

# Leading Indicators

Key economic and financial metrics, updated weekly

7<sup>th</sup> May 2024

## Unlocking opportunity: the rise of private credit

### \$2.1 trillion

Private credit assets reached around \$2.1 trillion globally in 2023

### 42%

Net balance of respondents reporting business confidence in Lloyds Bank Business Confidence Barometer, April 2024

### +7.91%

The yen is up +7.91% against sterling YTD.

### PRIVATE EQUITY, PUBLIC DEBATE

Private credit has been in the spotlight over the past month, since featuring in the IMF's latest Global Financial Stability Report. The contention is that the opacity of the market could be storing up future vulnerabilities.

Private credit, in which non-bank lenders offer credit access to institutions and private clients alike, has grown rapidly in recent years. According to the IMF, private credit assets reached c.\$2.1 trillion globally in 2023, but heavily concentrated in the US. The retrenchment of traditional banks from the commercial real estate (CRE) space potentially opens up a significant opportunity for private credit.

Meanwhile, messaging in the UK has been mixed. The Bank of England (BoE) has expressed concerns over the banking sector's exposure to private equity borrowers, only for these concerns to be downplayed by the Financial Conduct Authority. The debate continues.

### A STRONGER SPRING?

Later this week, the Bank of England will make its interest rate decision, with both economists and money markets expecting no change from its current rate of 5.25%. Despite this, UK business confidence has strengthened. The Lloyds Business Barometer held steady for a second month with a net balance of 42% in April, surpassing the survey's long-term average of 28%. Additionally, Lloyds Economic Optimism rose to 39%, its highest level since February 2022. This optimistic outlook is further reflected in Deloitte's latest CFO survey. Sentiment among UK CFOs rose for the third consecutive quarter in Q1 2024, and uncertainty has fallen to a two-and-a-half-year low, back to levels seen in summer 2021. As business optimism rises, we may see a pick-up in leasing activity in H2 2024.

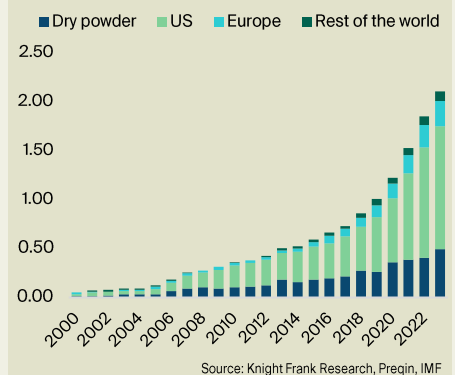
### FLUCTUATIONS IN THE YEN

The yen dropped to a 34-year low of ¥160 against the dollar last week, continuing its devaluation against the world reserve currency. It has since appreciated to ¥153. While the yen is down -1.86% against sterling over the week, it has appreciated by +7.91% YTD. The UK therefore remains relatively attractive in terms of pricing, for Japanese investors. Over the past year, we have seen increased investment from Japanese buyers, as they take advantage of a significantly lower cost of domestic debt. Japanese investment into the UK increased by +314% y/y in 2023. Despite the recent currency fluctuation, we expect Japanese capital to remain active throughout 2024.

The broader picture is that currency fluctuations are becoming more significant as the Fed appears to be waiting longer ahead of its first rate cut this cycle.

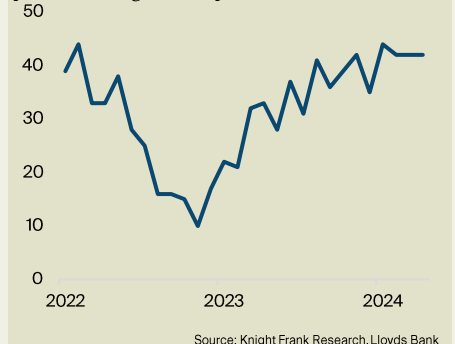
### Private credit has grown exponentially since the GFC

