

Leading Indicators

Markets react to Middle East tensions, but the scale hinges on duration...

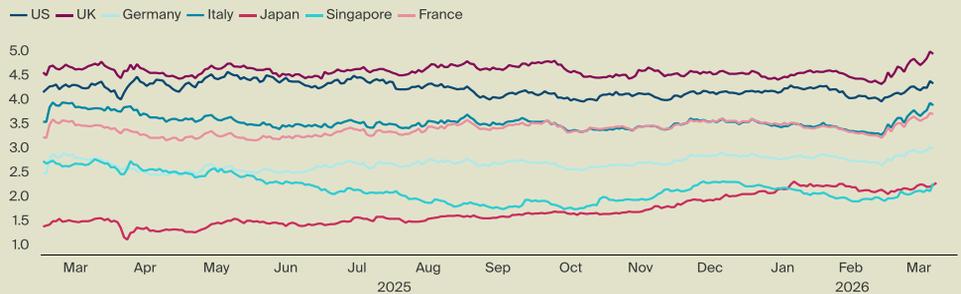
Markets remain volatile amid uncertainty around energy costs and inflation, with pricing reacting rapidly to each new data point or headline. Even so, near-term volatility should not be mistaken for a clear signal of the eventual outcome, as the duration of these pressures matters more than their initial magnitude.

4.86%

Global bond yields have moved sharply higher as the Middle East conflict pushes energy prices up and markets brace for a renewed inflation shock. The UK 10y gilt yield rose above 5% before falling back to 4.86%, reflecting expectations that central banks may need to keep policy tighter for longer, with the same pattern unfolding across global bond markets - US Treasury yields and core Eurozone benchmarks have also pushed higher, with the Italian 10-year BTP rising above 4%, its highest level since July 2024.

Bond markets remain volatile, but the real risk lies in how long the conflict persists

Global 10-year government bond yields (%)



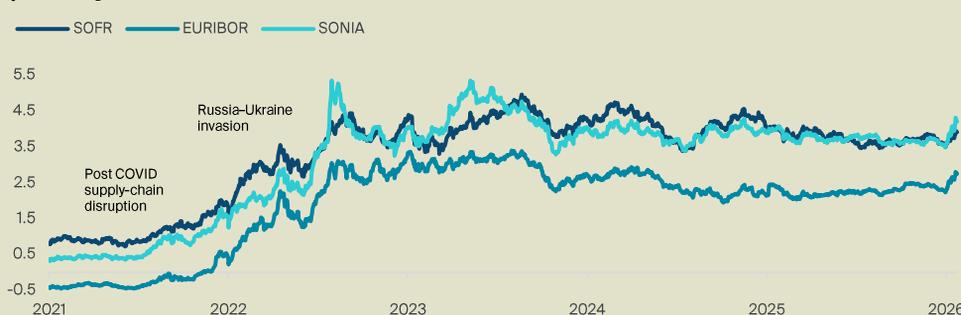
Source: Knight Frank Insight, Macrobond

4.21%

Global swap rates continue to edge higher, with 5-year SONIA at 4.21% (+16bps YoY), vs c. +40bps in 5-year Euribor. However, the move remains modest relative to past shocks, with both the Russia-Ukraine invasion and the 2021 supply-chain disruption driving more sustained repricing across energy and rates. Even so, most economists do not expect the BoE to raise rates this year. While market pricing has moved higher, expectations of 3 additional hikes appear overdone, with broader data still pointing to gradual cooling rather than re-acceleration.

Limited swap repricing vs. previous energy-driven shocks as tailwinds remain

5-year swap rates (%)



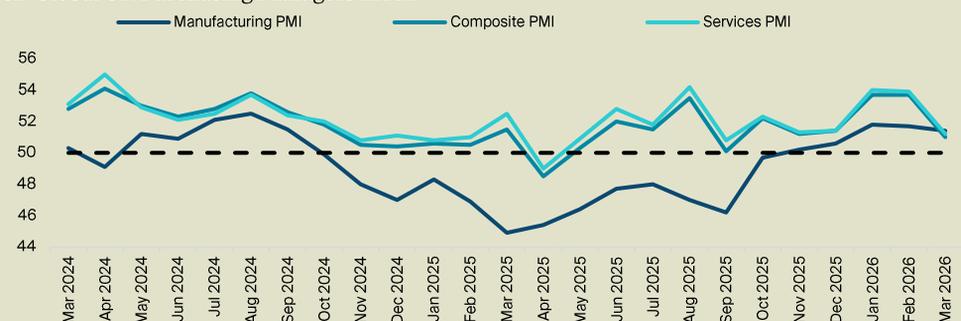
Source: Knight Frank Insight, Macrobond

51.4

March's PMI data suggests the UK economy is already beginning to adjust to higher energy costs, with both the UK Manufacturing PMI (51.4) and the UK Services PMI (51.2) still in expansion but showing a modest loss of momentum. The recent energy shock is unlikely to have been fully anticipated by businesses, pointing to a period of softer activity ahead as higher input costs feed through. As a result, gradual moderation in growth over the coming months appears the more likely path.

