

Leading Indicators

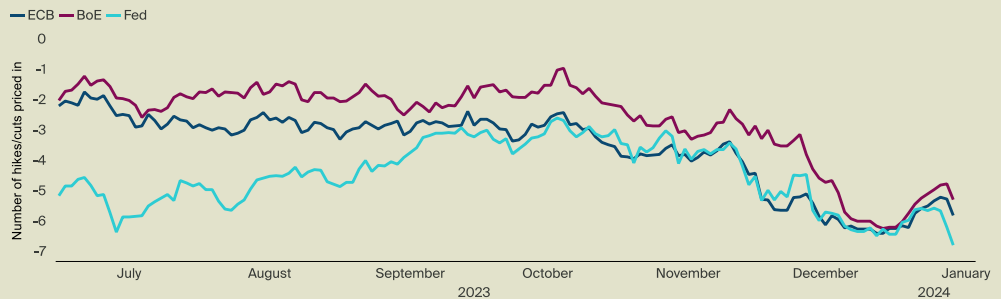
Weathering the storm: Financial market stress moderates despite rising geopolitical tensions

4.00%

Money markets are currently pricing in five rate cuts from the Bank of England in 2024, which compares to the six cuts expected at the beginning of January, and the six cuts currently priced in from the US Federal Reserve.

Money markets pricing in five rate cuts from the BoE and ECB in 2024, with six expected from the Fed

Number of central bank rate hikes / cuts priced in by money markets



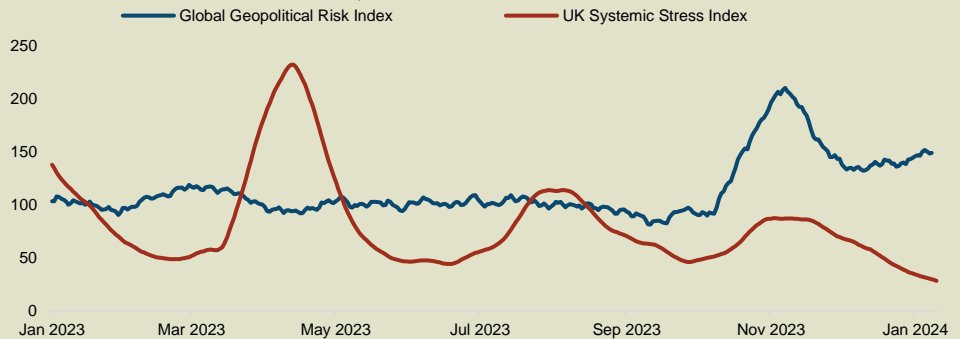
Source: Knight Frank Research, CME Group, Intercontinental Exchange (ICE), Macrobond

-52%

Over the last month, the UK Systemic Stress Index, a measure of financial stress, has moderated by -52%. Over that same period, the global geopolitical risk index has risen by +10%.

UK financial market volatility moderates, despite rising global geopolitical risks

Global Geopolitical Risk Index vs UK Systemic Stress Index, one-month m.a., Jan 2023 = 100



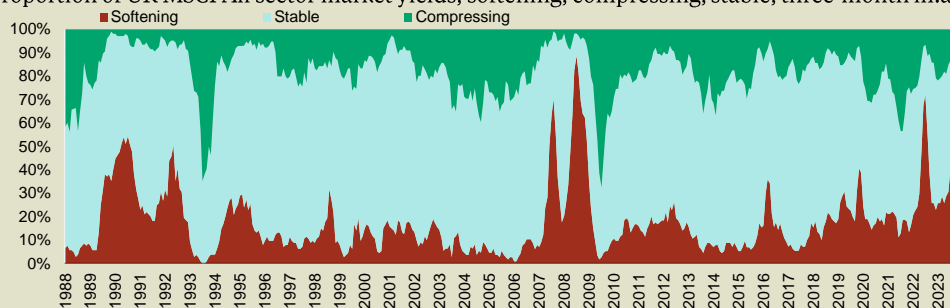
Source: Knight Frank Research, Macrobond

47%

Of UK MSCI market yields were stable in December 2023, while 14% were compressing and 39% were softening. The prospect of rate cuts later this year is one potential reason why a greater share of yields have not risen.

