



Lloyds Bank Investor Sentiment Index

Investor sentiment falls following EU Referendum

- UK equities and property see the greatest monthly decrease in confidence
- Opportunities begin to emerge in more riskier and less familiar asset classes
 - Gold remains most popular choice in current market

The latest figures from the Lloyds Bank Investor Sentiment Index show a substantial drop in investor confidence, post the results of the EU Referendum. After two consecutive months of improved sentiment, the mood among investors is now at its lowest level since the Index began in March 2013 and has turned negative for the first time.

Perhaps unsurprisingly, investor sentiment is increasingly negative to those asset classes exposed to the UK, with equities and in particular UK property falling sharply into negative territory (declines of 21.75 and 35.36 percentage points respectively). UK gilts also saw sentiment decline steeply, showing a drop of over 15 percentage points.

Sentiment towards cash has also seen a slight fall, and although last week The Monetary Policy Committee voted to leave rates unchanged, there is speculation that the Bank will take some action next month. Inflation expectations in the UK have risen following the fall in the value of sterling, raising the prospect of some price increases, particularly for dollar-based goods.

The continuing flight to safe havens has helped maintain and further the allure of gold, which has seen the greatest positive swing of 16 percentage points. Those assets classes which are typically seen as riskier and less familiar to many investors – commodities, emerging markets and Japanese equities, have also seen sentiment improve as investors look further afield from those asset classes they think may be most impacted by the UK's split from the EU. Although overall sentiment to Japan remains in negative territory, speculation has also grown that Prime Minister Shinzo Abe is contemplating helicopter money to revive the country with consumption vouchers for lower-income workers to be introduced as a combination of monetary and fiscal policy.

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

“We have seen strongly declining sentiment from investors in the aftermath of the Referendum. Initial reactions were clearly very negative to UK assets, although we did see some investors coming back to the table to buy back into UK shares following the initial sell-off.

“We would expect investor sentiment to continue to be susceptible to sharp, short-term shifts as investors absorb the news flow over the next 2-3 months.

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“One area where sentiment and market performance have moved in tandem is commercial property, and this is an asset class where we remain extremely vigilant, particularly around issues such as liquidity. Our client portfolios remained resilient over this period, as we had moved away from credit risk and built US positions relative to European exposure.”

Despite the sell-off in the wake of the Referendum, UK equities actually showed positive performance for the month ending on the 1st July. UK gilts rose nearly 5% in this period, whilst UK corporate bonds rose 2.9%. Gold was the strongest performer with a 10% increase, whereas Japanese equity declined 7.5% and UK commercial property fell by over 10%.

-Ends-

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Notes to Editors:

Table 1: Net Sentiment, Source: Investor Sentiment Index

| | Net Sentiment July 2015 | Net Sentiment June 2016 | Net Sentiment July 2016 | Monthly PP Change in Net Sentiment June 2016 – July 2016 | Annual PP Change in Net Sentiment July 2015 – July 2016 |
|------------------------|-------------------------|-------------------------|-------------------------|--|---|
| UK shares | 26.54% | 6.46% | -15.29% | -21.75% | -41.83% |
| Eurozone shares | -48.07% | -36.20% | -48.27% | -12.07% | -0.20% |
| US shares | 13.45% | 5.55% | 3.39% | -2.16% | -10.06% |
| Japanese shares | -0.80% | -5.79% | -1.10% | 4.69% | -0.30% |
| Emerging market shares | 9.73% | 4.50% | 7.29% | 2.79% | -2.44% |
| UK government bonds | 18.64% | -0.38% | -15.96% | -15.58% | -34.60% |
| UK corporate bonds | 12.49% | 0.10% | -13.83% | -13.93% | -26.32% |
| UK property | 47.15% | 29.50% | -5.76% | -35.26% | -52.91% |
| Gold | 35.62% | 37.56% | 53.58% | 16.02% | 17.96% |
| Commodities | 9.89% | 4.45% | 5.55% | 1.10% | -4.34% |
| Cash | | -19.09% | -21.90% | -2.81% | |
| Average* | 12.46% | 4.58% | -3.04% | -7.62% | -15.50% |