US dollar, trillion

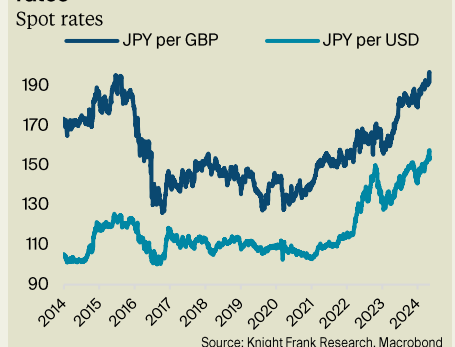


### UK business confidence rose to 42% in April 2024

Lloyds Bank Business Barometer, % net balance, positive vs negative responses



### Yen weakens amidst elevated US interest rates



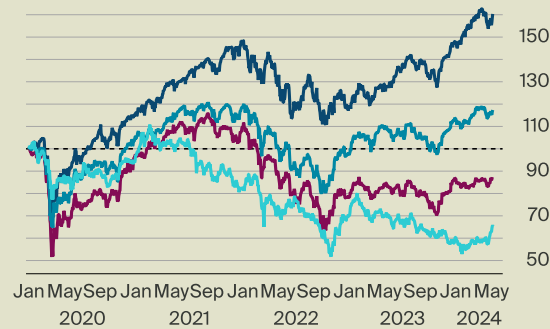
Sources: IMF, Preqin, Lloyds Bank, Deloitte, Macrobond, MarketWatch, Trading Economics, Fimco, Bloomberg, RCA, Knight Frank Research

# Equities

## Equity markets

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

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



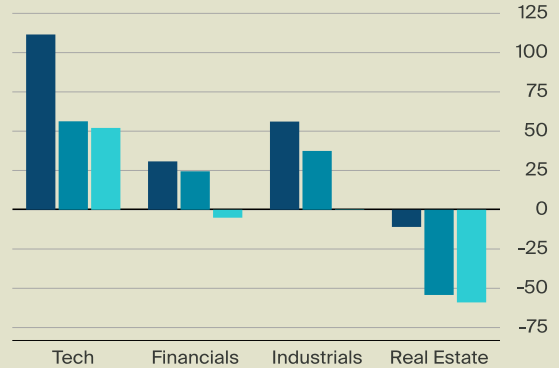
Source: Knight Frank, Macrobond

| Index     | Last   | Percentage change since |       |        |         |         |
|-----------|--------|-------------------------|-------|--------|---------|---------|
|           |        | Original value and base | 1 day | 1 week | 1 month | Jan '20 |
| DAX 30    | 7,650  |                         | 2.2   | 0.7    | -3.0    | 15.6    |
| FTSE 250  | 25,301 |                         | 1.6   | 3.4    | 2.1     | -12.7   |
| Hang Seng | 2,364  |                         | 0.0   | 4.3    | 10.7    | -34.7   |
| IBEX 35   | 11,767 |                         | 1.3   | -1.3   | -2.4    | 9.8     |
| MIB       | 36,632 |                         | 1.6   | 0.1    | -2.2    | 39.1    |
| S&P 500   | 5,181  |                         | 2.3   | 1.6    | 0.7     | 60.4    |
| STOXX 600 | 548    |                         | 1.9   | 0.9    | -1.3    | 17.4    |
| TOPIX     | 18     |                         | 0.7   | 4.4    | -0.9    | 13.0    |

## Equity regional sectors

Price return index percentage change since Jan 2020

■ US ■ Europe ■ Emerging Markets



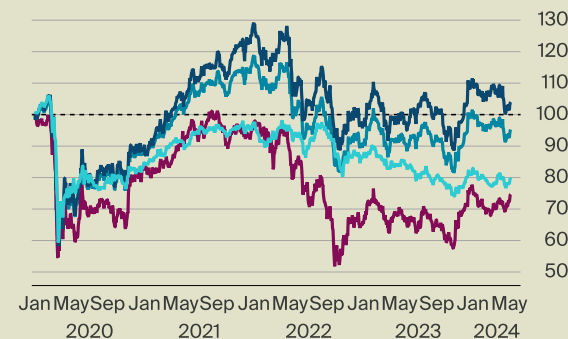
Source: Knight Frank, Macrobond

|             | Percentage change since Jan 2020 |        |        |
|-------------|----------------------------------|--------|--------|
|             | US                               | Europe | World  |
| Tech        | 111.5%                           | 56.3%  | 52.1%  |
| Financials  | 30.8%                            | 24.5%  | -5.1%  |
| Industrials | 56.1%                            | 37.4%  | 0.2%   |
| Real Estate | -10.9%                           | -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

