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Eurozone shares show biggest decline as investors surge towards safe haven assets

- **Eurozone shares sees largest annual decline in sentiment since the start of the survey**
- **Gold and UK government bonds are the only asset classes to enjoy a monthly increase in sentiment**
- **Actual market performance shows price declines for nine out of ten asset classes, with UK government bonds recording the only increase**

July has seen the largest annual fall in sentiment towards Eurozone shares since March 2013, according to the Lloyds Bank Private Banking Investor Sentiment Index. Net investor sentiment¹ for the asset class declined 19 percentage points (-19pp) from last month and 30 percentage points (-30pp) from this time last year to -48%.

UK shares, whilst continuing to be viewed positively, saw the second biggest decline in sentiment to 26%, reversing the 14pp increase seen last month for the asset class, bringing it back to pre-election levels in May. The “bleed-across” from Eurozone shares could also explain the fall in UK shares asset class this month. Emerging market shares saw the third largest decrease (-10pp), to 10%.

Gold and UK government bonds, on the other hand, have been the only asset classes to record an increase in July, rising 6pp and 2pp from last month to 36% and 19% respectively.

Despite an eight percentage point decline, net sentiment remains strongest for UK property at 47%, whilst Gold remains strong at 36%. Eurozone shares (-48%) and Japanese shares (-1%) are the only two asset classes to currently sit in negative sentiment as the large drop in the value of Chinese equities in the past month has likely taken its toll on sentiment for Japanese shares and Emerging markets.

In line with asset class sentiment, actual market returns show nine out of ten classes reporting a decrease in the past month. In terms of returns earned, there was a decrease during the past month for all but UK Government bonds, improving 0.4%. Eurozone, UK shares and Emerging market shares all saw the largest decrease in returns of -5%, reflecting investor sentiment towards the asset classes.

Ashish Misra, Head of Portfolio Specialists at Lloyds Bank Private Banking, said:

“We are witnessing a classic response from investors during this dramatic time in the Eurozone. While riskier assets, such as Eurozone shares go down due to the economic uncertainty, ‘safe haven’ assets such as Gold and UK government bonds increase due to their flight-to-safety behaviour typical of investors in such market conditions.

“The significant jump we saw last month for UK shares also shows that the euphoria post-general election is moderating and correcting back to pre-election levels. Overall, despite the results making for some bleak reading, we may see, at best, a visible pop-up in performance next month for Eurozone shares, or at worse, a flat lining of results.”

Annual Changes

Half of the ten asset classes have seen a fall in net sentiment over the last year. The biggest declines have been for Eurozone (-30pp), UK shares (-12pp) and Emerging market shares (-9pp). Gold has seen the largest increase over the past year (14pp), followed by US shares and UK government bonds (8pp).

Asset Class Performance

In terms of the annual change in actual performance, half of the ten asset classes also recorded a fall in returns earned, with Commodities (-37%), Gold (-12%) and Emerging market shares (-12%) seeing the biggest declines. Japanese shares has seen the largest annual growth rate at (29%), followed by UK property (18%) and UK government bonds (7%).

-Ends-

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Notes to Editors:

Table 1: Net Sentiment

	Net Sentiment July 2014	Net Sentiment June 2015	Net Sentiment July 2015	Monthly PP Change in Net Sentiment June-July 2015	Annual PP Change in Net Sentiment July 2014-July 2015
UK shares	39.0%	40.2%	26.5%	-13.7%	-12.4%
Eurozone shares	-17.8%	-29.3%	-48.1%	-18.8%	-30.1%
US shares	5.6%	16.4%	13.5%	-3.0%	7.9%
Japanese shares	1.9%	2.2%	-0.8%	-3.0%	-2.7%
Emerging market shares	18.5%	20.0%	9.7%	-10.3%	-8.7%
UK government bonds	11.1%	16.5%	18.6%	2.2%	7.6%
UK corporate bonds	10.3%	13.0%	12.5%	-0.5%	2.2%
UK property	46.0%	55.4%	47.2%	-8.3%	1.2%
Gold	21.6%	29.8%	35.6%	5.9%	14.0%
Commodities	17.7%	13.7%	9.9%	-3.8%	-7.8%
Average Change	15.4%	17.8%	12.5%	-5.3%	-2.9%