Just under half the NIYs in the MSCI monthly index were stable in December, while 39% were softening

Proportion of UK MSCI All sector market yields, softening, compressing, stable, three-month m.a.



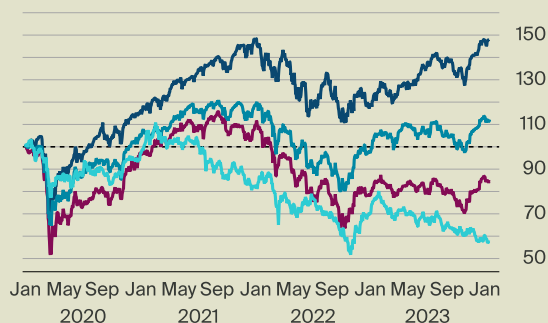
Source: Knight Frank Research, MSCI

Equities

Equity markets

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

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



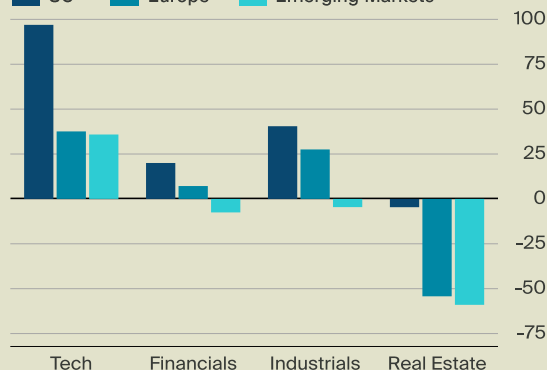
Source: Knight Frank, Macrobond

Index	Last	Percentage change since				
		Original value and base	1 day	1 week	1 month	Jan '20
DAX 30	7,201		0.4	0.0	-1.2	8.8
FTSE 250	24,441		0.6	-0.2	-0.5	-15.7
Hang Seng	2,073		-0.6	-2.1	-1.3	-42.7
IBEX 35	11,032		0.7	-1.1	-1.3	2.9
MIB	33,203		0.2	-0.6	-0.5	26.1
S&P 500	4,784		0.0	2.0	3.5	48.1
STOXX 600	519		0.3	-0.7	-0.9	11.2
TOPIX	17		-0.4	3.5	4.8	8.7

Equity regional sectors

Price return index percentage change since Jan 2020

■ US ■ Europe ■ Emerging Markets



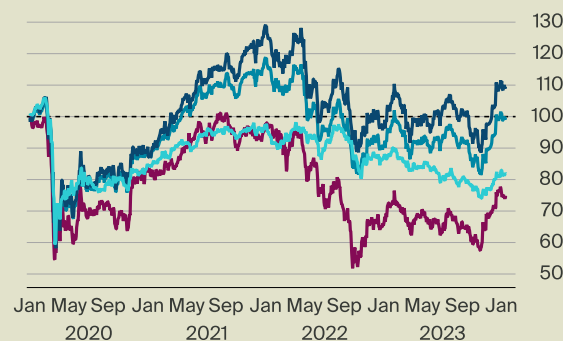
Source: Knight Frank, Macrobond

	Percentage change since Jan 2020		
	US	Europe	World
Tech	96.9%	37.6%	35.9%
Financials	20.0%	7.2%	-7.5%
Industrials	40.5%	27.5%	-4.6%
Real Estate	-4.6%	-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

