

# Leading Indicators

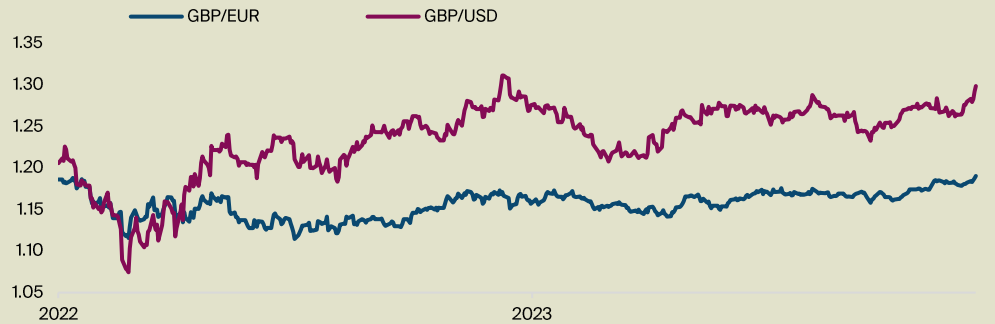
## Starmer's AI legislation and sterling resurgence

### \$1.30

Last week, sterling appreciated to \$1.30 against the dollar, reaching its highest level since late July 2023. This surge follows a stronger-than-expected recovery in the UK economy, with GDP growing +0.4% m/m in May. Meanwhile, sterling continues to trade at its highest level against the euro since August 2022, currently at €1.19.

### Sterling soars to one-year high against the dollar

Foreign Exchange Rates, spot prices



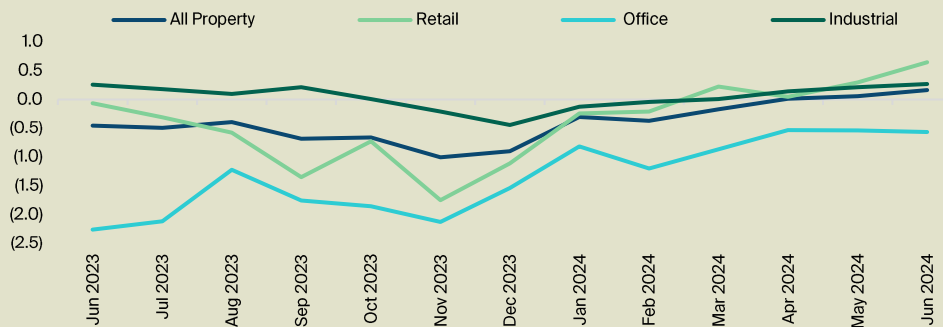
Source: Knight Frank Research, Financial Times, Macrobond

### +0.2%

UK All Property capital values rose +0.2% in June, marking the highest level since March 2023. This positive growth extends to the Retail (+0.6%) and Industrial (+0.3%) sectors. Meanwhile, Offices remain the only core sector to experience capital value decline (-0.6%).

### UK All Property capital values return to positive growth

MSCI Monthly Index Capital Growth, %



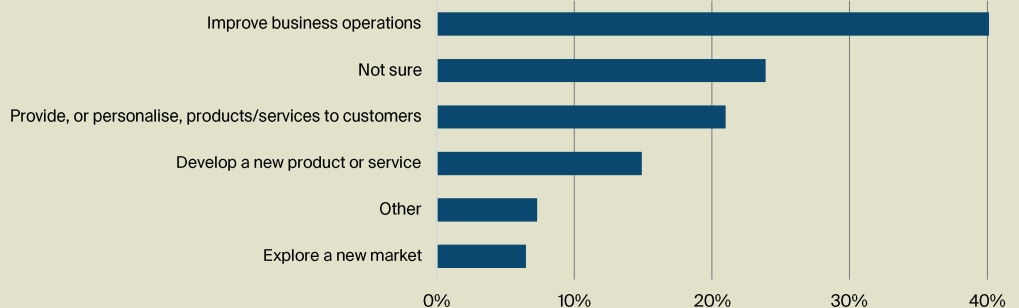
Source: Knight Frank Research, MSCI

### 40.5%

In the latest ONS BIC Survey, 40.5% of All Businesses reported using AI primarily to enhance their operations. In the upcoming King's Speech, newly appointed Labour Prime Minister Keir Starmer is expected to introduce an AI bill among the 35 proposed bills. This legislation aims to establish new regulations for the most advanced AI models.

