

PRESS RELEASE

LLOYDS BANK INVESTOR SENTIMENT INDEX

LLOYDS
BANKING
GROUP



Monday 18th September 2017

SEPTEMBER

OVERALL INVESTOR SENTIMENT



3.78%

BIGGEST RISER (INVESTOR SENTIMENT)



Gold

+2.67%

BIGGEST FALLER (INVESTOR SENTIMENT)



Cash

-5.50%

KEY POINTS

- UK assets hit hardest as gold takes top spot
- Mixed bag of results for global equities, bad news for bonds
- European equities continue on the comeback trail

SEPTEMBER ANALYSIS

Investors are now less confident about investing in the UK than they were either in the aftermath of the general election or the Brexit vote, according to the latest Lloyds Private Bank Investor Sentiment Index (ISI).

Sentiment towards the UK took a dive in September, with confidence in UK equities, UK government bonds and UK corporate bonds all falling. The UK equities sector was the biggest loser and is now at its lowest ebb for 18 months (**1.55%**). Uncertainty about the type of deal that the UK can secure on exiting the European Union could well be why investors are nervous about the long-term prospects for investing in the region.

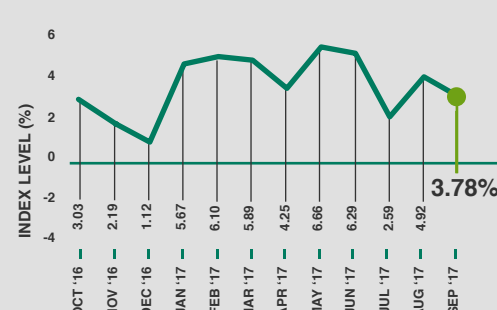
Investors are also much less optimistic about US equities when compared to this time a year ago, (down **9.91%** to **-2.17%**) amidst growing noise that US stock markets might be due a correction following their recent peaks.

Eurozone equities, however, fared much better and continued to claw back popularity with sentiment towards Europe the highest it has been since ISI records began. Despite still being in negative territory at **-5.78%**, they are the only asset class with a double digit sentiment jump (up **31.40%**) when compared to the same time last year.

Gold saw an increase in sentiment this month (**2.67%** rise) and is the asset class attracting the highest sentiment this month (**43.61%**). Cash, on the other hand, has seen the biggest dip this month (**5.50%** down) and is now at the lowest level it has been since November 2016, unsurprising given the continued low interest rate environment.

There is a largely positive picture when it comes to actual asset class performance compared with the previous year, with Eurozone equities (up **23.6%**), Japanese equities (up **19.8%**) and emerging market equities (up **18.5%**) all improving as investors look beyond the UK and US. There are three asset classes in negative territory since this time last year - UK corporate bonds (down **4.7%**), UK government bonds (down **2.9%**) and gold (down **0.2%**).

INVESTOR SENTIMENT INDEX



4.92% as at August 2017

3.78% as at September 2017

SENTIMENT OVER 12 MONTHS

BIGGEST RISER



Eurozone Shares

31.40%

BIGGEST FALLER



UK equities

-14.23%

SEPTEMBER PERFORMANCE

TOP ASSET CLASS



Gold

3.9%

BOTTOM ASSET CLASS



Commodities

-0.8%

OUR CHIEF INVESTMENT OFFICER SAYS



Markus Stadlmann, CIO, Lloyds Private Bank:

With autumn rapidly closing in, it appears that UK investors are bracing themselves for stormier conditions ahead. Although the scores make for gloomy reading, we think the drop in sentiment towards UK assets reflects the perception of expected investment risk. While the UK economy is fundamentally strong, and there is currently nothing to be overly concerned about, investors are uncertain about the prospects of investing in UK shares, bonds and property for the medium and long term.

Away from home, we are keeping a close eye on events across the Atlantic. In our view, there are enough signs emerging to suggest that US growth expectations will be overshoot. Furthermore, while we generally think bond markets are overvalued, we believe that the best relative value can be found in US treasuries.

Our monthly index has followed something of an unsteady course so far this year. It was only three months ago when we were seeing record sentiment highs, but the ride since then has been bumpy. Investors should stay calm and focus on the long term.