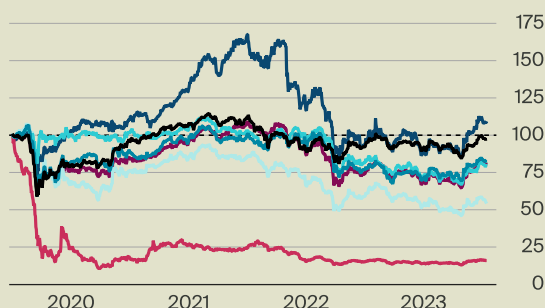
Index, total return	Last	Percentage change since				
		Original value and base	1 day	1 week	1 month	Jan '20
US	2,621		0.7	1.2	-1.1	9.7
Europe	2,118		0.6	-0.6	-2.3	-25.7
World	3,201		0.6	0.8	-1.0	-0.4
Asia Pacific	3,213		0.2	0.1	0.3	-18.2

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

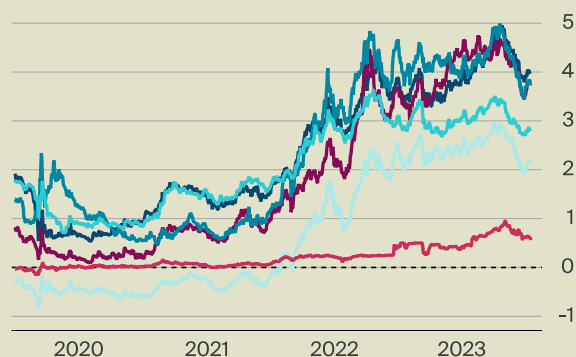
Index, total return	Last	Percentage change since				
		Original value and base	1 day	1 week	1 month	Jan '20
All REITs	820		0.2	-0.4	-2.2	-19.8
Office	1,605		-1.8	-3.9	-7.2	-45.8
Industrial	1,338		-0.3	-0.2	-2.3	7.9
Retail	57		0.3	-1.5	-1.4	-84.1
Healthcare	1,805		0.4	-0.5	2.2	-20.4
Residential	1,257		0.6	-0.4	-1.7	-17.6
FTSE 250	16,554		0.5	0.0	-0.2	-2.8

Bonds & Rates

Government bond yields

10 year government bond yields, %

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



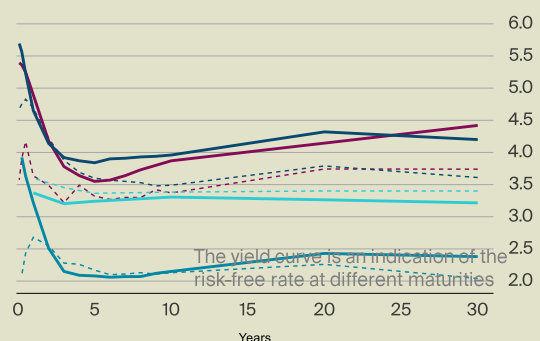
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Italy	3.78	3.78	3.84	3.67	1.40
Japan	0.56	0.59	0.63	0.67	-0.03
Singapore	2.79	2.79	2.87	2.76	1.74
UK	3.79	n/a	3.78	3.69	0.82
US	3.96	n/a	4.02	3.91	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

