

Leading Indicators



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Key economic and financial metrics, updated weekly

23rd January 2023

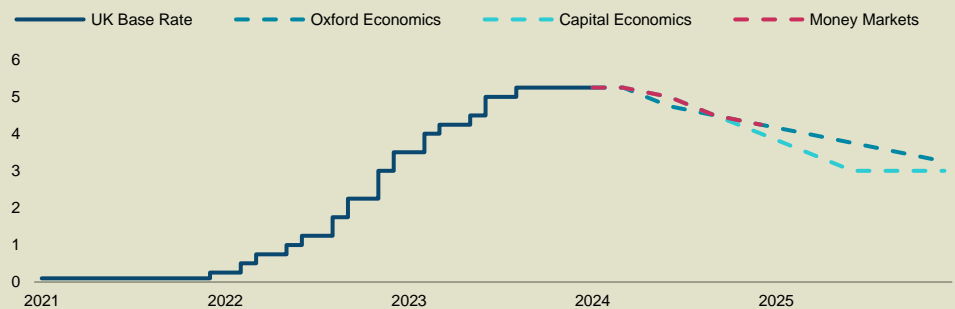
Navigating uncertainty: money markets exercise caution

4.25%

Money markets are now pricing in at least four quarter-point rate cuts from the Bank of England in 2024. Prior to last week's higher than expected inflation reading, money markets were expecting five rate cuts in 2024, and in early January, six rate cuts were priced in.

Money markets scale back expectations of rate cuts in 2024 to four, following higher than expected inflation figures

UK policy rate forecasts, %



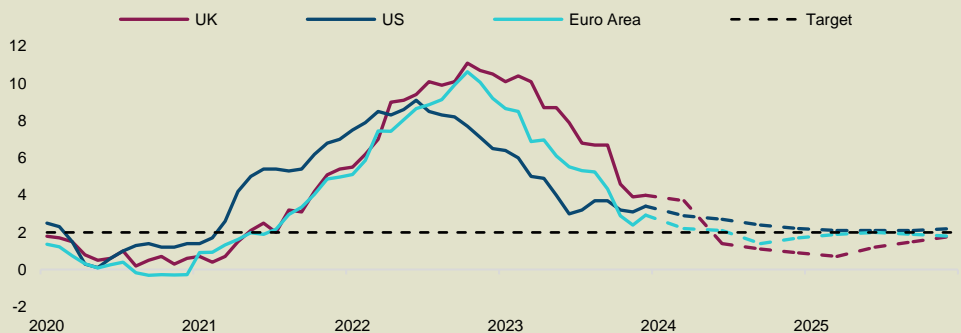
Source: Knight Frank Research, Bloomberg, Capital Economics, Macrobond, Oxford Economics

1.40%

Capital Economics expects UK inflation to fall to 1.40% by Q2 2024. This would bring UK inflation below the US and Euro Area for the first time in two years.

However, the UK is expected to reach target inflation before the US and Euro Area

Inflation forecasts, %



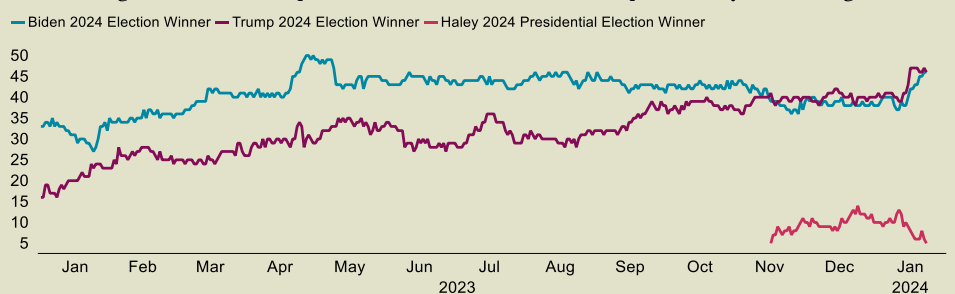
Source: Knight Frank Research, Capital Economics, Macrobond, Oxford Economics

46%

According to Predictit, both Trump and Biden have a 46% probability of winning the 2024 presidential election. Meanwhile, Nikki Haley, the other Republican hopeful has just a 5% likelihood of winning.

