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## Lloyds Bank Investor Sentiment Index

### Investor confidence sinks to lowest level on record

- **Investor sentiment drops to its lowest level since the Index began three years ago.**
- **March saw attitude towards UK equities turn negative for the first time ever.**
- **Confidence towards commodities rebounds despite the actual market performance of the asset class again declining in value over the last month.**

**Ongoing market turmoil has seen investor confidence hit record lows in March, according to the latest Lloyds Bank Private Banking Investor Sentiment Index.** After three consecutive months of falling sentiment, the mood among investors is now at its lowest level since the Index began in March 2013 (2.26%, see table 1).

When looking at the actual market performance of the ten asset classes, it is easy to see why sentiment continues to drop. March saw declining performance across seven of the ten asset classes. Unsurprisingly gold and UK government bonds bucked this trend, with UK equities seeing a slight month-on-month increase. See table 2.

The overall fall in sentiment was driven by the increasingly unfavourable feeling towards UK equities which, for the first time, has become negative (now at -2.49% in March). Compared to one year earlier, this constitutes a collapse of 39 percentage points on what has been historically one of the most highly regarded of the ten asset classes as far as investors are concerned. This fall contrasts slightly with the actual market performance of UK equities, which actually nudged up by 0.3% month-on-month, but the Index has shown that sentiment tends to take a while to recover from bad news.

Perception of commodities improved in March, the first month-on-month increase since November, rebounding by 6.85%. This has taken overall sentiment towards commodities higher than sentiment towards UK equities for the first time since April 2013. This reflects the huge year-on-year sentiment drop towards UK equities, but also shows an improving picture of investment favourability towards commodities, perhaps suggesting the bottom of this market may be drawing closer.

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

“The first ever move to negative sentiment towards UK equities is potentially significant. Investors tend to focus most of their efforts on domestic markets, so a negative view of the UK equity market suggests an increasingly dour view overall, which is reinforced by the Index dropping to its lowest ever level.

“At the same time, we are seeing some glimmers of a recovery in the performance of some asset classes, suggesting that broad sentiment may lag the markets in some areas. Positive sentiment towards gold is increasing sharply as performance recovers well, but investors

should always be wary about becoming too euphoric about certain markets based on short-term returns.

"Interestingly, commodities are seeing some recovery in positive sentiment and this may reflect the notion that this asset class may be reaching recovery mode in the short term. We certainly see commodities stabilising and have a more positive view as a result. As the EU Referendum edges closer, talk of increased market volatility may have an impact on overall investor sentiment over the coming months."

The reversal in sentiment compared to one year ago is pronounced, with only gold seeing a positive change in the eyes of investors. Despite minor rises in net sentiment of 0.03% and 0.56% for UK government and corporate bonds respectively, they have both reached record year-on-year falls of around 15 percentage points each.

Elsewhere, eurozone shares remain desperately unpopular with a sentiment rating of -39.92%, while UK property and gold continue to lead positive sentiment with ratings of around 40% each despite their diverging performance in the markets: UK property is on a negative trajectory while gold is benefiting from its perceived status as a "haven" investment during turbulent times.

