

Leading Indicators

UK optimism climbs as the services sector gains momentum

-26

The Ipsos poll of economic optimism for the next 12 months has improved to -26 in January, its highest level since November 2021. Meanwhile, a similar YouGov UK Consumer Confidence poll lifted to a 23-month high in January.

Signs of improvement: UK economic optimism lifts to its highest level in 26 months

“Do you think that the general economic condition of the country will improve, stay the same or get worse over the next 12 months?”, net optimism



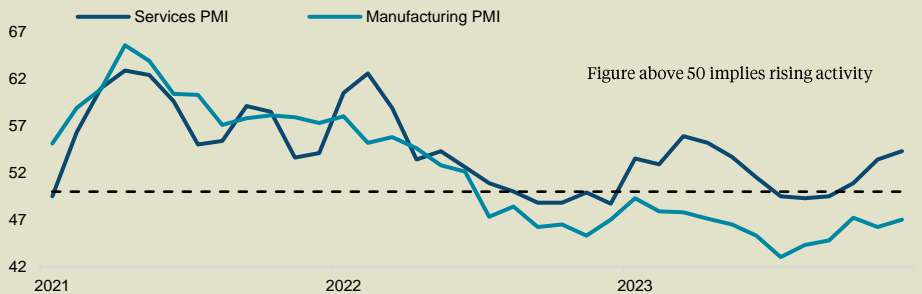
Source: Knight Frank Research, Ipsos, Macrobond

54.3

The UK Services PMI increased to 54.3 in January, from 53.4 in the month prior, and beating preliminary estimates of 53.8. This was its strongest growth rate in eight months.

UK services activity rises at its fastest pace since May 2023

Purchasing Managers' Indices of business activity



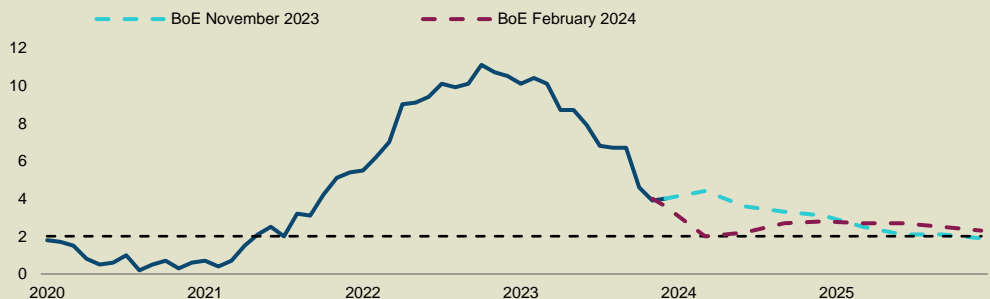
Source: Knight Frank Research, Macrobond, S&P Global

2%

The Bank of England forecasts UK inflation to fall to its 2% target in Q2 2024 (compared to its previous forecast of Q4 2025), but to rise again in Q3 2024 and remain above the 2% target until the end of 2026.

UK Inflation is expected to reach the 2% target by Q2 2024, but rise again in Q3

UK CPI and Bank of England forecasts, % y/y



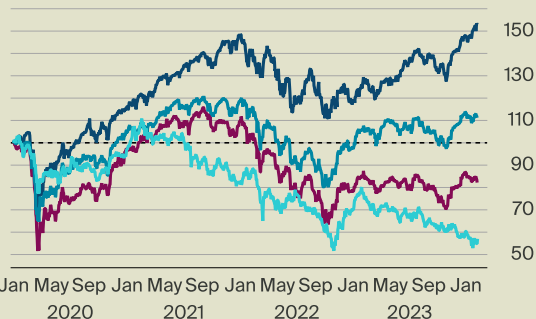
Source: Knight Frank Research, ONS, Bank of England Monetary Policy Report November 2023 & February 2024

