



### Lloyds Bank Investor Sentiment Index

#### Investor sentiment bounces back to reach peak for 2016

- Gold remains the current asset class of choice
- UK equities and property show the biggest surge in confidence
- Overall asset classes saw an improvement in performance for the month

Investor confidence has bounced back following last month's fall in the wake of the EU Referendum, the latest figures from the Lloyds Bank Investor Sentiment Index show.

All asset classes bar two – gold and cash – have seen a rise in positive investor sentiment since last month despite continued market volatility. Investor sentiment is now at its highest level this year following a rise of 8.13 percentage points from July 2016.

Gold remains the preferred asset class for most investors (at 41.54%), although July saw a drop in sentiment of 12.04 percentage points. Whilst the past few weeks have seen greater stability in the political spectrum and a renewed confidence in the wider markets, this decline suggests investors no longer feel so compelled to shelter in safe havens.

UK equities and property showed the biggest increase in sentiment month on month (23.98 and 13.02 percentage points respectively). This follows a notable fall in confidence in July which was triggered by the EU Referendum and the subsequent suspension in trading of several of the large commercial property funds due to liquidity concerns. UK government and corporate bonds also rebounded despite remaining in negative territory.

Attitudes towards the typically more risky asset classes have also maintained an upward trend. The zeal for Emerging Market equities in particular, which has displayed positive sentiment for the fourth month in a row, continues to increase as investors witness a pickup in Chinese capital flows and more positive US data. Meanwhile, sentiment towards Japanese equities has become positive for the first time since June 2015.

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

"Investor sentiment has rebounded since the EU Referendum. The fact that gold and cash are viewed slightly less favourably reflects this greater confidence in risk assets. It is still early in the process, but as the economic data starts to come through, the post-Referendum outlook will become clearer for investors. For example, if we see clear evidence of real salary growth, this should be positive for UK households and would benefit the economy, but if domestic spending falls it will have an impact on specific companies and sectors. At present, UK equities appear to be

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proving resilient, and generally we are beginning to see more positive news emerge globally.”

Actual performance of the asset classes over the past month has correlated with the overall sentiment by being predominately positive. Only commodities experienced month on month declines, falling 11.1%, despite a slight increase in sentiment. UK and Eurozone equities were the strongest performers, despite the latter having displayed very negative sentiment since records began. In spite of the sell-off in the wake of the Referendum, UK government and corporate bonds have seen the biggest improvement in performance over the past 12 month period (13.3 % and 8.1% respectively) with only gold performing better at 23.3%.

**-Ends-**

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**For more information please contact:  
Rosie Everard, Lansons: (0)7870 856795  
Lloydspb@lansons.com**

**Notes to Editors:**

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

	Net Sentiment August 2015	Net Sentiment July 2016	Net Sentiment August 2016	Monthly PP Change in Net Sentiment July 2016 – August 2016	Annual PP Change in Net Sentiment August 2015 – August 2016
UK Shares	37.26%	-15.29%	8.69%	23.98%	-28.57%

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Eurozone Shares	-43.88%	-48.27%	-37.60%	10.67%	6.28%
US Shares	13.41%	3.39%	10.52%	7.13%	-2.89%
Japanese Shares	-5.86%	-1.10%	3.98%	5.08%	9.84%
Emerging Market Shares	9.43%	7.29%	15.92%	8.63%	6.49%
UK Government Bonds	19.86%	-15.96%	-3.71%	12.25%	-23.57%
UK Corporate Bonds	17.61%	-13.83%	-2.43%	11.40%	-20.04%
UK Property	54.37%	-5.76%	7.26%	13.02%	-47.11%
Gold	11.40%	53.58%	41.54%	-12.04%	30.14%
Commodities	5.41%	5.55%	6.68%	1.13%	1.27%
Cash		-21.90%	-34.04%	-12.14%	
<b>Average*</b>	11.90%	-3.04%	5.09%	8.13%	-6.82%

\*Average excluding cash

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Table 2: Asset Class Performance

	1 month % Change	3 month % Change	6 month % Change	12 month % Change
UK Shares	6.2%	6.4%	9.1%	0.3%
Eurozone Shares	6.6%	-2.8%	3.6%	-10.1%
US Shares	5.0%	5.4%	12.6%	1.9%
Japanese Shares	5.6%	-1.4%	-7.4%	-18.0%
Emerging Market Shares	5.1%	-2.7%	4.4%	-10.5%
UK Government Bonds	2.5%	8.8%	8.4%	13.3%
UK Corporate Bonds	5.2%	8.1%	10.0%	8.1%
UK Property	7.4%	-4.8%	-5.1%	-14.1%
Gold	1.8%	4.5%	20.8%	23.3%
Commodities	-11.1%	-7.5%	4.8%	-23.5%
Cash	0.0%	0.1%	0.3%	0.5%

Source: Datastream, all data to end of trading 29th July 2016

	Thomson Reuters Definition	Code
UK Shares	UK-DS Market - PRICE INDEX	TOTMKUK
Eurozone Shares	EUROPE-DS Market - PRICE INDEX	TOTMKEM
US Shares	US-DS Market - PRICE INDEX	TOTMKUS
Japanese Shares	JAPAN-DS Market - PRICE INDEX	TOTMKJP
Emerging Market Shares	EMU-DS Market - PRICE INDEX	TOTMKER

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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£
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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