

PRESS RELEASE

LLOYDS BANK INVESTOR SENTIMENT INDEX



Tuesday 22nd August 2017

AUGUST

OVERALL INVESTOR SENTIMENT



4.92%

BIGGEST RISER (INVESTOR SENTIMENT)



UK government bonds
7.49%

BIGGEST FALLER (INVESTOR SENTIMENT)



US equities
-3.40%

KEY POINTS

- Investor sentiment rebounds from last month by 2.33%, but still isn't at pre-election highs
- Sentiment towards US equities moves into negative territory
- All asset classes saw performance in positive territory

AUGUST ANALYSIS

Investor sentiment rebounded in August, from **2.59%** to **4.92%**, although failed to reach the highs seen before the UK general election. Despite not reaching levels seen early this year, August's UK investor sentiment figure is still considerably higher than the **1.53%** seen 12 months ago.

UK government bonds saw the biggest rise this month, increasing from **-9.77%** to **-2.28%** showing investors are becoming increasingly optimistic towards gilts and the outlook for the UK. US equities did not fare as well, seeing the biggest reduction in August from **0.85%** to **-2.54%**. This comes at a time when President Trump's administration is experiencing continued turmoil. US equities also saw the second biggest reduction in sentiment year on year, down **13.06%**.

Gold continues to outshine the other asset classes, attracting the highest sentiment, which is over the extreme threshold at **40.94%**. Investors are also bullish about emerging markets which coincides with the news that the asset class has outpaced developed market growth. Positive sentiment towards emerging markets equities reached **21.05%** in August, a **5.1%** increase on the previous month and 5.13% on this time last year. Despite a debate about whether a market correction could be on the horizon, UK property also received investor attention with sentiment at **13.33%**.

However, in the continued low interest rate environment investors remain unenthusiastic about cash which attracts the poorest sentiment at **-30.39%**.

There is a more positive picture when it comes to actual asset class performance compared with the previous month as all asset classes are in positive territory. The biggest improvers are commodities (up **4.6%**), Eurozone equities (up **3.9%**) and emerging market equities (up **3.3%**).

INVESTOR SENTIMENT INDEX



2.59% as at July 2017

4.92% as at August 2017

SENTIMENT OVER 12 MONTHS

BIGGEST RISER



Eurozone Shares

0.86%

BIGGEST FALLER



US Equities

13.06%

AUGUST PERFORMANCE

TOP ASSET CLASS



Commodities

-4.6%

BOTTOM ASSET CLASS



Cash

0%

OUR CHIEF INVESTMENT OFFICER SAYS

Markus Stadlmann, CIO, Lloyds Private Bank:



UK government bonds saw the biggest improvement this month, moving from -9.77% to -2.28%, showing investors are becoming less pessimistic towards gilts and the outlook for the UK. US equities did not fare as well, seeing the biggest reduction in August from 0.85% to -2.54%.

We may have seen the UK electorate opting out of Europe, but when it comes to equities at least, UK investors are seemingly tempted to opt in.

The second 'eye catcher' for us concerns emerging market equities. UK investors are taking more of a shine to them, and so are we. Having generally minimised our exposure to emerging markets for a number of years, we have been increasing our allocation to EM equities (and bonds) during the last fifteen months. We feel that long-term valuations are showing as fair, while investment risks are significantly below historic levels.

Generally speaking, the rebound in overall sentiment since last month was rather underwhelming although not unexpected. Much like the weather at this time of year!



NOTES TO EDITORS

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 4637 adults, of which 1,189 were investors. Fieldwork was undertaken between 28th July-1st August 2017. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

Table 1: Net Sentiment

	Net Sentiment August 2016	Net Sentiment July 2017	Net Sentiment August 2017	Monthly PP Change in Net Sentiment July 2017 – August 2017	Annual PP Change in Net Sentiment August 2016 – August 2017
UK shares	8.69%	2.75%	4.75%	2.00%	-3.94%
Eurozone shares	-37.60%	-12.56%	-6.74%	5.82%	30.86%
US shares	10.52%	0.86%	-2.54%	-3.40%	-13.06%
Japanese shares	3.98%	7.49%	7.44%	-0.05%	3.46%
Emerging market shares	15.92%	15.89%	21.05%	5.16%	5.13%
UK government bonds	-3.71%	-9.77%	-2.28%	7.49%	1.43%
UK corporate bonds	-2.43%	-4.07%	-1.99%	2.08%	0.44%
UK property	7.26%	14.21%	13.33%	-0.88%	6.07%
Gold	41.54%	36.34%	40.94%	4.60%	-0.60%
Commodities	6.68%	12.05%	10.59%	-1.46%	3.91%
Cash	-34.04%	-34.71%	-30.39%	4.32%	3.65%
Average*	1.53%	2.59%	4.92%	2.33%	3.40%