Equities

Equity markets

Price return index, Jan 2020 = 100, US\$

— FTSE 250 — S&P 500 — STOXX 600 — Hang Seng



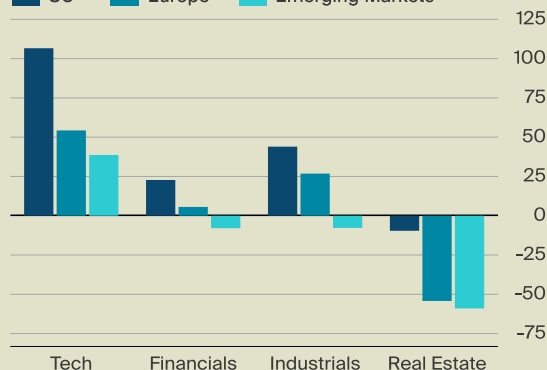
Source: Knight Frank, Macrobond

| Index | Last | Percentage change since | | | |
|-------------------------|--------|-------------------------|--------|---------|---------|
| | | 1 day | 1 week | 1 month | Jan '20 |
| Original value and base | | | | | |
| DAX 30 | 7,176 | -0.7 | -1.6 | -0.4 | 8.4 |
| FTSE 250 | 23,821 | -1.9 | -3.2 | -3.2 | -17.8 |
| Hang Seng | 2,063 | 3.9 | 0.3 | -3.2 | -43.0 |
| IBEX 35 | 10,665 | -1.7 | -1.2 | -4.4 | -0.5 |
| MIB | 33,208 | -0.1 | 0.6 | -0.3 | 26.1 |
| S&P 500 | 4,943 | 0.7 | 1.1 | 5.4 | 53.0 |
| STOXX 600 | 519 | -1.0 | -1.3 | -0.8 | 11.2 |
| TOPIX | 17 | -0.4 | -0.4 | 3.7 | 8.1 |

Equity regional sectors

Price return index percentage change since Jan 2020

■ US ■ Europe ■ Emerging Markets



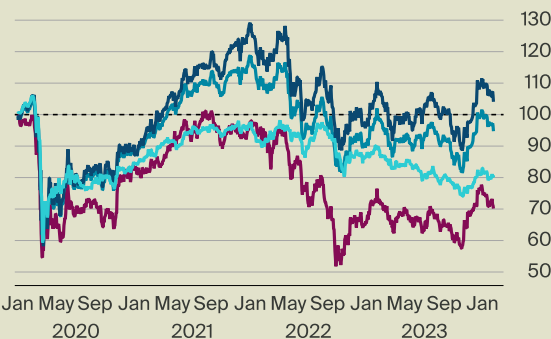
Source: Knight Frank, Macrobond

| | Percentage change since Jan 2020 | | |
|-------------|----------------------------------|--------|--------|
| | US | Europe | World |
| Tech | 106.6% | 54.3% | 38.7% |
| Financials | 22.8% | 5.6% | -7.9% |
| Industrials | 44.0% | 26.8% | -7.7% |
| Real Estate | -9.6% | -54.2% | -59.0% |

REITs by region

EPRA/NAREIT total return index, Jan 2020 = 100, US\$

— World — Europe — US — Asia Pacific



Source: Knight Frank, Macrobond

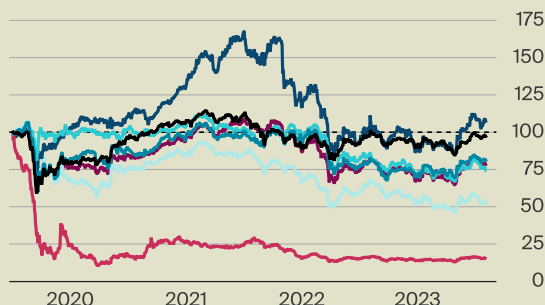
| Index, total return | Last | Percentage change since | | | |
|-------------------------|-------|-------------------------|--------|---------|---------|
| | | 1 day | 1 week | 1 month | Jan '20 |
| Original value and base | | | | | |
| US | 2,487 | -3.0 | -2.6 | -4.1 | 4.1 |
| Europe | 2,000 | -1.8 | -3.3 | -6.4 | -29.8 |
| World | 3,043 | -2.6 | -2.3 | -4.1 | -5.3 |
| Asia Pacific | 3,143 | 0.0 | 0.8 | -1.2 | -19.9 |