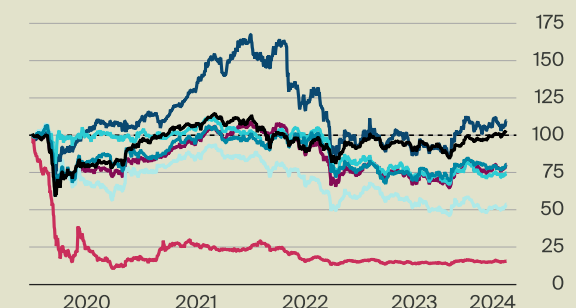
| Index, total return | Last  | Percentage change since |       |        |         |         |
|---------------------|-------|-------------------------|-------|--------|---------|---------|
|                     |       | Original value and base | 1 day | 1 week | 1 month | Jan '20 |
| US                  | 2,486 |                         | 1.0   | 1.8    | -1.4    | 4.0     |
| Europe              | 2,130 |                         | 1.8   | 4.0    | 2.8     | -25.3   |
| World               | 3,060 |                         | 1.3   | 2.4    | -0.9    | -4.7    |
| Asia Pacific        | 3,141 |                         | 1.2   | 3.0    | 0.4     | -20.0   |

## 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

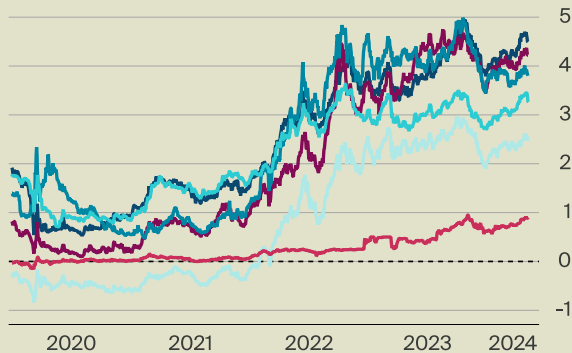
| Index, total return | Last   | Percentage change since |       |        |         |         |
|---------------------|--------|-------------------------|-------|--------|---------|---------|
|                     |        | Original value and base | 1 day | 1 week | 1 month | Jan '20 |
| All REITs           | 821    |                         | 1.0   | 2.9    | 1.8     | -19.7   |
| Office              | 1,595  |                         | 1.9   | 4.4    | 4.6     | -46.2   |
| Industrial          | 1,362  |                         | 0.9   | 3.4    | 0.3     | 9.9     |
| Retail              | 56     |                         | -1.5  | 2.0    | -1.0    | -84.5   |
| Healthcare          | 1,695  |                         | 0.5   | 2.1    | 0.7     | -25.2   |
| Residential         | 1,229  |                         | 0.8   | 2.6    | 2.7     | -19.5   |
| FTSE 250            | 17,581 |                         | 1.3   | 3.0    | 2.9     | 3.2     |

# Bonds & Rates

## Government bond yields

10 year government bond yields, %

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



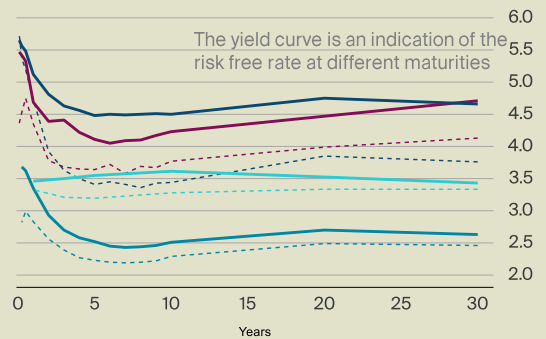
Source: Knight Frank, Macrobond

|           | Last | 1 day | 1 week | 1 month | Jan '20 |
|-----------|------|-------|--------|---------|---------|
| Italy     | 3.80 | 3.80  | 3.92   | 3.83    | 1.40    |
| Japan     | 0.90 | 0.89  | 0.92   | 0.78    | -0.03   |
| Singapore | 3.26 | 3.27  | 3.45   | 3.21    | 1.74    |
| UK        | 4.22 | 4.22  | 4.35   | 4.07    | 0.82    |
| US        | 4.49 | 4.49  | 4.69   | 4.39    | 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