### How businesses are leveraging AI

'What does your business currently use artificial intelligence technologies for?' % of All Businesses



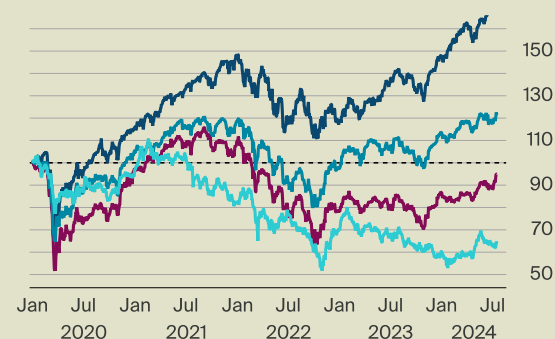
Source: Knight Frank Research, 5<sup>th</sup> July ONS BIC Survey

# Equities

## Equity markets

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

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



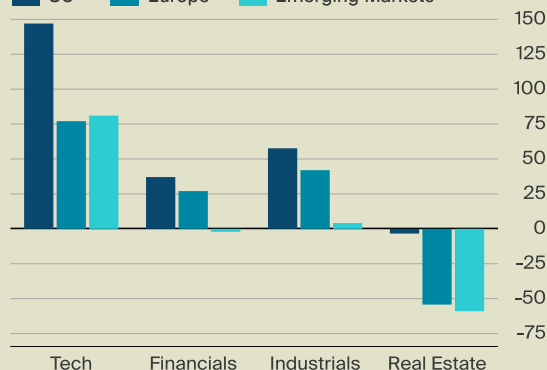
Source: Knight Frank, Macrobond

Index	Last	Percentage change since				
		Original value and base	1 day	1 week	1 month	Jan '20
DAX 30	7800		0.7	1.6	3.2	17.8
FTSE 250	27,519		0.5	3.4	6.8	-5.0
Hang Seng	2,308		1.1	1.3	-0.5	-36.2
IBEX 35	12,169		0.1	2.0	2.1	13.5
MIB	37,541		0.6	2.1	3.7	42.6
S&P 500	5,631		0.8	1.2	3.6	74.3
STOXX 600	566		0.2	1.3	2.0	21.4
TOPIX	18		0.3	3.1	5.7	16.5

## Equity regional sectors

Price return index percentage change since Jan 2020

■ US ■ Europe ■ Emerging Markets



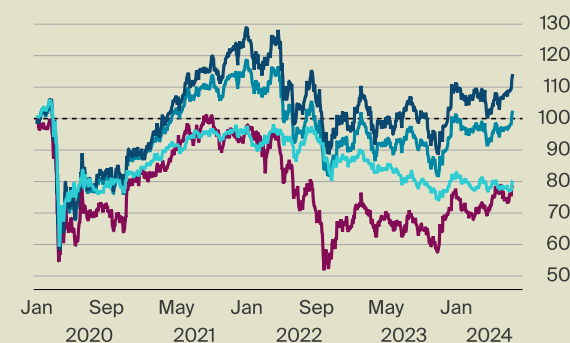
Source: Knight Frank, Macrobond

	Percentage change since Jan 2020		
	US	Europe	World
Tech	147.0%	77.1%	81.1%
Financials	37.1%	27.0%	-2.1%
Industrials	57.7%	42.0%	4.1%
Real Estate	-3.4%	-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

