

Leading Indicators

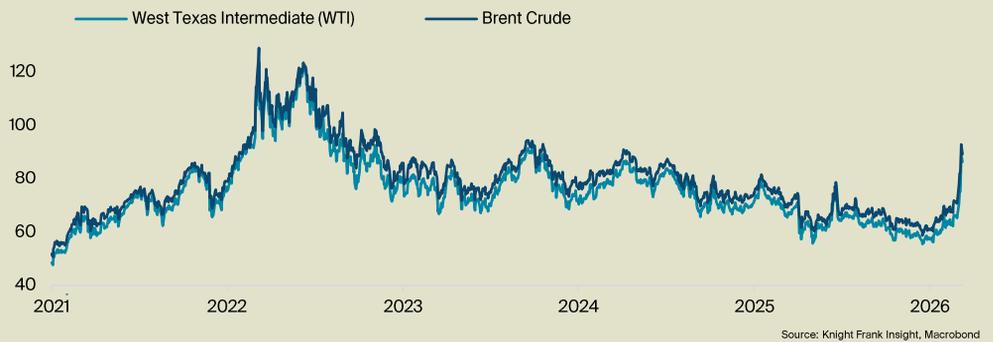
Markets react as uncertainty returns, but some signs of settling appear

\$89.33

Oil prices surged to \$119.50 per barrel at the height of the Middle East conflict - the largest daily jump on record, before easing back to \$89.33. Capital Economics expects oil prices to stay elevated, raising the risk of renewed energy-driven inflation: typically, a 5% rise in oil prices adds around 0.1ppt to developed market inflation. Many businesses are unlikely to have planned for elevated oil prices this year and as a result, higher energy costs may contribute to a more cautious occupier environment over the next six months.

Oil prices settle following an early spike

Oil spot prices (\$)

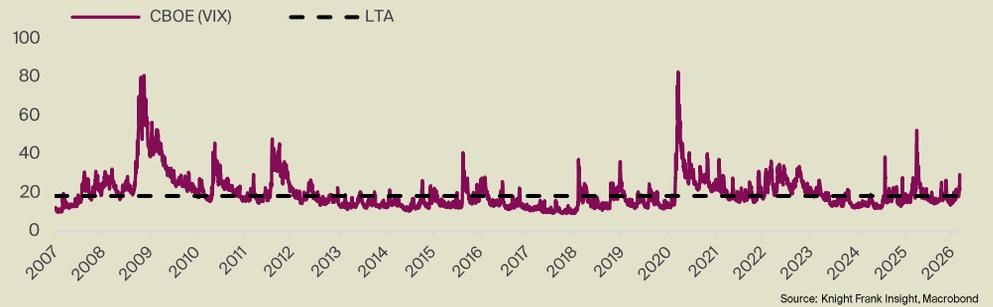


29.49

Market volatility has also increased, with the VIX - the market's 'fear gauge' - rising to 29.49, above its long-term average of 18.30. During periods of heightened uncertainty, investors often rotate toward perceived safe-haven assets and more defensive allocations such as real estate, particularly as values show signs of stabilising.

Market volatility has risen, but remains below past periods of elevated stress

CBOE Volatility Index (VIX), near term stock market volatility

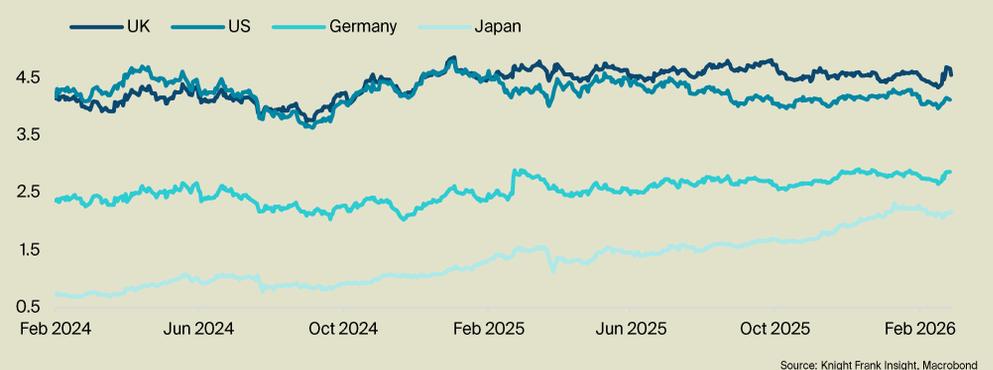


4.55%

Global bond yields have come under pressure since the conflict began, as markets reassess the risk that higher energy-driven inflation could delay interest rate cuts. In the UK, the 10-year gilt yield initially climbed to 4.72% but has since eased back to 4.55%, reversing Monday's sharp rise. The rise in yields was part of a broader global trend, with US 10-year Treasuries, 10-year JGBs and German Bund yields all moving higher yesterday. Across markets, yields remain volatile as investors continue to react to shifting geopolitical signals and inflation expectations.