Volatility on the cards? US presidential election race between Trump and Biden heats up

Predictit betting odds of US 2024 presidential election outcome, % probability of winning



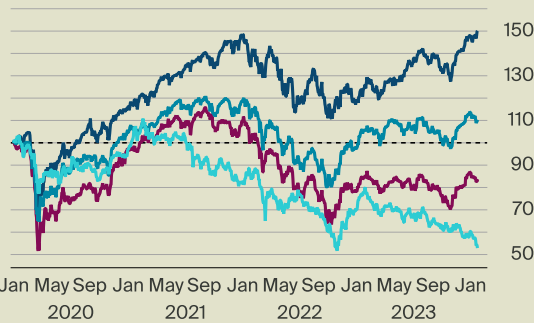
Source: Knight Frank Research, Macrobond, Predictit

Equities

Equity markets

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

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



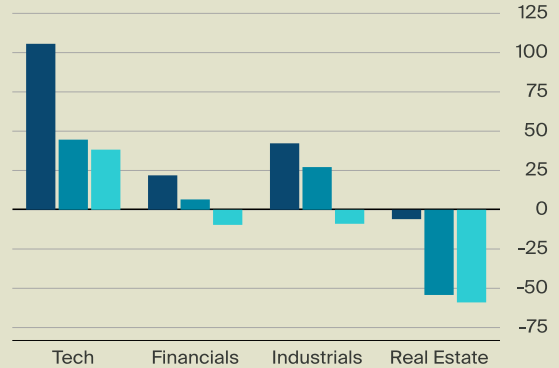
Source: Knight Frank, Macrobond

Index	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
DAX 30	7,184	1.0	-0.9	-1.0	8.6
FTSE 250	24,251	1.0	-1.1	-2.1	-16.3
Hang Seng	1,914	-2.8	-7.9	-10.1	-47.1
IBEX 35	10,848	1.2	-2.0	-2.3	1.2
MIB	32,846	-0.3	-1.7	-1.3	24.8
S&P 500	4,850	1.5	1.4	2.2	50.1
STOXX 600	515	0.8	-1.6	-1.8	10.3
TOPIX	17	1.4	-0.7	5.0	8.8

Equity regional sectors

Price return index percentage change since Jan 2020

■ US ■ Europe ■ Emerging Markets



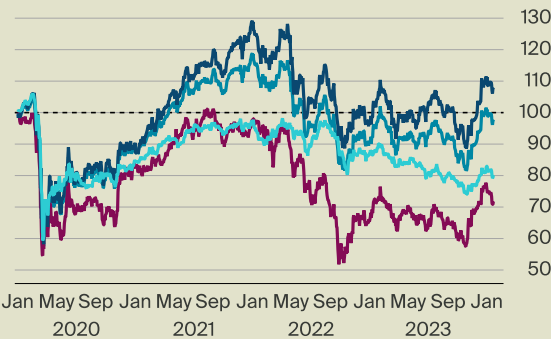
Source: Knight Frank, Macrobond

	Percentage change since Jan 2020		
	US	Europe	World
Tech	105.6%	44.6%	38.2%
Financials	21.9%	6.6%	-9.6%
Industrials	42.3%	27.1%	-8.9%
Real Estate	-6.0%	-54.2%	-59.0%

REITs by region

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

— World — Europe — US — Asia Pacific



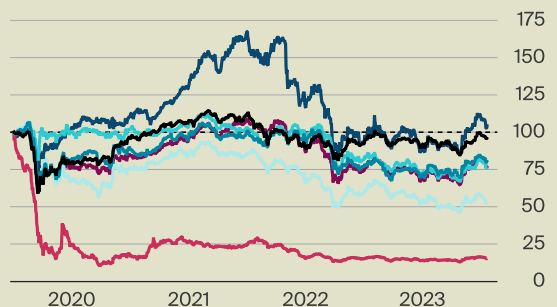
Source: Knight Frank, Macrobond

Index, total return	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
US	2,580	1.8	-1.5	-0.9	8.0
Europe	2,046	1.3	-3.9	-5.7	-28.2
World	3,141	1.7	-2.0	-1.4	-2.2
Asia Pacific	3,145	1.2	-2.4	-1.3	-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

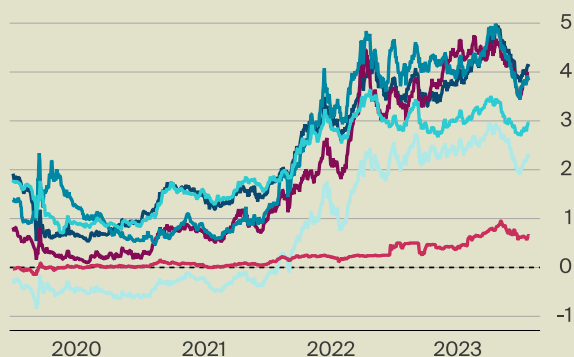
Index, total return	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
All REITs	793	1.5	-3.9	-6.2	-22.5
Office	1,565	1.1	-3.6	-9.1	-47.2
Industrial	1,305	2.6	-3.3	-5.6	5.2
Retail	55	0.6	-4.2	-5.3	-84.7
Healthcare	1,730	0.6	-4.6	-6.1	-23.7
Residential	1,239	1.7	-1.5	-2.8	-18.8
FTSE 250	16,450	0.7	-0.6	-2.4	-3.5