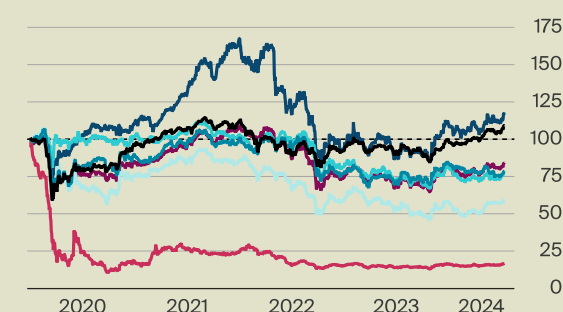
Index, total return	Last	Percentage change since				
		Original value and base	1 day	1 week	1 month	Jan '20
US	2,729		1.4	4.7	6.1	14.2
Europe	2,247		0.7	3.1	4.6	-21.2
World	3,293		1.5	4.6	5.7	2.5
Asia Pacific	3,150		2.0	3.7	2.8	-19.8

## 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

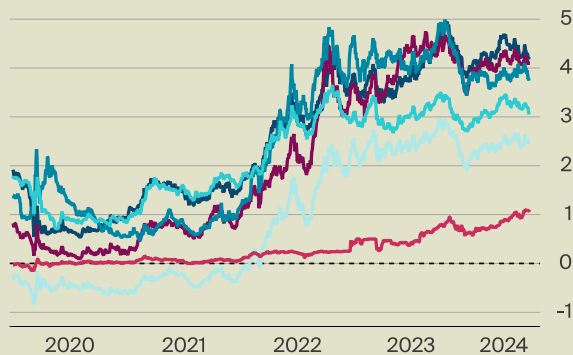
Index, total return	Last	Percentage change since				
		Original value and base	1 day	1 week	1 month	Jan '20
All REITs	862		0.2	2.5	4.4	-15.7
Office	1,757		-0.6	1.6	3.2	-40.7
Industrial	1,457		-0.1	3.1	4.7	17.5
Retail	60		-0.4	2.2	6.6	-83.4
Healthcare	1,765		0.0	1.4	6.6	-22.2
Residential	1,202		0.8	2.5	5.1	-21.2
FTSE 250	18,591		0.0	2.0	5.2	9.1

# Bonds & Rates

## Government bond yields

10 year government bond yields, %

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



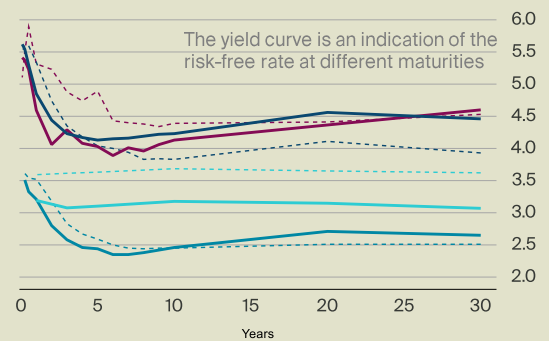
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Italy	3.74	3.74	3.95	3.91	1.40
Japan	1.05	1.08	1.09	0.96	-0.03
Singapore	3.05	3.05	3.21	3.17	1.74
UK	4.10	4.10	4.16	4.06	0.82
US	4.23	4.23	4.30	4.20	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