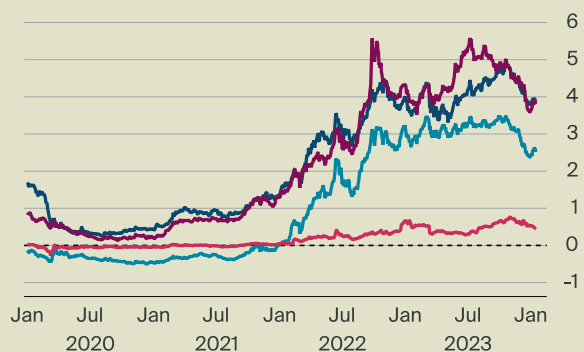


Source: Knight Frank, Macrobond

Interest rate swaps

5 year swap rates, %

— US — UK — Eurozone — Japan



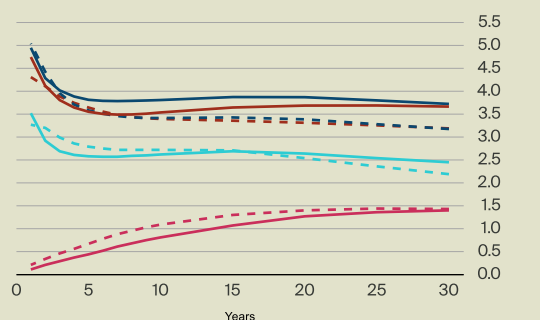
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Eurozone	2.58	2.53	2.54	2.48	-0.13
Japan	0.44	0.45	0.50	0.61	0.03
Singapore	3.66	n/a	n/a	n/a	1.50
UK	3.80	3.82	3.87	3.91	0.88
US	3.81	3.83	3.93	3.90	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

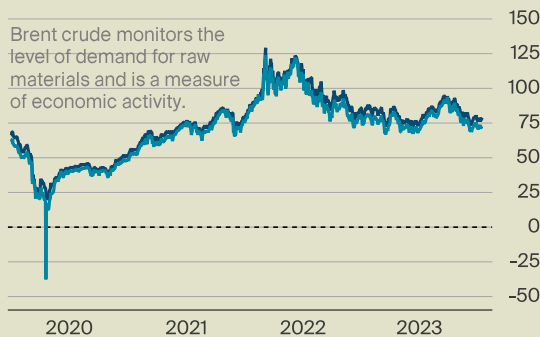
Commodities & Volatility

Energy

Oil spot prices, \$ per barrel

— Brent Crude — West Texas Intermediate (WTI)

Brent crude monitors the level of demand for raw materials and is a measure of economic activity.



Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Brent, \$ per barrel	78.8	78.2	76.1	76.9	66.0
WTI, \$ per barrel	72.8	72.7	70.8	71.4	61.1

Baltic dry index

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

— Baltic dry index

Baltic Dry Index is a measure of what it costs to ship raw materials and is a leading indicator of global demand



Source: Knight Frank, Macrobond

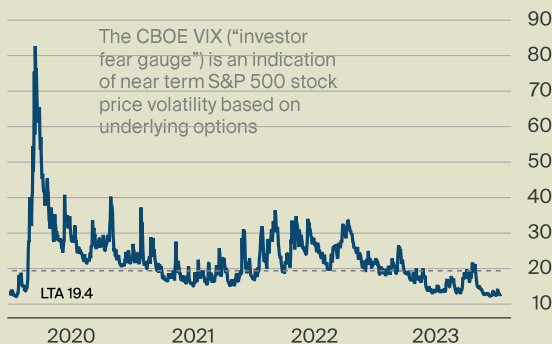
	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Baltic Dry	1360	-12.5	-32.7	-42.1	24.8

Volatility index

Near term stock price volatility indicator

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

The CBOE VIX ("investor fear gauge") is an indication of near term S&P 500 stock price volatility based on underlying options



Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
CBOE VIX	12.7	n/a	12.8	12.3	13.8
Euro Stoxx 50 VIX	14.1	14.1	13.7	12.1	14.0
Nikkei VIX	21.2	22.5	19.2	17.3	14.8
KOSPI VIX	17.2	16.8	17.4	14.0	14.7

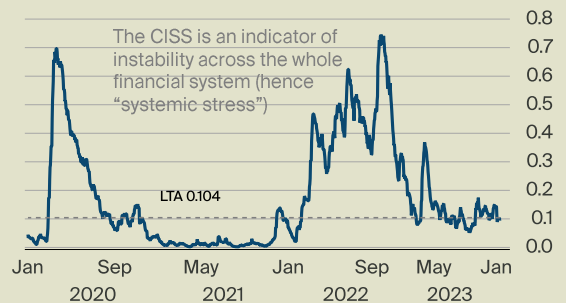
Systemic stress

Measures FX, money, sovereign and bond yield volatility

— New ECB Composite Indicator of Systemic Stress (CISS)

--- Long term average

The CISS is an indicator of instability across the whole financial system (hence "systemic stress")