UK REITs by sector

UK EPRA gross total return index, Jan 2020 = 100, GBP£

— All REITs — Office — Industrial — Retail — Healthcare

— Residential — FTSE 250



Source: Knight Frank, Macrobond

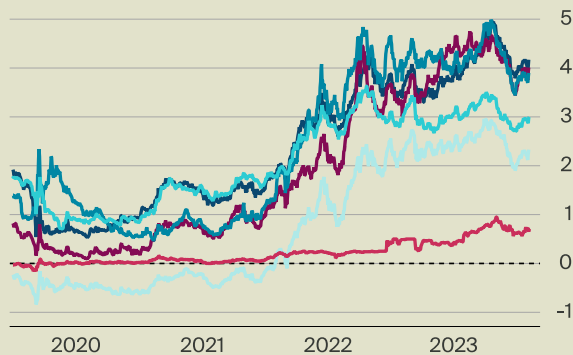
| Index, total return | Last | Percentage change since | | | |
|-------------------------|--------|-------------------------|--------|---------|---------|
| | | 1 day | 1 week | 1 month | Jan '20 |
| Original value and base | | | | | |
| All REITs | 791 | -1.1 | -1.5 | -4.4 | -22.7 |
| Office | 1,515 | -2.3 | -3.8 | -10.0 | -48.9 |
| Industrial | 1,319 | -1.0 | -0.6 | -1.5 | 6.4 |
| Retail | 54 | -1.8 | -3.0 | -7.4 | -85.0 |
| Healthcare | 1,678 | -0.6 | -3.4 | -8.5 | -26.0 |
| Residential | 1,226 | -1.2 | -1.9 | -3.5 | -19.7 |
| FTSE 250 | 16,417 | -0.6 | -1.6 | -1.7 | -3.6 |

Bonds & Rates

Government bond yields

10 year government bond yields, %

— US — UK — Germany — Italy — Japan — Singapore



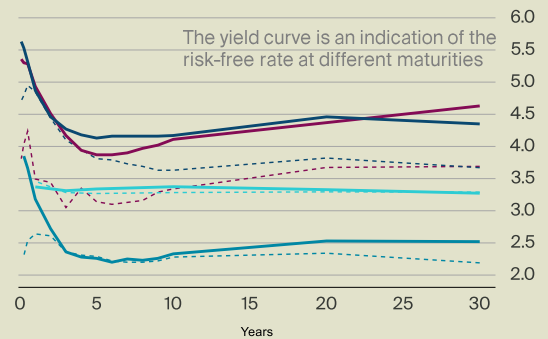
Source: Knight Frank, Macrobond

| | Last | 1 day | 1 week | 1 month | Jan '20 |
|-----------|------|-------|--------|---------|---------|
| Italy | 3.90 | 3.90 | 3.81 | 3.80 | 1.40 |
| Japan | 0.71 | 0.65 | 0.72 | 0.64 | -0.03 |
| Singapore | 3.00 | 2.98 | 2.93 | 2.81 | 1.74 |
| UK | 4.01 | 4.01 | 3.90 | 3.79 | 0.82 |
| US | 4.17 | 4.17 | 4.06 | 4.05 | 1.92 |

Yield curves

Latest nominal yield curves vs one year ago, %

Today — US — UK — Germany — S. Korea One year ago ...US ...UK ...Germany ...S. Korea