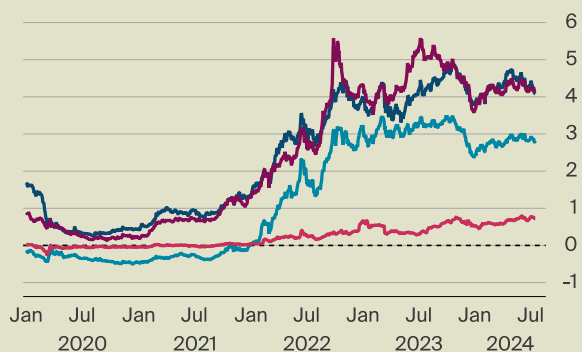


Source: Knight Frank, Macrobond

## Interest rate swaps

5 year swap rates, %

— US — UK — Eurozone — Japan



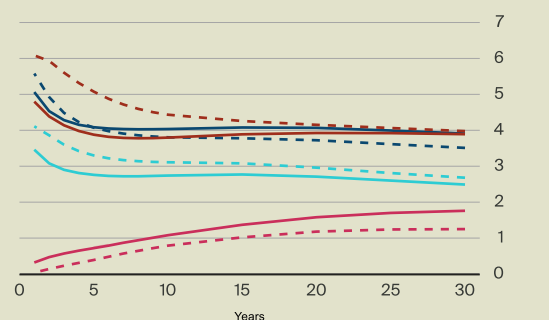
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Eurozone	2.76	2.79	2.85	2.80	-0.13
Japan	0.72	0.72	0.76	0.67	0.03
Singapore	3.66	n/a	n/a	n/a	1.50
UK	4.12	4.14	4.17	4.16	0.88
US	4.09	4.09	4.24	4.22	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



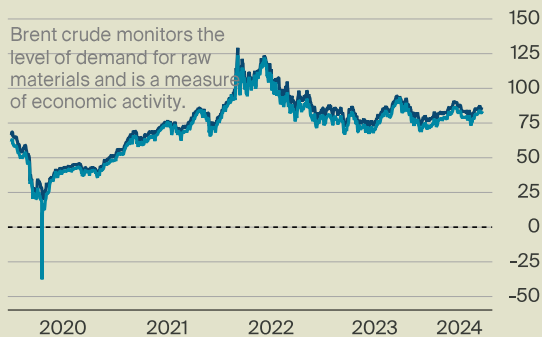
Source: Knight Frank, Macrobond

# 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	84.9	85.0	85.6	82.6	66.0
WTI, \$ per barrel	81.9	82.3	82.4	78.3	61.1

## Baltic dry index

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

— Baltic dry index



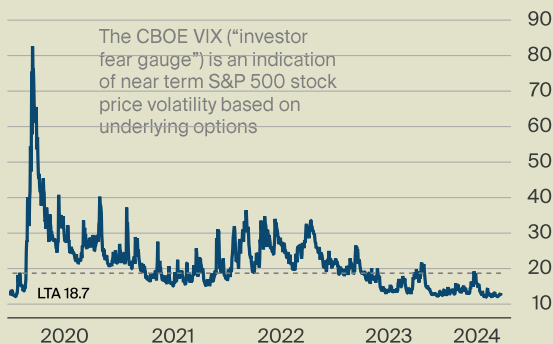
Source: Knight Frank, Macrobond

	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Baltic Dry	1993	2.36	2.73	2.31	82.8

## 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	13.1	13.1	12.5	12.7	13.8
Euro Stoxx 50 VIX	13.6	13.6	14.6	19.9	14.0
Nikkei VIX	17.9	18.4	17.5	16.3	14.8
KOSPI VIX	16.3	16.5	16.3	16.0	14.7

## Systemic stress

Measures FX, money, sovereign and bond yield volatility

— New ECB Composite Indicator of Systemic Stress (CISS)

--- Long term average



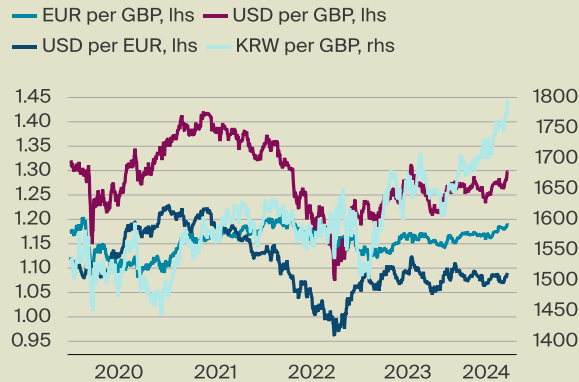
Source: Knight Frank, Macrobond

	Last	1 week	1 month	Jan '20
Systemic stress composite	0.058	0.065	0.062	0.023
Equity markets stress sub index	0.086	0.067	0.043	0.009
Bond markets stress sub index	0.049	0.051	0.048	0.02
FX markets stress sub index	0.020	0.009	0.026	0.004