*Average excluding cash

Source: Investor Sentiment Index

Chart 1: Lloyds Bank Private Banking UK Investor Sentiment Index

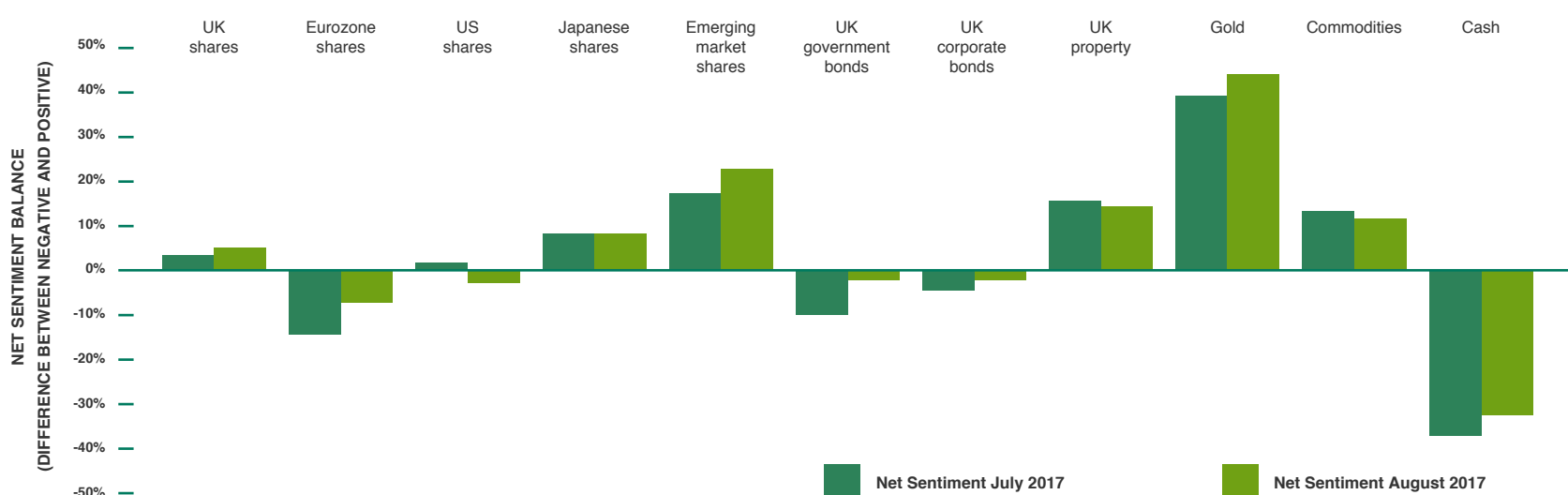


Table 2: Asset Class Performance

	1 month change (%)	3 month change (%)	6 month change (%)	12 month change (%)
UK shares	1.4%	2.0%	5.0%	10.9%
Eurozone shares	3.9%	7.4%	19.1%	23.7%
US shares	1.9%	3.5%	8.0%	13.6%
Japanese shares	0.3%	5.2%	5.8%	19.9%
Emerging market shares	3.3%	6.0%	14.5%	18.3%
UK government bonds	0.5%	-1.0%	2.4%	-3.3%
UK corporate bonds	0.1%	-0.9%	1.2%	-3.6%
UK property	1.5%	-1.8%	8.4%	2.8%
Gold	2.0%	-0.2%	4.4%	-7.2%
Commodities	4.6%	1.0%	-4.8%	5.2%
Cash	0.0%	0.1%	0.1%	0.3%

Source: Datastream, all data to end of trading 31st July 2017

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