Bonds & Rates

Government bond yields

10 year government bond yields, %

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



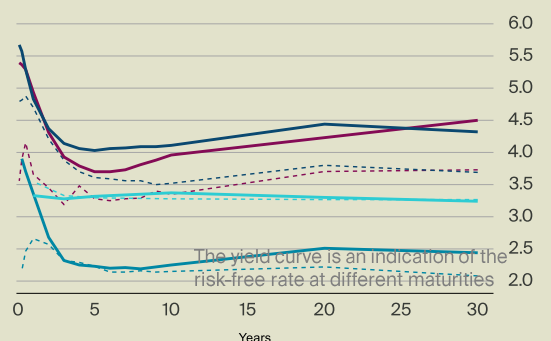
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Italy	3.83	3.83	3.82	3.49	1.40
Japan	0.65	0.66	0.56	0.59	-0.03
Singapore	2.96	2.96	2.82	2.72	1.74
UK	3.93	n/a	3.80	3.51	0.82
US	4.11	4.11	4.07	3.90	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

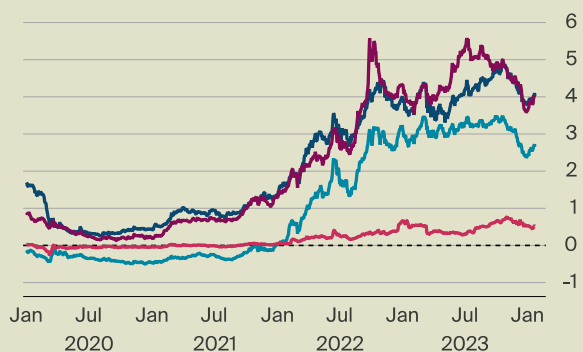


Source: Knight Frank, Macrobond

Interest rate swaps

5 year swap rates, %

— US — UK — Eurozone — Japan



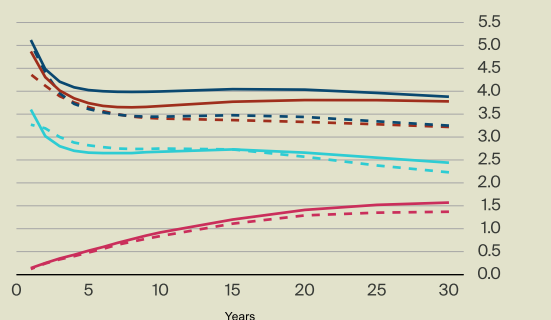
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Eurozone	2.66	2.72	2.58	2.41	-0.13
Japan	0.52	0.53	0.44	0.55	0.03
Singapore	3.66	n/a	n/a	n/a	1.50
UK	3.99	4.00	3.80	3.64	0.88
US	4.03	4.10	3.81	3.87	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



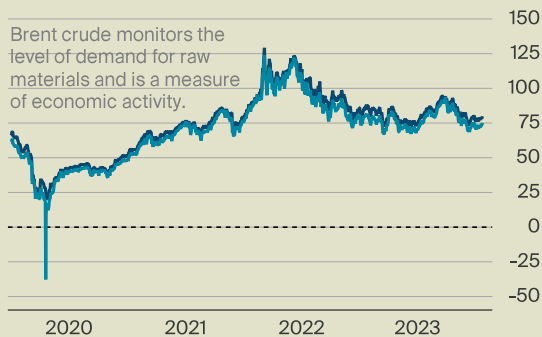
Source: Knight Frank, Macrobond

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	79.9	78.3	78.6	78.9	66.0
WTI, \$ per barrel	75.2	73.4	72.8	73.6	61.1

Baltic dry index

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

— Baltic dry index



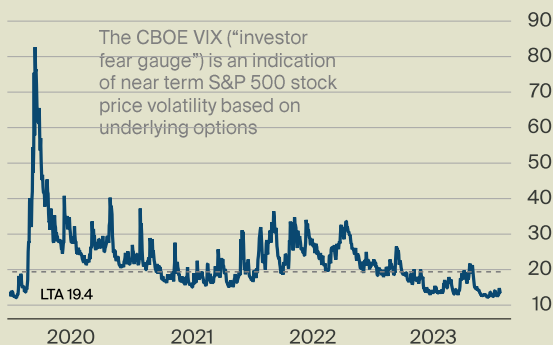
Source: Knight Frank, Macrobond

	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Baltic Dry	1518	11.9	11.6	-27.5	39.3