Bonds show the recent spike is not just a UK issue

10-year government bond yields (%)



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 Original value and base	Percentage change since				YTD %
		1 day	1 week	1 month	Jan '20	
DAX 30	10,138	-1.6	-9.1	-7.4	53.2	-6.000
FTSE 250	29,606	-2.1	-7.3	-6.3	2.2	-2.026
Hang Seng	3,320	0.8	-0.3	-4.0	-8.2	0.823
IBEX 35	19,629	-1.7	-9.5	-7.5	83.2	-3.339
MIB	51,049	-1.2	-8.4	-5.9	93.9	-3.375
S&P 500	6,796	-0.5	-1.2	-2.0	110.4	-0.723
STOXX 600	690	-1.5	-7.8	-5.4	478	-0.716
TOPIX	23	-1.7	-6.3	-4.5	46.8	6.319

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	199.3%	95.7%	195.1%
Financials	60.9%	128.7%	17.5%
Industrials	113.8%	95.0%	38.9%
Real Estate	3.2%	-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 Original value and base	Percentage change since				YTD %
		1 day	1 week	1 month	Jan '20	
US	3,179	-0.9	-2.0	2.6	33.0	9.02
Europe	2,439	-3.9	-10.7	-6.3	-14.5	-1.44
World	3,798	-1.4	-3.5	0.5	18.2	5.54
Asia Pacific	3,336	-2.3	-4.1	-2.0	-15.0	-3.13

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 Original value and base	Percentage change since				YTD %
		1 day	1 week	1 month	Jan '20	
All REITs	812	-5.1	-10.2	-6.8	-20.6	-2.1
Office	1,399	-4.7	-8.0	-9.5	-52.8	-2.1
Industrial	1,325	-6.1	-12.7	-3.9	6.9	1.0
Retail	69	-4.1	-8.8	-4.5	-80.8	1.3
Healthcare	2,311	-3.1	-7.2	-2.7	1.9	4.1
Residential	842	-2.9	-5.8	-13.0	-44.8	-8.4
FTSE 250	20,462	-2.7	-6.9	-4.6	20.1	-1.3

Bonds & Rates

Government bond yields

10 year government bond yields, %

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



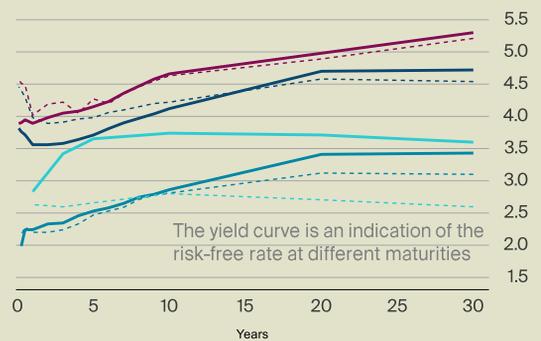
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Italy	3.63	3.63	3.50	3.41	1.40
Japan	2.18	2.15	2.06	2.27	-0.03
Singapore	2.12	2.12	1.97	1.98	1.74
UK	4.66	4.66	4.57	4.56	0.74
US	4.12	4.12	4.06	4.16	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



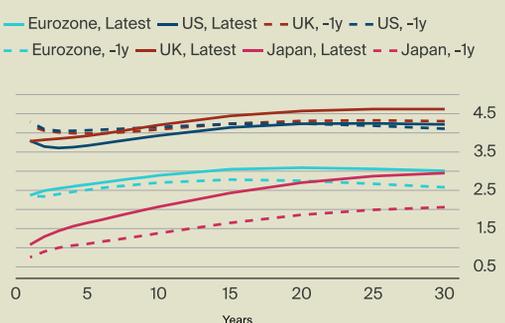
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Eurozone	2.65	2.63	2.42	2.49	-0.13
Japan	1.65	1.66	1.61	1.72	0.03
UK	4.16	4.12	3.86	3.97	0.88
US	3.67	3.67	3.60	3.73	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



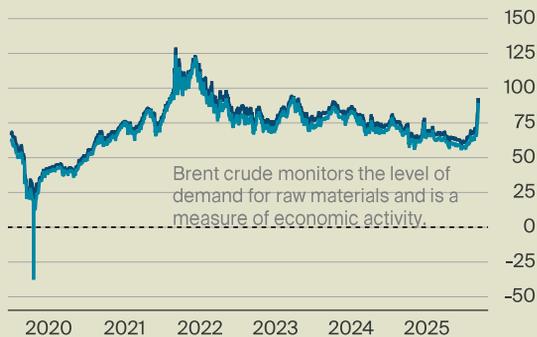
Source: Knight Frank, Macrobond

Commodities & Volatility

Energy

Oil spot prices, \$ per barrel

— Brent Crude — West Texas Intermediate (WTI)