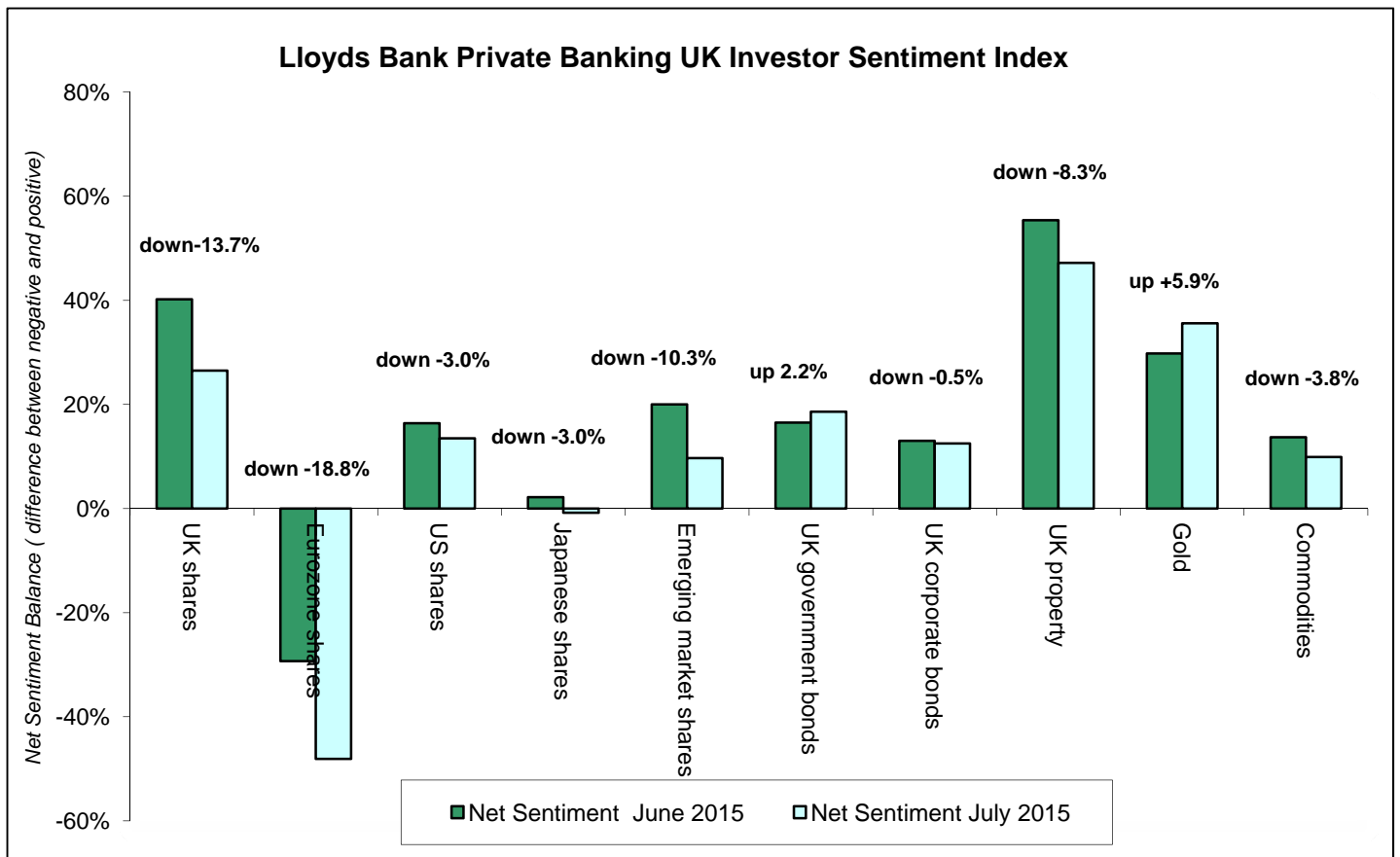
Source: Investor Sentiment Index

Table 2: Asset Class Performance

	1 month % Change	3 month % Change	6 month % Change	12 month % Change
UK shares	-4.8%	-2.4%	2.3%	-1.6%
Eurozone shares	-5.1%	-3.4%	3.9%	-11.5%
US shares	-1.9%	0.1%	1.2%	4.1%
Japanese shares	-0.9%	5.4%	17.2%	28.7%
Emerging market shares	-4.5%	-1.5%	4.1%	-11.5%
UK government bonds	0.4%	-3.9%	-3.2%	6.8%
UK corporate bonds	-1.1%	-5.4%	-3.8%	2.1%
UK property	-1.2%	-1.2%	8.6%	17.7%
Gold	-1.8%	-3.2%	-2.1%	-12.3%
Commodities	-1.0%	5.9%	-1.0%	-37.3%

Source: Datastream, all data to end of trading 3rd July

Chart 1: Lloyds Bank Private Banking UK Investor Sentiments Index



	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	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 3rd July

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

¹Net 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 4,259 adults, of which 1,142 were investors. Fieldwork was undertaken between 3rd - 7th July 2015. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).