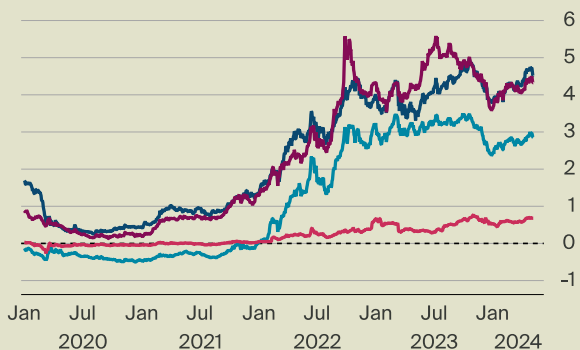


Source: Knight Frank, Macrobond

## Interest rate swaps

5 year swap rates, %

— US — UK — Eurozone — Japan



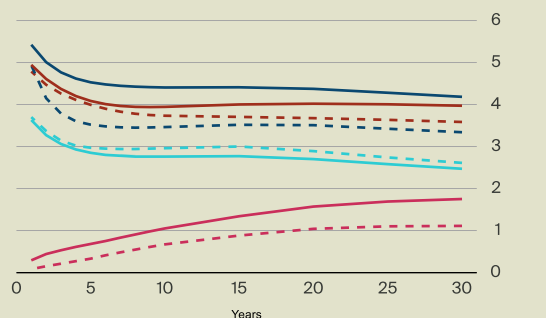
Source: Knight Frank, Macrobond

|           | Last | 1 day | 1 week | 1 month | Jan '20 |
|-----------|------|-------|--------|---------|---------|
| Eurozone  | 2.85 | 2.86  | 2.90   | 2.74    | -0.13   |
| Japan     | 0.68 | 0.68  | 0.68   | 0.60    | 0.03    |
| Singapore | 3.66 | n/a   | n/a    | n/a     | 1.50    |
| UK        | 4.33 | 4.32  | 4.42   | 4.14    | 0.88    |
| US        | 4.53 | 4.52  | 4.69   | 4.38    | 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



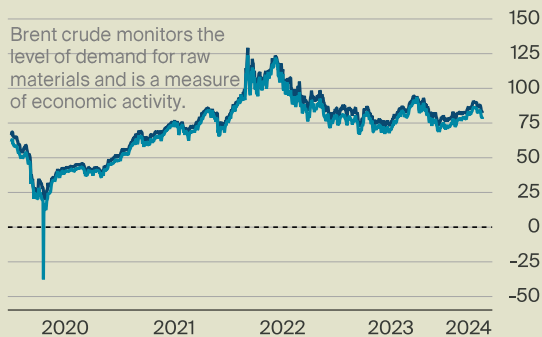
Source: Knight Frank, Macrobond

# 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 | 83.5 | 83.5  | 85.9   | 90.6    | 66.0    |
| WTI, \$ per barrel   | 79.1 | 79.1  | 81.7   | 86.1    | 61.1    |

## Baltic dry index

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

— Baltic dry index



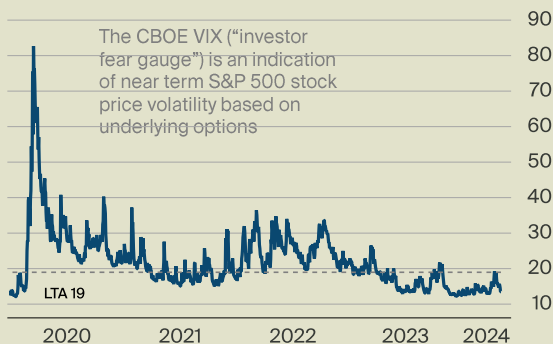
Source: Knight Frank, Macrobond

|            | Last | Percentage change since |        |         |         |
|------------|------|-------------------------|--------|---------|---------|
|            |      | 1 day                   | 1 week | 1 month | Jan '20 |
| Baltic Dry | 2083 | 11                      | 23.6   | 27.9    | 91.1    |