*Average excluding cash

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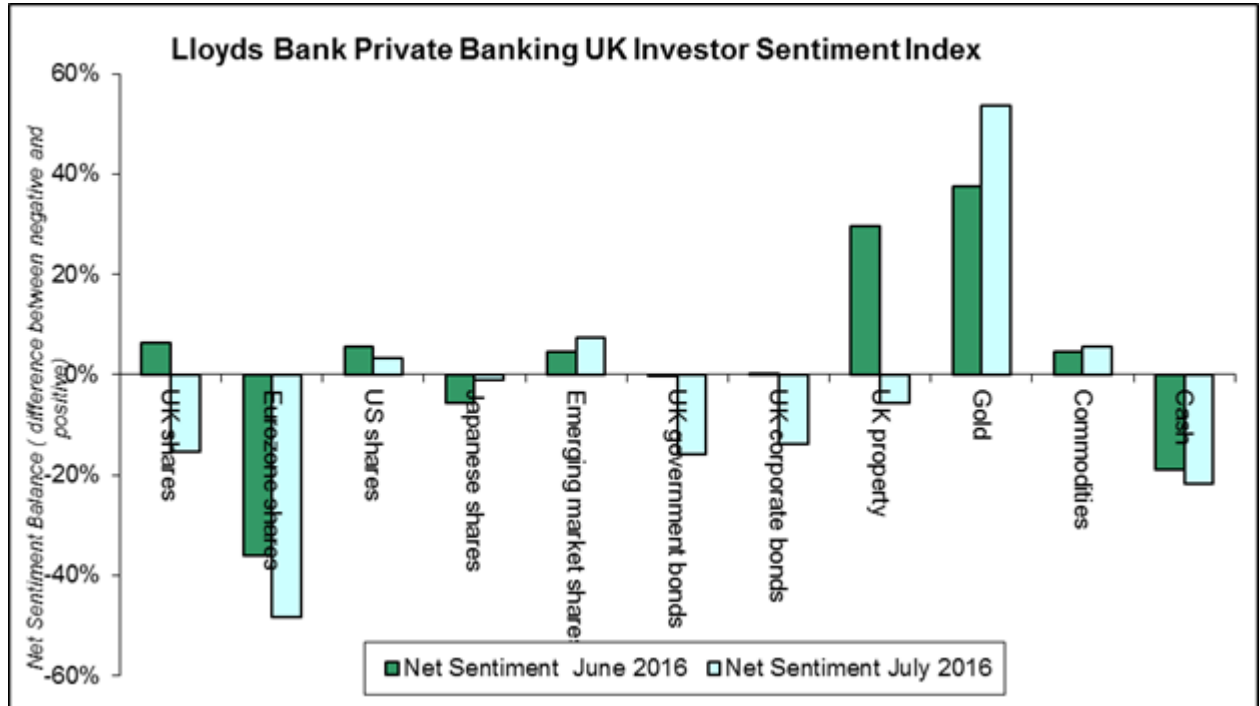
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Chart 1: Lloyds Bank Private Banking UK Investor Sentiment Index



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Table 2: Asset Class Performance

| | 1 month % Change | 3 month % Change | 6 month % Change | 12 month % Change |
|------------------------|------------------------|------------------------|------------------------|-------------------------|
| UK Shares | 3.9% | 4.7% | 2.4% | -2.6% |
| Eurozone Shares | -5.0% | -4.1% | -7.2% | -12.7% |
| US Shares | 0.1% | 1.8% | 2.8% | -0.2% |
| Japanese Shares | -7.5% | -3.5% | -17.9% | -21.8% |
| Emerging Market Shares | -3.6% | -2.3% | -5.4% | -12.5% |
| UK Government Bonds | 4.9% | 5.3% | 10.3% | 12.5% |
| UK Corporate Bonds | 2.6% | 4.4% | 6.6% | 6.0% |
| UK Property | -10.3% | -7.6% | -15.7% | -15.0% |
| Gold | 10.3% | 9.3% | 26.1% | 14.1% |
| Commodities | 0.5% | 15.9% | 10.6% | -24.2% |
| Cash | 0.0% | 0.1% | 0.3% | 0.5% |

Source: Datastream, all data to end of trading 1st July 2016

Editor's Notes

| | 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 | Sterling Aggregate: Corporate GBP-Average price | LHSACOR |
| UK Property | S&P UK PROPERTY - PRICE INDEX | SBBPUK£ |

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| | | |
|-------------|---|---------|
| 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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