UK PMIs point to gradual cooling as economy absorbs energy shock

S&P Global UK Purchasing Managers Index



Source: Knight Frank Insight, Macrobond

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	Last 1 day	Percentage change since			YTD %
			1 week	1 month	Jan '20	
DAX 30	9,805	-0.2	-2.2	-11.9	48.2	-9.09
FTSE 250	28,450	-1.3	-2.6	-11.3	-1.8	-5.85
Hang Seng	3,202	-0.8	-3.0	-7.6	-11.5	-2.77
IBEX 35	19,571	0.5	0.2	-8.7	82.6	-3.62
MIB	50,052	-0.6	-1.3	-8.7	90.1	-5.26
S&P 500	6,581	-0.4	-0.8	-4.8	103.7	-3.86
STOXX 600	668	-0.6	-2.0	-10.1	43.2	-3.80
TOPIX	22	-1.9	-1.2	-8.9	41.9	2.74

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	192.9%	93.8%	201.2%
Financials	58.1%	123.8%	14.7%
Industrials	104.8%	87.0%	32.9%
Real Estate	-1.9%	-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 Original value and base	Last 1 day	Percentage change since			YTD %
			1 week	1 month	Jan '20	
US	3,038	-2.6	-3.1	-5.4	27.1	4.17
Europe	2,342	-2.5	-2.3	-13.1	-17.9	-5.38
World	3,640	-2.4	-2.7	-6.7	13.3	1.13
Asia Pacific	3,224	-2.9	-3.1	-7.7	-17.9	-6.40

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	Last 1 day	Percentage change since			YTD %
			1 week	1 month	Jan '20	
All REITs	765	-3.3	-5.1	-15.3	-25.2	-7.8
Office	1,274	-4.9	-6.9	-14.7	-57.0	-10.8
Industrial	1,256	-3.7	-4.7	-15.4	1.3	-4.3
Retail	68	-2.3	-1.9	-8.9	-81.2	-1.1
Healthcare	2,142	-4.1	-7.0	-13.2	-5.5	-3.5
Residential	790	-3.7	-4.2	-18.7	-48.2	-14.2
FTSE 250	19,702	-1.5	-3.6	-10.4	15.6	-4.9

Bonds & Rates

Government bond yields

10 year government bond yields, %

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



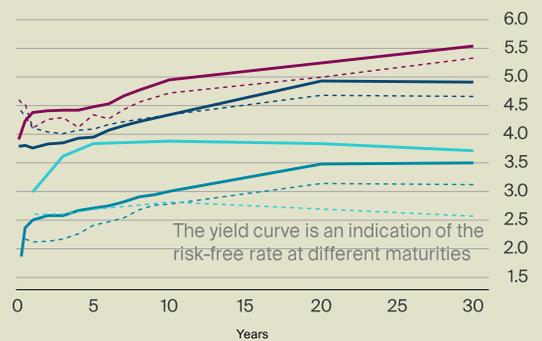
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Italy	3.89	3.89	3.67	3.32	1.40
Japan	2.29	2.25	2.26	2.11	-0.03
Singapore	2.28	2.28	2.13	1.95	1.74
UK	4.95	4.95	4.72	4.37	0.74
US	4.34	4.34	4.20	4.04	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



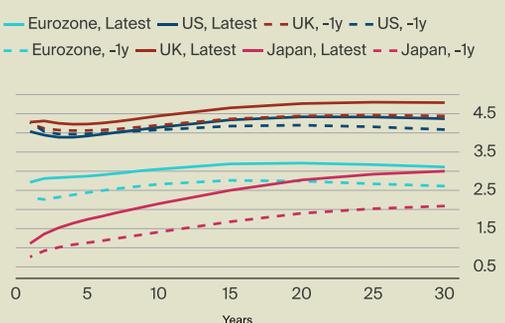
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Eurozone	2.87	2.89	2.73	2.41	-0.13
Japan	1.74	1.71	1.70	1.62	0.03
UK	4.46	4.57	4.28	3.81	0.88
US	3.92	3.96	3.76	3.56	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