## Volatility index

Near term stock price volatility indicator

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



Source: Knight Frank, Macrobond

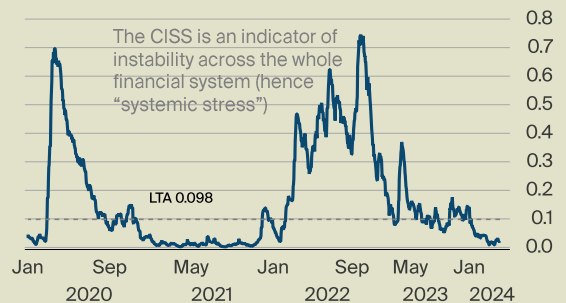
|                   | Last | 1 day | 1 week | 1 month | Jan '20 |
|-------------------|------|-------|--------|---------|---------|
| CBOE VIX          | 13.5 | 13.5  | 15.7   | 16.0    | 13.8    |
| Euro Stoxx 50 VIX | 14.3 | 14.3  | 15.6   | 16.1    | 14.0    |
| Nikkei VIX        | 19.2 | 19.9  | 20.5   | 21.5    | 14.8    |
| KOSPI VIX         | 17.2 | 17.5  | 18.1   | 18.1    | 14.7    |

## Systemic stress

Measures FX, money, sovereign and bond yield volatility

— New ECB Composite Indicator of Systemic Stress (CISS)

--- Long term average



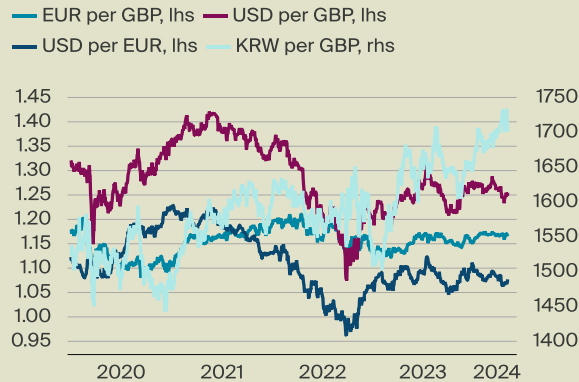
Source: Knight Frank, Macrobond

|                                 | Last  | 1 week | 1 month | Jan '20 |
|---------------------------------|-------|--------|---------|---------|
| Systemic stress composite       | 0.053 | 0.054  | 0.045   | 0.023   |
| Equity markets stress sub index | 0.039 | 0.050  | 0.017   | 0.009   |
| Bond markets stress sub index   | 0.045 | 0.046  | 0.029   | 0.02    |
| FX markets stress sub index     | 0.031 | 0.021  | 0.002   | 0.004   |

# Currencies & Monetary Policy

## Currencies

### Spot prices

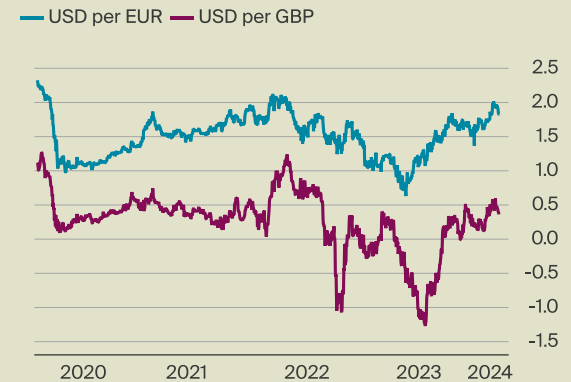


Source: Knight Frank, Macrobond

|             | Last  | 1 day | 1 week | 1 month | Jan '20 |
|-------------|-------|-------|--------|---------|---------|
| EUR per GBP | 1.165 | 1.168 | 1.167  | 1.166   | 1.177   |
| KOR per GBP | 1,701 | 1,714 | 1,715  | 1,702   | 1,525   |
| USD per GBP | 1.255 | 1.249 | 1.246  | 1.262   | 1.321   |
| USD per EUR | 1.077 | 1.071 | 1.069  | 1.083   | 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 | 1.83 | 1.82  | 1.95   | 1.81    | 2.32    |
| USD to GBP | 0.36 | 0.39  | 0.46   | 0.44    | 1.12    |