NOTES TO EDITORS

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 4,469 adults, of which 1,076 were investors. Fieldwork was undertaken between 30th August - 1st September 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 September 2016	Net Sentiment August 2017	Net Sentiment September 2017	Monthly PP Change in Net Sentiment Aug. 2017 – Sep. 2017	Annual PP Change in Net Sentiment Sep. 2016 – Sep. 2017
UK shares	15.78%	4.75%	1.55%	-3.20%	-14.23%
Eurozone shares	-37.18%	-6.74%	-5.78%	0.96%	31.40%
US shares	7.74%	-2.54%	-2.17%	0.37%	-9.91%
Japanese shares	-1.35%	7.44%	6.34%	-1.10%	7.69%
Emerging market shares	13.78%	21.05%	17.66%	-3.39%	3.88%
UK government bonds	-3.08%	-2.28%	-5.20%	-2.92%	-2.12%
UK corporate bonds	1.44%	-1.99%	-4.26%	-2.27%	-5.70%
UK property	22.05%	13.33%	15.57%	2.24%	-6.48%
Gold	41.26%	40.94%	43.61%	2.67%	2.35%
Commodities	6.33%	10.59%	10.15%	-0.44%	3.82%
Cash	-41.39%	-30.39%	-35.89%	-5.50%	5.50%
Average*	2.31%	4.92%	3.78%	-1.14%	1.47%

*Average excluding cash

Source: Investor Sentiment Index

Chart 1: Lloyds Bank Private Banking UK Investor Sentiment Index

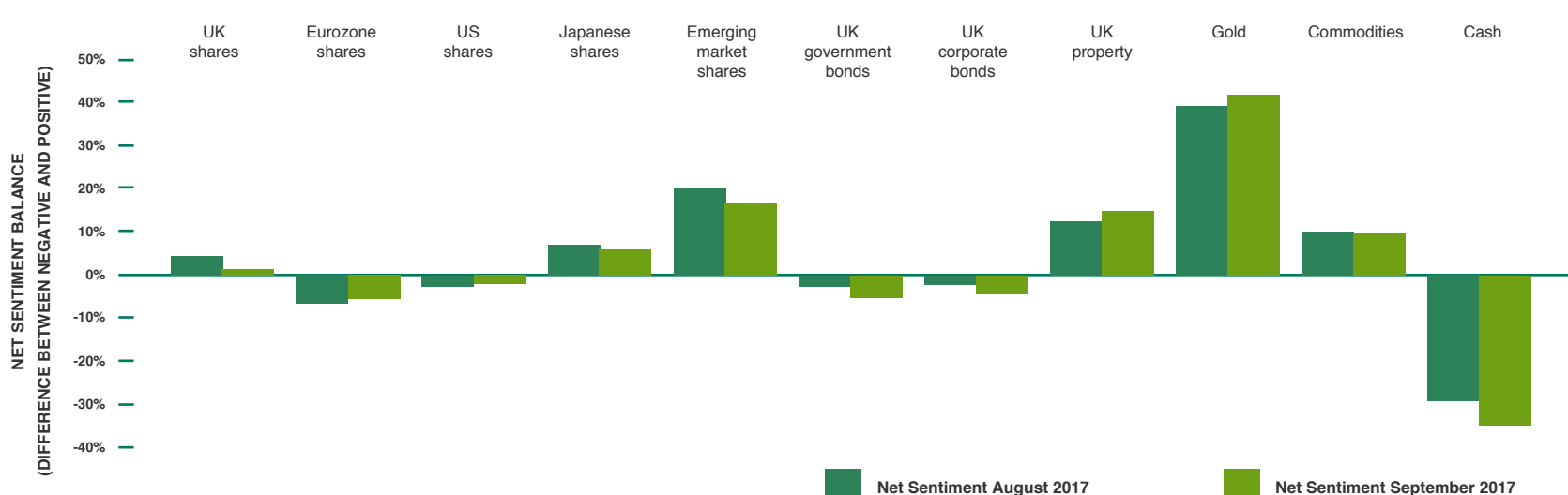


Table 2: Asset Class Performance

	1 month change (%)	3 month change (%)	6 month change (%)	12 month change (%)
UK shares	0.8%	-0.7%	3.3%	10.6%
Eurozone shares	0.6%	3.2%	18.9%	23.6%
US shares	0.1%	2.5%	4.4%	13.7%
Japanese shares	-0.1%	2.6%	4.9%	19.8%
Emerging market shares	0.4%	2.4%	14.2%	18.5%
UK government bonds	1.8%	0.4%	1.2%	-2.9%
UK corporate bonds	1.0%	-0.7%	-0.1%	-4.7%
UK property	-0.6%	-1.8%	1.2%	1.1%
Gold	3.9%	3.3%	4.7%	-0.2%
Commodities	-0.8%	1.8%	-5.7%	2.6%
Cash	0.0%	0.1%	0.1%	0.3%

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

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