Private Banking
Lloyds TSB

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Investor confidence at lowest ebb since financial crisis - UK

- Only 25 per cent of investors are confident in the stock market's prospects over the next year, a fall of seven per cent in the last six months, an 11 per cent drop on two years ago
- Sentiment spirals to lowest level since December 2008, when 19 per cent said they were 'very' or 'somewhat confident' about UK equities
- But Lloyds TSB Private Banking's Ash Misra points to falling commodity prices and the likelihood of 'accommodative' monetary policy as positive signals and thinks that wider economic recovery is intact

Investor confidence in the UK stock market is at its lowest ebb since the height of the financial crisis, according to Lloyds TSB Private Banking's *Investor Outlook* survey.

The twice-yearly survey of 1,000 retail investors found that only 25 per cent of investors are confident in the stock market's prospects over the next year, a fall of seven per cent in the last six months and an 11 per cent drop on two years ago. In fact, sentiment is plunging towards levels not seen since December 2008 when the FTSE100 finished the year 31 per cent down, its worst annual performance since the current index was created in 1984.

The latest survey was also conducted in mid-July, before the recent turmoil in global financial markets fuelled by US and Eurozone debt fears. Lloyds TSB Private Banking expects investor sentiment is now even lower than the survey suggests.

"Investors have been shaken by six months of negative news-flow, declining stock prices and question marks about the pace and trajectory of economic recovery," said **Ash Misra, head of investment strategy, Lloyds TSB Private Banking**. "Their worries about inflation, natural and manmade catastrophes in Japan and an ongoing lack of political leadership to satisfactorily address US and Eurozone debt issues are all conspiring against them."

Investors are also increasingly apprehensive about other asset classes such as government bonds, corporate bonds and property. Only 15 per cent say they are now more confident in government bond investments than six months ago; only 17 per cent are more confident in property; and nine per cent have more faith in corporate bonds.

The steep drop in confidence comes from widespread fears on the impact of inflation, with 44 per cent of investors indicating that high inflation is their primary investment concern. Forty-two per cent of respondents are concerned about market volatility, 34 per cent are concerned about public spending cuts and 23 per cent are worried about the eurozone debt crisis.

Ash Misra continues, "Investors should ask themselves – what are the signals from recent market trends? Is the recovery at risk of reversing and are fundamentals irrevocably damaged? Is the bull market that began in March 2009 over and has a new bear market begun? Our view remains that the recovery is intact and that this is likely not the start of a new bear market although risks remain to the downside and extra vigilance will be rewarded.

"My current view is, while the current extreme pessimism in markets is understandably overwhelming, investors should look to some key positives to maintain a balanced view: commodity prices are falling which should lower inflationary threats, increase profit margins for companies that use them and, not least, put additional discretionary spending power in consumers' hands as they save on lower energy costs.

"Also, the monetary policy outlook remains benign and accommodative. And while investor pessimism is elevated, signals from money markets and interest rate swaps markets hardly suggests that a new catastrophe is imminent.

"All bull markets have to climb the fabled 'wall of worry', and we think this time is no different. We continue to advise clients about the benefits of diversified, disciplined investing and the importance of not letting short-term volatility dilute the focus on potential long-term financial goals."

To find out more about Lloyds TSB Private Banking's wealth advice and its range of private banking services call 020 7797 2900 or visit lloydstsb.com/private_banking, where you can also find contact details for Lloyds TSB Private Banking's 28 local offices.

Ends

Notes to editors:

This half-yearly survey is conducted among UK Stock Market Investors, to provide clear insights into financial attitudes & behaviour and to allow changes over time to be tracked on a bi-annual basis. This wave was the seventh time the survey was conducted. These results are based on an independent online survey conducted by Research Plus Ltd on behalf of Lloyds TSB Private Banking. The opinions expressed are that of our current, in-house view and are subject to change. A sample of 1000 UK adults, aged 18+, who currently hold / held in the past 6 months, stock market investments, were surveyed, 13 - 20 July 2011. To ensure consistency between waves, the relative proportions of these types of investors were monitored, along with gender, age and region, to avoid the possibility of a skewed sample.

About Lloyds TSB Private Banking

Lloyds TSB Private Banking was established in 1986. We offer a range of expert solutions in banking, savings and investments, insurance, tax and retirement planning. Lloyds TSB Private Banking is part of the Lloyds Banking Group. Lloyds TSB Group plc was renamed Lloyds Banking Group plc on 19 January 2009 following the acquisition of HBOS plc, and is now the largest retail banking group in the UK.

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