## Inflation and monetary policy

### Inflation rate (%)

|              | Apr | Mar | Feb | Jan  |
|--------------|-----|-----|-----|------|
| Australia    | n/a | 3.6 | 3.6 | 3.6  |
| Canada       | n/a | 2.9 | 2.8 | 2.9  |
| China        | n/a | 0.0 | 0.7 | -0.8 |
| Euro Area    | 2.4 | 2.4 | 2.6 | 2.8  |
| France       | 2.2 | 2.3 | 3.0 | 3.1  |
| Germany      | 2.2 | 2.2 | 2.5 | 2.9  |
| India        | n/a | 4.9 | 5.1 | 5.1  |
| Italy        | 0.9 | 1.2 | 0.8 | 0.8  |
| Japan        | n/a | 2.7 | 2.8 | 2.2  |
| Saudi Arabia | n/a | 1.6 | 1.8 | 1.6  |
| South Korea  | 2.9 | 3.1 | 3.1 | 2.8  |
| Spain        | n/a | 3.2 | 2.8 | 3.4  |
| Sweden       | n/a | 4.1 | 4.5 | 5.4  |
| UK           | n/a | 3.2 | 3.4 | 4.0  |
| US           | n/a | 3.5 | 3.2 | 3.1  |

### Interest rates (%)

|  | Last | Jan '21 |
|--|------|---------|
|  | 4.35 | 0.10    |
|  | 5.00 | 0.25    |
|  | 4.35 | 4.35    |
|  | 4.50 | 0.00    |
|  | 4.50 | 0.00    |
|  | 4.50 | 0.00    |
|  | 6.50 | 4.00    |
|  | 4.50 | 0.00    |
|  | 0.10 | -0.10   |
|  | 6.00 | 1.00    |
|  | 3.50 | 0.50    |
|  | 4.50 | 0.00    |
|  | 4.00 | 0.00    |
|  | 5.25 | 0.10    |
|  | 5.50 | 0.25    |

### Asset purchasing

|  | Latest (\$) | 1m change (%) |
|--|-------------|---------------|
|  | 0.33 tn     | -5.9          |
|  | 226 bn      | -2.1          |
|  | 6.08 tn     | -1.5          |
|  | 704 tn      | -0.2          |
|  | 1.66 tn     | -3.7          |
|  | 2.66 tn     | -0.6          |
|  | 430 bn      | 8.3           |
|  | 1.26 tn     | -6.1          |
|  | 4.82 tn     | -1.7          |
|  | 496 bn      | 4.7           |
|  | 387 bn      | 0.5           |
|  | 487 bn      | -1.8          |
|  | 114 bn      | 1.8           |
|  | 1.37 tn     | -0.5          |
|  | 7.36 tn     | -1.2          |

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

Source: Knight Frank, Macrobond



**The London series – The key drivers of London's occupational market**

As the noise from the great global workplace experiment gives way to stronger signals, occupier requirements are changing not evaporating. We have identified three key aspects of the occupier mindset that are combining with three dominant deal drivers to shape occupier activity in London.

[View Report](#)



**Future Gazing – Logistics for modern living**

Our 2024 Future Gazing report explores the lifestyle, demographic and consumer trends that shape our relationship with industrial and logistics property. Our research anticipates that an additional 111.6m sq ft of industrial and logistics space is required to support the growth of retail, manufacturing and service sectors over the next five years.

[View Report](#)

**Recent research**



**Life Sciences & Innovation Insight – Q1 2024**

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



**UK Real Estate Navigator – Q4 23**

The latest Real Estate Navigator analyses the Q4 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



**William Matthews**  
Partner  
Head of Commercial Research  
+44 20 3909 6842  
william.matthews@knightfrank.com



**Victoria Ormond, CFA**  
Partner  
Head of Capital Markets Research  
+44 20 7861 5009  
victoria.ormond@knightfrank.com



**Antonia Haralambous**  
Associate  
Capital Markets Research  
+44 20 3866 8033  
antonia.haralambous@knightfrank.com



**Khadija Hussain**  
Analyst  
Capital Markets Research  
+44 20 8176 9671  
khadija.hussain@knightfrank.com