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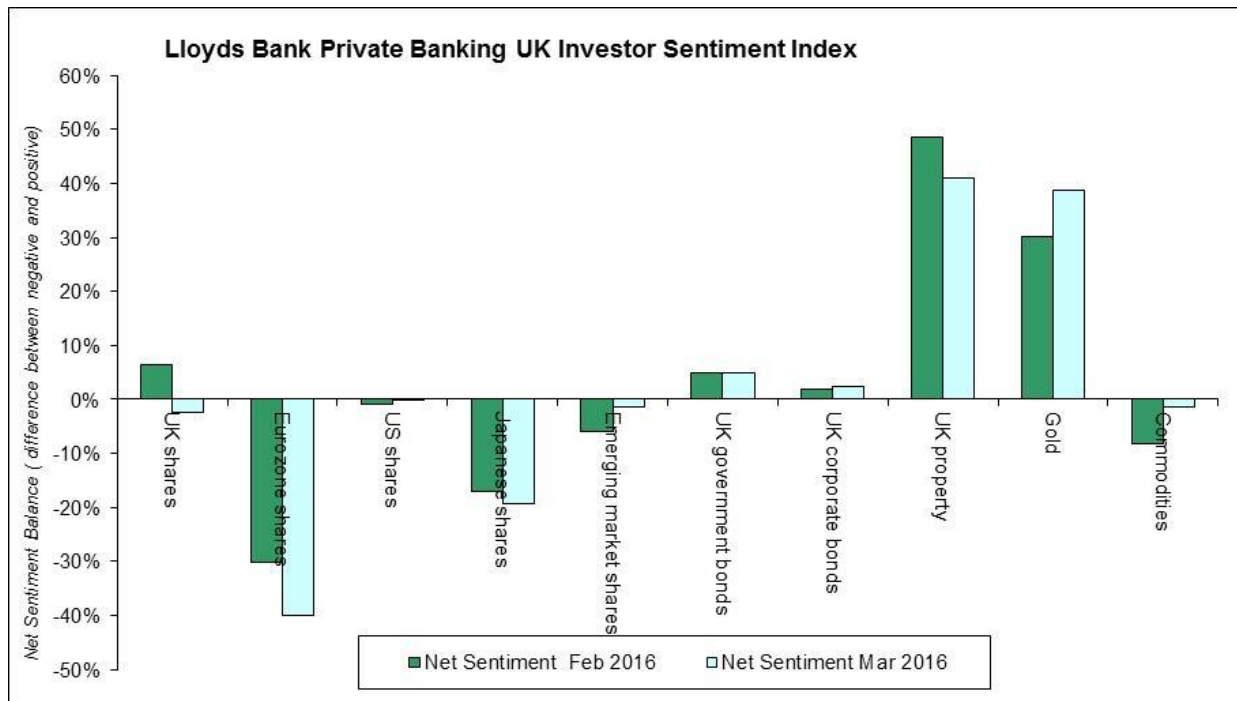
**Notes to Editors:**

**Table 1: Net Sentiment, Source: Investor Sentiment Index**

	Net Sentiment March 2015	Net Sentiment February 2016	Net Sentiment March 2016	Monthly PP Change in Net Sentiment February 2016 – March 2016	Annual PP Change in Net Sentiment March 2015 – March 2016
UK shares	36.49%	6.38%	<b>-2.49%</b>	-8.87%	-38.98%
Eurozone shares	-33.06%	-30.28%	<b>-39.92%</b>	-9.64%	-6.86%
US shares	17.02%	-0.80%	<b>-0.05%</b>	0.75%	-17.07%
Japanese shares	-0.79%	-17.05%	<b>-19.43%</b>	-2.38%	-18.64%
Emerging market shares	16.76%	-5.90%	<b>-1.33%</b>	4.57%	-18.09%
UK government bonds	20.64%	4.97%	<b>5.00%</b>	0.03%	-15.64%

UK corporate bonds	17.29%	1.86%	<b>2.42%</b>	0.56%	-14.87%
UK property	43.42%	48.61%	<b>41.08%</b>	-7.53%	-2.34%
Gold	26.54%	30.24%	<b>38.75%</b>	8.51%	12.21%
Commodities	13.26%	-8.26%	<b>-1.41%</b>	6.85%	-14.67%
<b>Average</b>	<b>15.76%</b>	<b>2.98%</b>	<b>2.26%</b>	<b>-0.71%</b>	<b>-13.50%</b>

**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 4,295 adults, of which 1,071 were investors. Fieldwork was undertaken between 1st - 2nd March 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**

	<b>1 month % Change</b>	<b>3 month % Change</b>	<b>6 month % Change</b>	<b>12 month % Change</b>
UK Shares	0.3%	-4.5%	-2.8%	-10.9%
Eurozone Shares	-2.5%	-10.7%	-10.1%	-15.9%
US Shares	-0.4%	-7.7%	-3.7%	-9.7%
Japanese Shares	-8.9%	-16.9%	-14.2%	-13.4%
Emerging Market Shares	-1.5%	-9.9%	-10.1%	-16.4%

UK Government Bonds	2.0%	4.3%	5.4%	3.9%
UK Corporate Bonds	-1.0%	-1.9%	-1.3%	-6.4%
UK Property	-6.6%	-14.7%	-13.2%	-12.1%
Gold	10.6%	15.9%	9.0%	1.4%
Commodities	-2.0%	-15.1%	-27.4%	-36.6%

	<b>Thomson Reuters Definition</b>	<b>Code</b>
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 29th February 2016

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

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