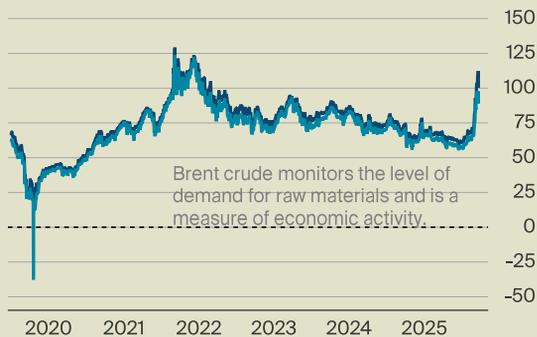
Source: Knight Frank, Macrobond

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	YTD %
Brent, \$ per barrel	100.3	100.3	103.5	71.2	66.0	64.8
WTI, \$ per barrel	88.8	88.8	95.1	66	61.1	54.9

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	YTD %
Baltic Dry	1989	-3.26	-1.73	-6.58	82.5	5.97

Volatility index

Near term stock price volatility indicator

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



Source: Knight Frank, Macrobond

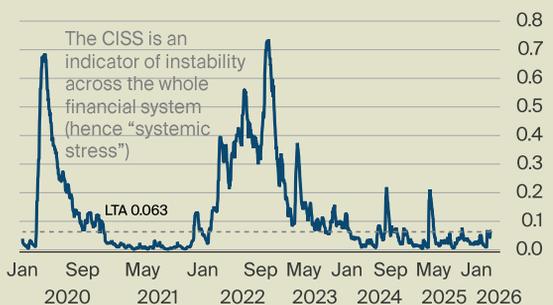
	Last	1 day	1 week	1 month	Jan '20	YTD
CBOE VIX	26.2	26.2	22.4	19.6	13.8	74.9
Euro Stoxx 50 VIX	32.7	32.7	26.3	19.1	14.0	122.0
Nikkei VIX	36.4	40.9	33.0	30.8	14.8	52.9
KOSPI VIX	65.0	62.5	52.6	48.1	14.7	125.3

Systemic stress

Measures FX, money, sovereign and bond yield volatility

— New ECB Composite Indicator of Systemic Stress (CISS)

--- Long term average



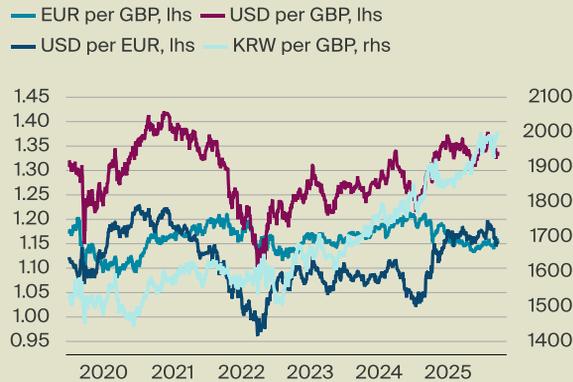
Source: Knight Frank, Macrobond

	Last	1 week	1 month	Jan '20
Systemic stress composite	0.094	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	1.152	1.158	1.144	1.177
KOR per GBP	1,997	2,001	1,986	1,948	1,525
USD per GBP	1.339	1.330	1.330	1.349	1.321
USD per EUR	1.154	1.154	1.149	1.180	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	1.28	1.25	1.22	1.34	2.32
USD to GBP	-0.64	-0.76	-0.65	-0.35	1.12

Inflation and monetary policy

Inflation rate (%)

	Feb	Jan	Dec	Nov
Australia ¹	n/a	3.8	3.7	3.5
Canada	1.8	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	0.9	0.3	0.8	0.9
Germany	2.1	2.1	1.9	2.3
India	3.2	2.7	1.2	0.5
Italy	1.5	1.0	1.2	1.1
Japan	1.3	1.5	2.1	2.9
Saudi Arabia	1.7	1.8	2.1	1.9
South Korea	2.0	2.0	2.3	2.4
Spain	2.3	2.2	2.9	3.0
Sweden	0.5	0.5	0.3	0.3
UK	n/a	3.0	3.4	3.2
US	2.4	2.4	2.7	2.7

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

Interest rates (%)

	Last	Jan '25
	4.10	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	1.2
	173 bn	-1.0
	7.28 tn	1.6
	7.09 tn	-1.3
	1.85 tn	-0.3
	2.66 tn	-0.6
	540 bn	-0.6
	1.37 tn	0.9
	4.26 tn	-0.7
	516 bn	0.9
	417 bn	-5.0
	487 bn	0.2
	95.9 bn	0.2
	1.17 tn	-0.7
	6.66 tn	0.6

Source: Knight Frank, Macrobond



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