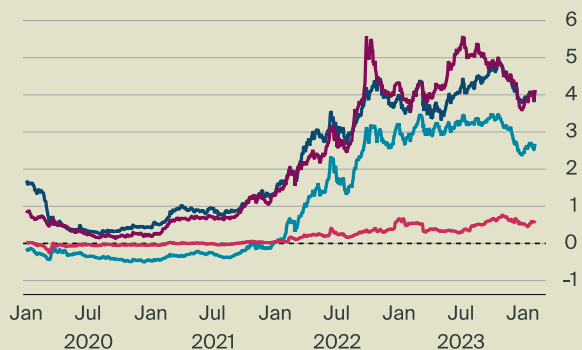


Source: Knight Frank, Macrobond

Interest rate swaps

5 year swap rates, %

— US — UK — Eurozone — Japan



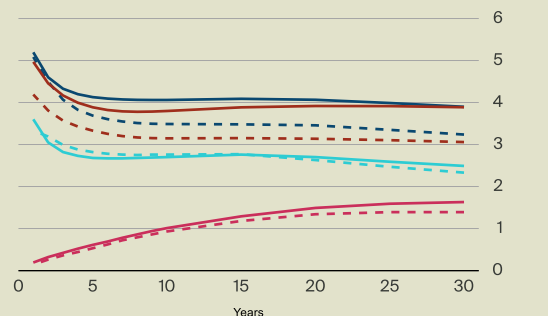
Source: Knight Frank, Macrobond

| | Last | 1 day | 1 week | 1 month | Jan '20 |
|-----------|------|-------|--------|---------|---------|
| Eurozone | 2.68 | 2.62 | 2.57 | 2.57 | -0.13 |
| Japan | 0.61 | 0.59 | 0.58 | 0.50 | 0.03 |
| Singapore | 3.66 | n/a | n/a | n/a | 1.50 |
| UK | 4.13 | 4.03 | 3.96 | 3.89 | 0.88 |
| US | 4.13 | 4.04 | 4.01 | 3.94 | 1.70 |

Swap curves

Latest swap curves vs one year ago, %

Today — US — UK — Euro Area — Japan One year ago ...US ...UK ...Euro Area ...Japan



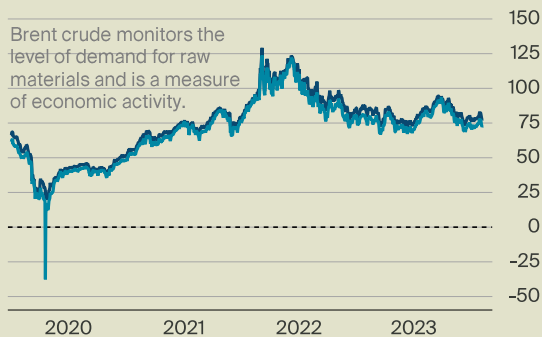
Source: Knight Frank, Macrobond

Commodities & Volatility

Energy

Oil spot prices, \$ per barrel

— Brent Crude — West Texas Intermediate (WTI)



Source: Knight Frank, Macrobond

| | Last | 1 day | 1 week | 1 month | Jan '20 |
|----------------------|------|-------|--------|---------|---------|
| Brent, \$ per barrel | 77.9 | 77.4 | 81.9 | 78.8 | 66.0 |
| WTI, \$ per barrel | 72.8 | 72.3 | 76.8 | 73.8 | 61.1 |

Baltic dry index

Baltic Exchange, Shipping Dry index (BDI), US\$

— Baltic dry index



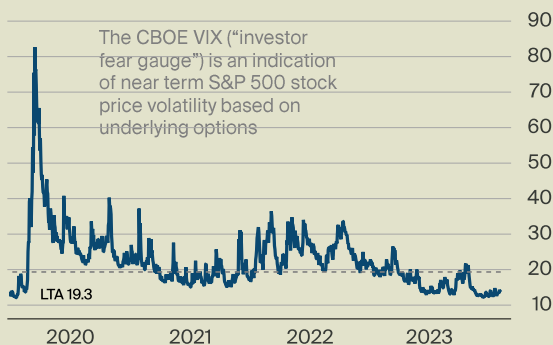
Source: Knight Frank, Macrobond

| | Last | Percentage change since | | | |
|------------|------|-------------------------|--------|---------|---------|
| | | 1 day | 1 week | 1 month | Jan '20 |
| Baltic Dry | 1436 | 3.46 | -1.64 | -31.9 | 31.7 |