Volatility index

Near term stock price volatility indicator

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



Source: Knight Frank, Macrobond

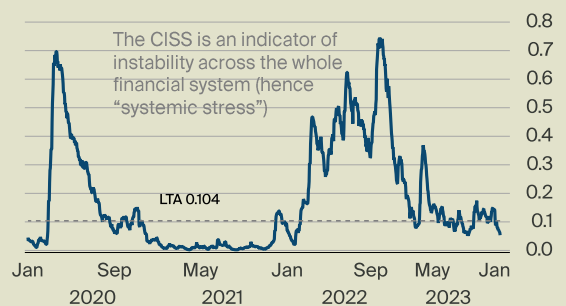
	Last	1 day	1 week	1 month	Jan '20
CBOE VIX	13.2	13.2	13.8	13.0	13.8
Euro Stoxx 50 VIX	13.9	13.9	14.2	13.6	14.0
Nikkei VIX	21.1	21.9	21.2	16.8	14.8
KOSPI VIX	17.4	18.0	17.2	15.0	14.7

Systemic stress

Measures FX, money, sovereign and bond yield volatility

— New ECB Composite Indicator of Systemic Stress (CISS)

--- Long term average



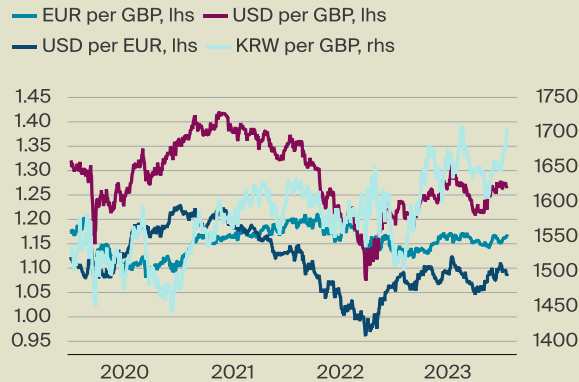
Source: Knight Frank, Macrobond

	Last	1 week	1 month	Jan '20
Systemic stress composite	0.089	0.083	0.107	0.023
Equity markets stress sub index	0.056	0.035	0.061	0.009
Bond markets stress sub index	0.055	0.053	0.071	0.02
FX markets stress sub index	0.015	0.014	0.047	0.004

Currencies & Monetary Policy

Currencies

Spot prices

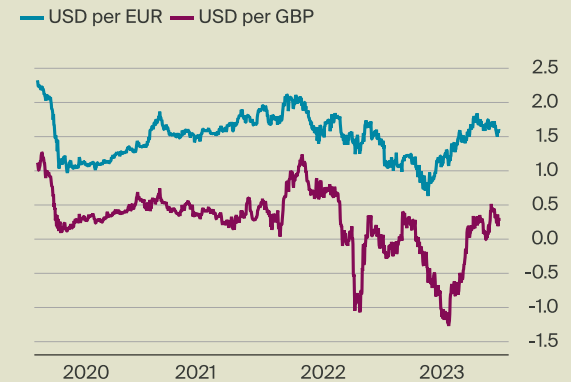


Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
EUR per GBP	1.165	1.168	1.164	1.160	1.177
KOR per GBP	1.695	1.698	1.672	1.659	1,525
USD per GBP	1.268	1.267	1.276	1.274	1.321
USD per EUR	1.089	1.086	1.096	1.098	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	1.59	1.60	1.50	1.70	2.32
USD to GBP	0.26	0.31	0.24	0.52	1.12

Inflation and monetary policy

Inflation rate (%)

	Dec	Nov	Oct	Sep
Australia ¹	n/a	n/a	n/a	5.3
Canada	3.4	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	2.6	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	4.0	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 (%)
	0.35 tn	-0.6
	235 bn	-1.3
	6.4 tn	3.7
	759 tn	-0.9
	1.78 tn	-0.3
	2.66 tn	-0.6
	416 bn	7.6
	1.4 tn	-0.6
	5.07 tn	0.2
	486 bn	3.1
	400 bn	0.1
	487 bn	-0.2
	123 bn	-1.1
	1.37 tn	-0.5
	7.67 tn	-0.7

Source: Knight Frank, Macrobond



The London series – London’s Global Differentiators

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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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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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



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