

Lloyds Bank Investor Sentiment Index

Investor positivity plummets to near record lows

- **December saw investor sentiment drop to its second lowest level since the middle of 2013.**
- **Actual market performance drops on all ten asset classes compared with the previous month.**
- **Even with market uncertainty, investors are still favouring UK property and gold rather than fixed income assets like bonds.**

This month's Lloyds Bank Private Banking Investor Sentiment Index shows how UK investor sentiment has dropped throughout December to be at its second lowest level (4.55%) since July 2013. Only September 2015 (3.23%) recorded lower levels of investor confidence during this time, which was driven by the initial concerns about the slowing of China's economy and the impact of currency devaluation.

Over the last month, the actual market performance of all ten asset classes declined, with commodities leading the way with another huge drop in performance of 8.6%. See table 2. With lingering concerns about China's economy still ongoing, sentiment towards all individual asset classes also declined month-on-month, with the exception of UK property and gold. These two asset classes bucked the trend with small rises in sentiment of 1.88% and 2.04% respectively.

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

"Investors are feeling particularly gloomy at the moment, with asset class performance dropping off as we start 2016.

"Within the context of the declining market performance and declining levels of sentiment, it is surprising to see sentiment towards the typical 'safe havens' of bonds also falling. This might indicate that, by sticking to what is familiar in terms of property and gold which have seen increases in sentiment; some investors are failing to consider a potential opportunity of lower risk in fixed income assets like bonds."

When comparing the year-on-year changes in sentiment, only UK property has increased its positive position, with a substantial 12 percentage point rise over 12 months, taking it to a very high level of 50.1%. Eurozone equities have also improved levels of sentiment in this time (rise of 9.06%), but sentiment towards this asset class remains extremely negative at -33.75%.

In contrast, emerging market equities have fallen out of favour. In December they were regarded positively with a sentiment of 6.0%, whereas in January, the sentiment turned negative to -5.8% (a fall of 11.79%). Sentiment towards the asset class also fell 15.11% year-on-year, the biggest fall across all the asset classes.

Despite their 10.7% growth in actual market performance, Japanese equities are still failing to impress the UK investor; the sentiment reading of -14.31% is the poorest since its record low in this survey, also registered in September 2015.

-ends-

This information is intended for the sole use of journalists and media professionals.

For further information

Chris Tuttlebee
07850 723 184
christopher.tuttlebee@lloydsbanking.com

Adrian Jones
07990 567855
adrian.jones@lloydsbanking.com

Lloyds Bank is part of Lloyds Banking Group

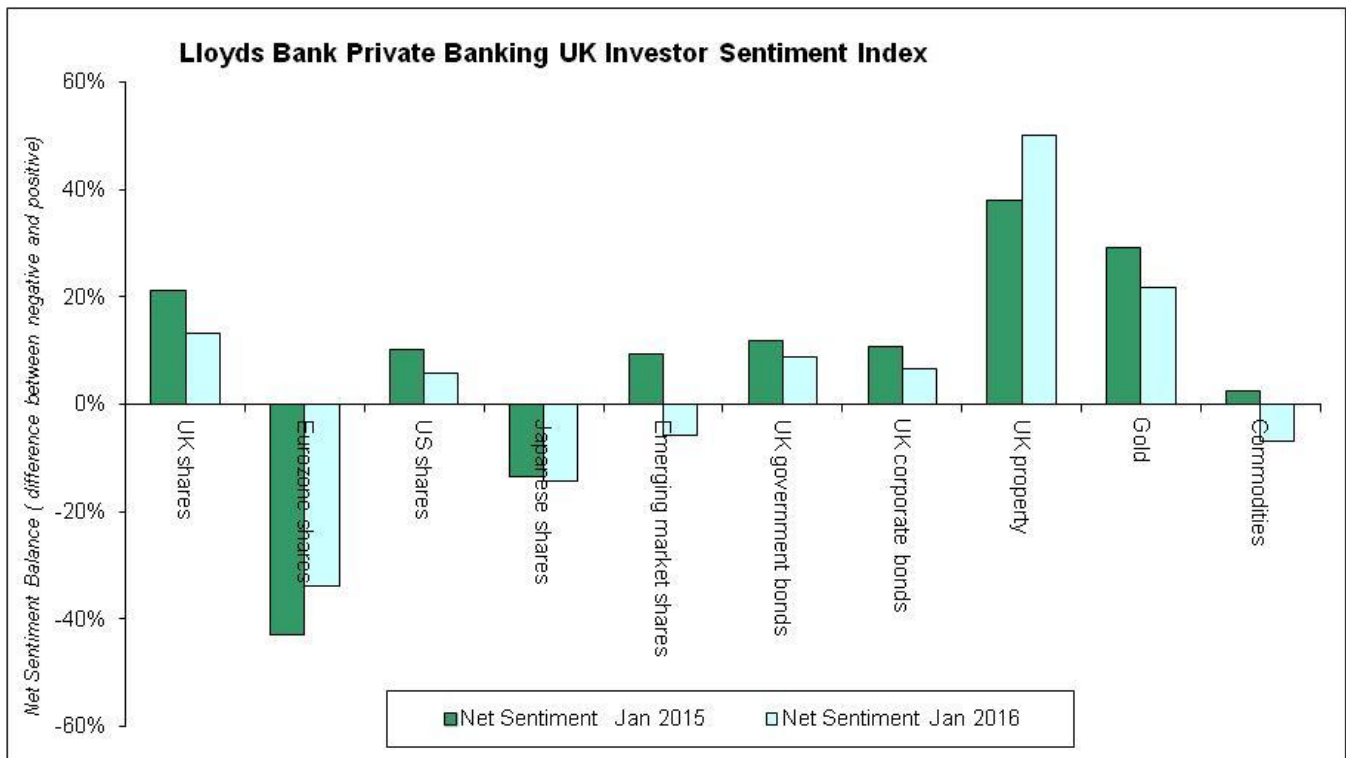
Tel: 0207 356 2374 Website: <http://www.lloydsbankinggroup.com/media.asp>

