

**INVESTORS DITCHING FTSE IN DROVES AS JITTERS TAKE HOLD**

- 28 per cent of stock market investors have moved money into more cautious investments, such as cash or bonds, in the last six months
- Average amount investors say they have in equities falls from £51,000 to £23,000 in six months
- 53 per cent of investors feel apprehensive about the stock market in the next twelve months

As turbulence in the stock market continues, almost three out of ten (28 per cent)<sup>i</sup> stock market investors have moved some or all of their money into more cautious investments, such as cash or bonds, according to the second *Investor Outlook* report from Lloyds TSB Wealth Management.<sup>ii</sup>

The report, which tracks investor confidence on a six-monthly basis, shows a 17 per cent increase in the number of investors who have moved their money into more cautious investments in recent months<sup>iii</sup>, when compared with December's report. It also shows a sharp fall in the average amount invested in equities from £51,000 in December to just £23,000 today, which represents a 55 per cent drop.

Nathan Moss, managing director, wealth management, Lloyds TSB, comments, "Stock market investors are ditching the FTSE in droves as confidence slumps. But, this approach could be costly in the long run.

"It is essential that investors seek professional advice before making an impulse decision that they could regret later when the market rallies."

**Investor reaction over the past six months**

Looking back over a turbulent six months, more than half (54 per cent) of investors say that they felt apprehensive about their stock market investments, up from 37 per cent in December. This contributed to 65 per cent reviewing their investments.

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## **CONTINUING MARKET TURBULENCE INCREASES INVESTOR JITTERS... /2**

Of those who have made changes to their investments over the past six months, 44 per cent moved some or all of their money into more cautious investments (such as cash or bonds), with five per cent moving their entire portfolio. Fourteen per cent kept their stock market investments the same but put money in other investments, while less than one in ten (nine per cent) ploughed more money into equities in the hope that the markets will rally.

Media coverage of troubled markets continues to play a role in investor behaviour, with 48 per cent of those who modified their investments acting as a result of press commentary on the market. Less than a third (30 per cent) took action based on professional guidance from their financial adviser or bank.

### **Prospects for the coming year**

There has been a marked increase in investor jitters, with more than half (53 per cent) of investors saying that they feel apprehensive about stock market investments over the coming year, up from just 36 per cent six months ago. Just one in five (21 per cent) feel confident about the future of the markets, down five per cent.

And the research indicates that those who don't have a financial plan in place are more likely to get spooked by anomalies in the markets. Twenty nine per cent of respondents who have a structured financial plan feel confident about the future of the market, compared with just 13 per cent of those who do not.

Gloom appears to be spreading among pessimistic investors, with 53 per cent (up from 35 per cent at the end of last year) of those who feel apprehensive about the future believing that the return from the FTSE in recent years hasn't been good and the downward tumble is set to continue. Just under a quarter (24 per cent) think that the stock market is too risky to invest in and 15 per cent believe that equities won't outperform cash and bonds in the long-term. 17 per cent feel investing in the stock market is too stressful.

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## **CONTINUING MARKET TURBULENCE INCREASES INVESTOR JITTERS... /3**

And even amongst those with a sunny outlook, confidence is falling. Just 47 per cent believe that blips in the market should be ignored and that stocks and shares should be looked at as a long term investment, down from 64 per cent six months ago. Only 42 per cent think that the stock market will outperform cash and bonds, down from 54 per cent, and just a third (33 per cent) believe in the resilience of the markets, down eight per cent.

### **Looking to the future**

Asked in December about their confidence in their long-term financial futures, 56 per cent felt confident about their financial prospects while only 12 per cent felt pessimistic. But continued turbulence is taking its toll, with just 47 per cent of investors today feeling optimistic about their financial future and 22 per cent expressing their pessimism (almost double the proportion).

Again, the evidence suggests that professional advice and a strong financial plan can make all the difference when it comes to the outlook for the future, with 57 per cent of those with a plan in place feeling confident about their financial futures, compared with just 36 per cent amongst those who did not.

### **Confidence crisis**

Global markets have been besieged with reports of collapsing banks, rising inflation and soaring prices in recent months, and today's investors have their own thoughts about the issues that have contributed to a lack of confidence in stocks and shares.

The rising price of oil is top of the list, with 80 per cent of investors saying that this is a key reason for faltering faith in the markets. This is followed by falling house prices (62 per cent) and increases in the cost of food (60 per cent), while 54 per cent of investors blame the UK economic slowdown, rising inflation and the collapse of Northern Rock in 2007.

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## **CONTINUING MARKET TURBULENCE INCREASES INVESTOR JITTERS... /4**

Forty three per cent pointed the finger at continuing write-downs from the Banks, while just less than a third (30 per cent) said that the recent trend for capital raising from major UK banks was to blame.

Nathan Moss adds: “Evidence suggests that this period of financial uncertainty isn’t over. There are more shocks in store for financial markets and the economy in general that will challenge even the most intrepid investors’ nerves.

“However, as we enter these uncharted financial waters, those thinking about making changes to their portfolio in the hopes of side-stepping the “credit crunch” could benefit from taking the time to sit down with a professional adviser. Despite the uncertain outlook, it might be that gritting their teeth and holding on in the short-term could pay dividends when the market recovers.”

Lloyds TSB Wealth offers financial solutions to those with a minimum income of £60,000 per annum (£80,000 joint income) or at least £100,000 of savings and investments.

The service helps people to plan for specific financial goals – such as paying for education, investing in the stock market, protecting family wealth or building a retirement fund. Qualified financial advisers can put in place a suitable financial strategy to achieve financial goals, prepare for retirement and plan for the future.

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<sup>i</sup> Those who reviewed, or considered reviewing, their investments.

<sup>ii</sup> Research conducted online by Research Plus between 4<sup>th</sup> – 10<sup>th</sup> July 2008, among 804 UK adults aged 18+ who currently hold stock market investments or held them in the past six months. The average amount invested in equities (including stocks and shares and non-cash ISAs) was calculated to be £22,531 using a weighted average from claimed respondent investment value.

<sup>iii</sup> In this story, we asked investors about the changes that they have made to their investments in the past six months. In December's story, we asked investors about the changes they had made to their investments in the previous three months.