Volatility index

Near term stock price volatility indicator

— CBOE Volatility Index (VIX) --- Long term average



Source: Knight Frank, Macrobond

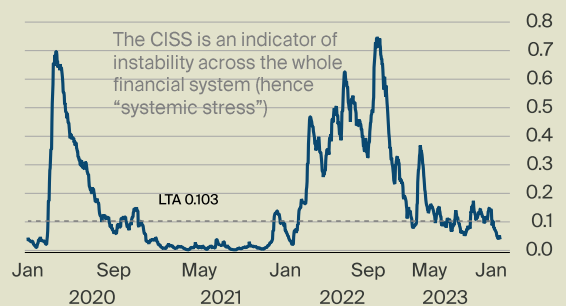
| | Last | 1 day | 1 week | 1 month | Jan '20 |
|-------------------|------|-------|--------|---------|---------|
| CBOE VIX | 13.7 | 13.7 | 13.3 | 13.4 | 13.8 |
| Euro Stoxx 50 VIX | 14.2 | 14.2 | 14.1 | 14.1 | 14.0 |
| Nikkei VIX | 19.7 | 20.0 | 18.8 | 18.5 | 14.8 |
| KOSPI VIX | 17.6 | 18.1 | 17.1 | 17.8 | 14.7 |

Systemic stress

Measures FX, money, sovereign and bond yield volatility

— New ECB Composite Indicator of Systemic Stress (CISS)

--- Long term average



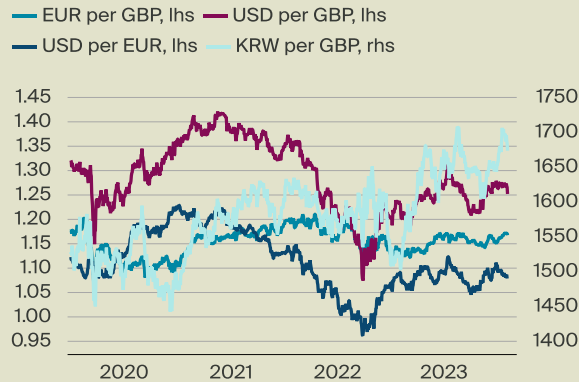
Source: Knight Frank, Macrobond

| | Last | 1 week | 1 month | Jan '20 |
|---------------------------------|-------|--------|---------|---------|
| Systemic stress composite | 0.084 | 0.093 | 0.063 | 0.023 |
| Equity markets stress sub index | 0.019 | 0.053 | 0.027 | 0.009 |
| Bond markets stress sub index | 0.059 | 0.055 | 0.051 | 0.02 |
| FX markets stress sub index | 0.023 | 0.007 | 0.012 | 0.004 |

Currencies & Monetary Policy

Currencies

Spot prices

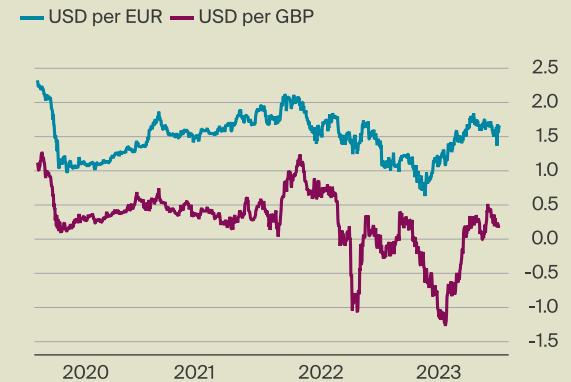


Source: Knight Frank, Macrobond

| | Last | 1 day | 1 week | 1 month | Jan '20 |
|-------------|-------|-------|--------|---------|---------|
| EUR per GBP | 1.168 | 1.172 | 1.174 | 1.162 | 1.177 |
| KOR per GBP | 1,674 | 1,683 | 1,691 | 1,670 | 1,525 |
| USD per GBP | 1.252 | 1.266 | 1.268 | 1.275 | 1.321 |
| USD per EUR | 1.079 | 1.079 | 1.081 | 1.096 | 1.123 |