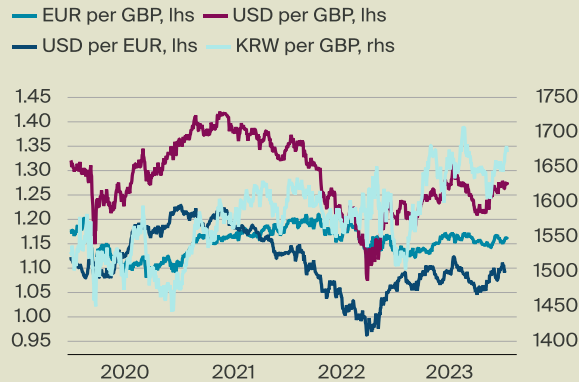
Source: Knight Frank, Macrobond

	Last	1 week	1 month	Jan '20
Systemic stress composite	0.088	0.115	0.109	0.023
Equity markets stress sub index	0.037	0.071	0.053	0.009
Bond markets stress sub index	0.056	0.069	0.065	0.02
FX markets stress sub index	0.015	0.027	0.027	0.004

Currencies & Monetary Policy

Currencies

Spot prices

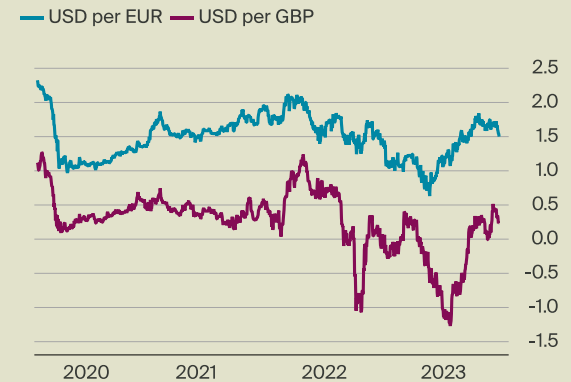


Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
EUR per GBP	1.164	1.162	1.162	1.165	1.177
KOR per GBP	1,672	1,676	1,670	1,652	1,525
USD per GBP	1.276	1.271	1.275	1.256	1.321
USD per EUR	1.096	n/a	1.096	1.079	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	1.50	1.54	1.66	1.68	2.32
USD to GBP	0.24	0.24	0.32	0.19	1.12

Inflation and monetary policy

Inflation rate (%)

	Dec	Nov	Oct	Sep
Australia ¹	n/a	n/a	n/a	5.3
Canada	n/a	3.1	3.1	3.8
China	-0.3	-0.4	-0.1	0.1
Euro Area	2.9	2.4	2.9	4.3
France	3.7	3.5	4.0	4.9
Germany	3.7	3.2	3.8	4.5
India	5.7	5.6	4.9	5.0
Italy	0.6	0.7	1.7	5.3
Japan	n/a	2.8	3.3	3.0
Saudi Arabia	1.5	1.7	1.6	1.7
South Korea	3.2	3.3	3.8	3.7
Spain	n/a	n/a	3.5	3.5
Sweden	4.4	5.8	6.5	6.5
UK	n/a	3.9	4.6	6.7
US	3.3	3.1	3.2	3.7

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 (%)
	0.36 tn	-0.3
	235 bn	-1.3
	6.4 tn	3.7
	758 tn	-1.1
	1.78 tn	-0.3
	2.66 tn	-0.6
	416 bn	7.6
	1.4 tn	-0.6
	5.14 tn	-0.7
	486 bn	3.1
	383 bn	-3.3
	487 bn	-0.2
	123 bn	-1.6
	1.37 tn	-0.5
	7.69 tn	-0.7

Source: Knight Frank, Macrobond



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There's no question about it. The London office market is undergoing significant structural change following our experience of the pandemic and more recent global economic headwinds. Through a series of six insightful papers delivered between now and throughout 2024, we will tackle the biggest questions facing the London office market and uncover future opportunities.

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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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