# Currencies & Monetary Policy

## Currencies

### Spot prices

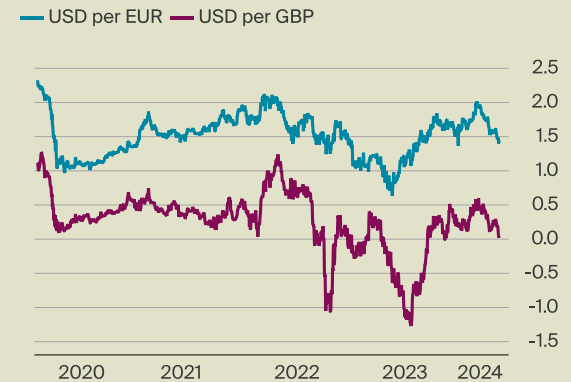


Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
EUR per GBP	1.189	1.191	1.184	1.185	1.177
KOR per GBP	1,796	1,786	1,774	1,756	1,525
USD per GBP	1.298	1.299	1.283	1.267	1.321
USD per EUR	1.090	1.090	1.084	1.070	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	1.45	1.40	1.49	1.58	2.32
USD to GBP	0.05	0.02	0.18	0.19	1.12

## Inflation and monetary policy

### Inflation rate (%)

	Jun	May	Apr	Mar
Australia <sup>1</sup>	n/a	n/a	n/a	3.6
Canada	n/a	2.9	2.7	2.9
China	0.3	0.3	0.2	0.0
Euro Area	2.5	2.6	2.4	2.4
France	2.2	2.3	2.2	2.3
Germany	2.2	2.4	2.2	2.2
India	5.1	4.8	4.8	4.9
Italy	0.8	0.8	0.8	1.2
Japan	n/a	2.8	2.5	2.7
Saudi Arabia	1.5	1.6	1.6	1.6
South Korea	2.4	2.7	2.9	3.1
Spain	3.4	3.6	3.3	3.2
Sweden	2.6	3.7	3.9	4.1
UK	n/a	2.0	2.3	3.2
US	3.0	3.3	3.4	3.5

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

### Interest rates (%)

	Last	Jan '23
	4.35	3.10
	4.75	4.25
	4.35	4.35
	4.25	2.50
	4.25	2.50
	4.25	2.50
	6.50	6.25
	4.25	2.50
	0.10	-0.10
	6.00	5.00
	3.50	3.25
	4.25	2.50
	3.75	2.50
	5.25	3.50
	5.50	4.50

### Asset purchasing

	Latest (\$)	1m change (%)
	0.28 tn	-8.8
	200 bn	-3.6
	6.01 tn	1.6
	702 tn	-0.8
	1.66 tn	-0.8
	2.66 tn	-0.6
	403 bn	-0.9
	1.24 tn	-0.8
	4.66 tn	-1.0
	510 bn	5.0
	380 bn	1.6
	487 bn	-0.1
	117 bn	-0.5
	1.37 tn	-0.5
	7.22 tn	-0.5

Source: Knight Frank, Macrobond



### A Compendium: The London series

Our inaugural London Series looks at the market through a different lens. We have brought together our six insight papers into a compendium. Through these viewpoints our experts provide their thoughts on the current challenges facing the London office market and how to capitalise on new and innovative opportunities.

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An examination of London's significant role as a global hub for niche financial companies, highlighting its competitive advantages and ongoing efforts to preserve its status, alongside the market size and geographical distribution of companies within this sector.

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



#### UK Real Estate Navigator - Q1 24

The latest Real Estate Navigator analyses the Q1 2024 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



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