Hedging benefits

Hedging benefit p.a. on a 5 year forward



Source: Knight Frank, Macrobond

| | Last | 1 day | 1 week | 1 month | Jan '20 |
|------------|------|-------|--------|---------|---------|
| USD to EUR | 1.66 | 1.63 | 1.68 | 1.64 | 2.32 |
| USD to GBP | 0.19 | 0.19 | 0.24 | 0.31 | 1.12 |

Inflation and monetary policy

Inflation rate (%)

| | Jan | Dec | Nov | Oct |
|------------------------|-----|------|------|------|
| Australia ¹ | n/a | 4.0 | 4.0 | 4.0 |
| Canada | n/a | 3.4 | 3.1 | 3.1 |
| China | n/a | -0.3 | -0.4 | -0.1 |
| Euro Area | 2.8 | 2.9 | 2.4 | 2.9 |
| France | 3.1 | 3.7 | 3.5 | 4.0 |
| Germany | 2.9 | 3.7 | 3.2 | 3.7 |
| India | n/a | 5.7 | 5.6 | 4.9 |
| Italy | 0.8 | 0.6 | 0.7 | 1.7 |
| Japan | n/a | 2.6 | 2.8 | 3.3 |
| Saudi Arabia | n/a | 1.5 | 1.7 | 1.6 |
| South Korea | 2.8 | 3.2 | 3.3 | 3.8 |
| Spain | 3.4 | 3.2 | 3.3 | 3.5 |
| Sweden | n/a | 4.4 | 5.8 | 6.5 |
| UK | n/a | 4.0 | 3.9 | 4.6 |
| US | n/a | 3.3 | 3.1 | 3.2 |

1. Australia Inflation rate is only available on a quarterly basis.

Interest rates (%)

| | Last | Jan '23 |
|--|-------|---------|
| | 4.35 | 3.10 |
| | 5.00 | 4.25 |
| | 4.35 | 4.35 |
| | 4.50 | 2.50 |
| | 4.50 | 2.50 |
| | 4.50 | 2.50 |
| | 6.50 | 6.25 |
| | 4.50 | 2.50 |
| | -0.10 | -0.10 |
| | 6.00 | 5.00 |
| | 3.50 | 3.25 |
| | 4.50 | 2.50 |
| | 4.00 | 2.50 |
| | 5.25 | 3.50 |
| | 5.50 | 4.50 |

Asset purchasing

| | Latest (\$) | 1m change (%) |
|--|-------------|---------------|
| | 0.35 tn | -0.8 |
| | 240 bn | -0.9 |
| | 6.4 tn | 3.7 |
| | 748 tn | -0.5 |
| | 1.77 tn | -1.8 |
| | 2.66 tn | -0.6 |
| | 416 bn | 7.6 |
| | 1.4 tn | -0.6 |
| | 5.17 tn | 0.9 |
| | 482 bn | -0.7 |
| | 400 bn | 0.1 |
| | 487 bn | -0.7 |
| | 122 bn | 0.2 |
| | 1.37 tn | -0.5 |
| | 763 tn | -0.8 |

Source: Knight Frank, Macrobond



The London series – What Drives Leasing Out-Performance?

The London market has become increasingly polarised. The prime market is seeing heightened levels of demand, a deepening imbalance between supply and demand and, consequently, further upward pressure on rents. Read this article and other insights using the link below, including 'How London will recover this time?'.

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Global Healthcare Report 2023

Ageing demographics and the need for long term care present themselves as key factors in the interest for healthcare globally. As private equity, REITS and institutional investors continue to chase strong, long income generated, there is growing interest in healthcare's capabilities to aid ESG investing strategies.

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Recent research



Life Sciences & Innovation Insight – Q4 2023

Record company incorporations, highest ever quarterly life sciences real estate investment and UK Government proposes road to "science superpower".



UK Real Estate Navigator – Q3 23

The latest Real Estate Navigator analyses the Q3 2023 occupier and investment performance of the UK commercial real estate sectors.

We like questions, if you've got one about our research, or would like some property advice, we would like to hear from you



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