%	25.5%
US shares	0.5%	2.5%	8.3%	15.5%
Japanese shares	2.4%	6.1%	5.5%	26.4%
Emerging market shares	-1.2%	6.4%	13.6%	19.1%
UK government bonds	-1.9%	-1.1%	0.3%	-1.8%
UK corporate bonds	-1.7%	-0.9%	-0.4%	0.6%
UK property	-2.7%	1.2%	2.1%	6.7%
Gold	-2.5%	-0.8%	7.4%	-6.9%
Commodities	-1.9%	-5.5%	-10.2%	-9.0%
Cash	0.0%	0.1%	0.1%	0.3%

Source: Datastream, all data to end of trading 30st June 2017

MEDIA CONTACTS

Caroline Church-Taylor

+44 (0)20 7494 3625

Lloydspb@lansons.com

Robbie Steel

+44 (0)20 7294 3616

Lloydspb@lansons.com