Notes to Editors:

Table 1: Net Sentiment, Source: Investor Sentiment Index

	Net Sentiment January 2015	Net Sentiment December 2015	Net Sentiment January 2016	Monthly PP Change in Net Sentiment December 2015 – January 2016	Annual PP Change in Net Sentiment January 2015 – January 2016
UK shares	21.21%	26.35%	13.26%	-13.09%	-7.95%
Eurozone shares	-42.81%	-28.84%	-33.75%	-4.91%	9.06%
US shares	10.27%	11.06%	5.79%	-5.27%	-4.48%
Japanese shares	-13.37%	-7.49%	-14.31%	-6.82%	-0.94%
Emerging market shares	9.36%	6.04%	-5.75%	-11.79%	-15.11%
UK government bonds	11.75%	12.92%	8.84%	-4.08%	-2.91%
UK corporate bonds	10.74%	11.28%	6.62%	-4.66%	-4.12%
UK property	37.90%	48.17%	50.05%	1.88%	12.15%
Gold	29.13%	19.63%	21.67%	2.04%	-7.46%
Commodities	2.36%	-1.46%	-6.88%	-5.42%	-9.24%
Average Change	7.65%	9.77%	4.55%	-5.21%	-3.10%

Chart 1: Lloyds Bank Private Banking UK Investor Sentiment Index



¹Net 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 4,621 adults, of which 1,152 were investors. Fieldwork was undertaken between 4th - 5th January 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, Source: Datastream, all data to end of trading 31st December

	1 month % Change	3 month % Change	6 month % Change	12 month % Change
UK Shares	-1.4%	3.1%	-3.6%	-2.5%
Eurozone Shares	-1.9%	3.7%	-4.7%	-1.6%
US Shares	-1.9%	5.7%	-2.3%	-1.7%
Japanese Shares	-1.9%	10.0%	-4.4%	10.7%
Emerging Market Shares	-2.1%	2.2%	-6.7%	-3.6%
UK Government Bonds	-1.2%	-1.7%	1.4%	-1.9%
UK Corporate Bonds	-1.3%	-0.3%	-0.9%	-4.6%
UK Property	-2.7%	-2.0%	2.5%	9.1%
Gold	-0.5%	-5.0%	-9.7%	-10.9%
Commodities	-8.6%	-16.6%	-32.7%	-32.9%

	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

Source: Datastream, all data to end of trading 31st December 2015

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

This document has been prepared by Lloyds Bank plc (“Lloyds Bank/Us/Our/We”) for information purposes only. This document is not intended to be investment research and has not been prepared in accordance with legal requirements to promote the independence of investment research and should not necessarily be considered objective or unbiased. Any views, opinions or forecast expressed in this document represent the views or opinions of the author and are not intended to be, and should not be viewed as advice or a recommendation. You should make your own independent evaluation, based on your own knowledge and experience and any professional advice which you may have sought, on the applicability and relevance of the information contained in this document.

The material contained in this document has been prepared on the basis of information believed to be reliable and whilst We have exercised reasonable care in its preparation, no representation or warranty, as to the accuracy, reliability or completeness of the information, express or implied, is given. This document is current at the date of publication and the content is subject to change without notice. We do not accept any obligation to any recipient to update or correct this information. Lloyds Bank, its Directors, officers and employees are not responsible and accept no liability for the impact of any decisions made based upon the information, views, forecasts or opinion expressed.

This document has been prepared by Lloyds Bank, which is a trading name of Lloyds Bank plc. Lloyds Bank plc. Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 119278.