Source: Knight Frank, Macrobond

Baltic dry index

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

— Baltic dry index



Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20	YTD %
Brent, \$ per barrel	89.3	92.9	77.9	69.1	66.0	46.8
WTI, \$ per barrel	86.4	89.2	70.7	64.3	61.1	50.8

	Last	Percentage change since				
		1 day	1 week	1 month	Jan '20	YTD %
Baltic Dry	2066	-3.37	-5.53	9.02	89.5	10.1

Volatility index

Near term stock price volatility indicator

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



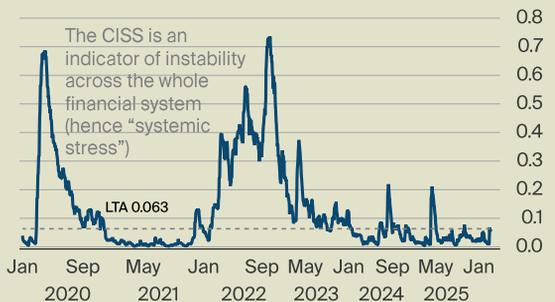
Source: Knight Frank, Macrobond

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

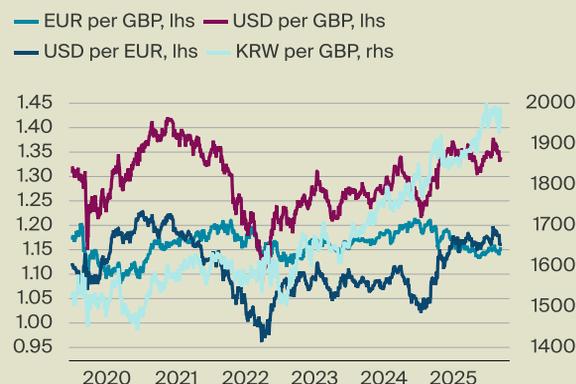
	Last	1 day	1 week	1 month	Jan '20	YTD
CBOE VIX	25.5	25.5	23.6	17.8	13.8	70.6
Euro Stoxx 50 VIX	31.1	31.1	29.3	18.0	14.0	111.6
Nikkei VIX	32.6	57.0	30.0	35.8	14.8	36.9
KOSPI VIX	66.6	71.8	63.0	42.0	14.7	130.9

	Last	1 week	1 month	Jan '20
Systemic stress composite	0.094	0.117	0.073	0.023
Equity markets stress sub index	0.078	0.095	0.064	0.009
Bond markets stress sub index	0.032	0.033	0.014	0.02
FX markets stress sub index	0.024	0.039	0.021	0.004

Currencies & Monetary Policy

Currencies

Spot prices



Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
EUR per GBP	1.155	1.154	1.145	1.148	1.177
KOR per GBP	1,981	1,984	1,925	1,990	1,525
USD per GBP	1.339	1.336	1.337	1.368	1.321
USD per EUR	1.161	1.161	1.169	1.190	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	1.20	1.17	1.35	1.44	2.32
USD to GBP	-0.63	-0.62	-0.35	-0.34	1.12

Inflation and monetary policy

Inflation rate (%)

	Feb	Jan	Dec	Nov
Australia ¹	n/a	3.8	3.7	3.5
Canada	n/a	2.3	2.4	2.2
China	1.4	0.2	0.7	0.5
Euro Area	n/a	n/a	2.0	2.1
France	1.0	0.3	0.8	0.9
Germany	2.1	2.1	1.9	2.3
India	n/a	2.7	1.2	0.5
Italy	1.6	1.0	1.2	1.1
Japan	n/a	1.5	2.1	2.9
Saudi Arabia	n/a	1.8	2.1	1.9
South Korea	2.0	2.0	2.3	2.4
Spain	n/a	n/a	n/a	3.1
Sweden	n/a	0.5	0.3	0.3
UK	n/a	3.0	3.4	3.2
US	n/a	2.4	2.7	2.7

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

Interest rates (%)

	Last	Jan '25
	3.85	4.35
	2.25	3.25
	4.35	4.35
	2.15	3.15
	2.15	3.15
	2.15	3.15
	5.25	6.50
	2.15	3.15
	0.75	0.25
	4.25	5.00
	2.50	3.00
	2.15	3.15
	1.75	2.75
	3.75	4.75
	3.75	4.50

Asset purchasing

	Latest (\$)	1m change (%)
	0.26 tn	0.1
	176 bn	-1.0
	7.09 tn	2.4
	7.34 tn	-1.0
	1.89 tn	3.7
	2.66 tn	-0.6
	540 bn	-0.6
	1.37 tn	0.9
	4.38 tn	0.9
	516 bn	0.9
	438 bn	11.4
	487 bn	0.2
	97.9 bn	-0.1
	1.17 tn	-0.7
	6.63 tn	0.3

Source: Knight Frank, Macrobond



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