

Market Price Monitor

Local Equity Markets

- Global equity markets had a mixed performance this month, during which the Federal Reserve cut the US benchmark rate by 50 basis points.
- The Euro Stoxx 50 ended the month up 0.9%.
- In contrast, the FTSE 100 was down 1.5%.

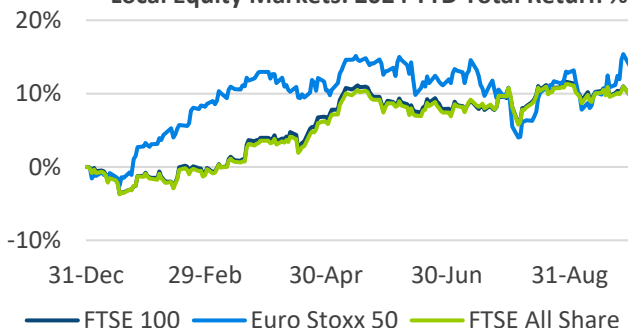
Global Equity Markets

- The S&P 500 returned 2.1%, whilst the Japanese Topix index lost 1.5%.
- Emerging markets outperformed their developed market counterparts, with the MSCI Emerging Markets index returning 6.7%, as Chinese policy makers announced stimulus to boost the economy.

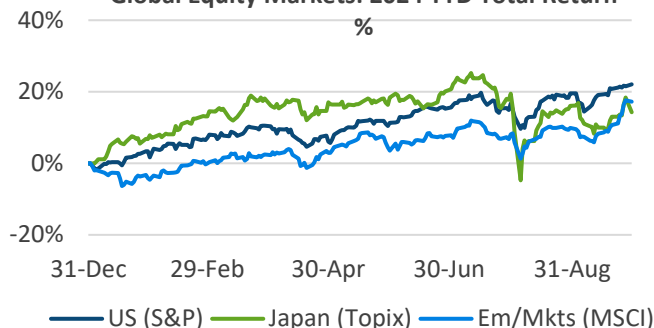
Bond/FX Markets

- The British government bond index ended the month flat.
- The British and global corporate bond indices gained 0.3% and 1.8%, respectively.
- The British Pound rose against the Euro and the US Dollar by 1.1% and 2.0%, respectively, but was relatively flat against the Japanese Yen.

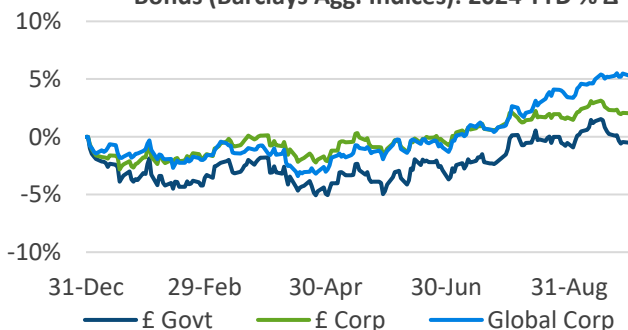
Local Equity Markets: 2024 YTD Total Return %



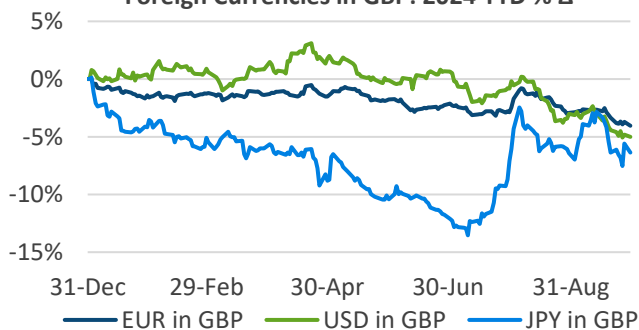
Global Equity Markets: 2024 YTD Total Return %



Bonds (Barclays Agg. Indices): 2024 YTD % Δ



Foreign Currencies in GBP: 2024 YTD % Δ



Total Returns as of September 30, 2024

	FTSE 100	FTSE All Share	Euro Stoxx 50	US (S&P)	Japan (Topix)	Em/Mkts (MSCI)	£ Govt	£ Corp	Global Corp	EUR in GBP	USD in GBP	JPY in GBP
1 Month	-1.5%	-1.3%	0.9%	2.1%	-1.5%	6.7%	0.0%	0.3%	1.8%	-1.1%	-2.0%	0.1%
3 Month	1.8%	2.3%	2.5%	5.9%	-4.9%	8.9%	2.4%	2.4%	6.3%	-1.8%	-5.6%	6.1%
1 Year	12.4%	13.4%	23.7%	36.4%	16.6%	26.5%	8.0%	10.7%	14.6%	-4.0%	-9.0%	-5.0%
YTD	9.9%	9.9%	13.9%	22.1%	14.2%	17.2%	-0.5%	2.0%	5.3%	-4.0%	-5.0%	-6.4%

Milliman Financial Risk Management

London Market Monitor – 30 September 2024

Data sources: Bloomberg; Barclays; EIOPA; PRA; ONS; Milliman FRM

Insurance Monitor

Solvency II Risk Free Rates

- GBP risk-free rates fell at short and medium terms in September, whilst the 20 and 30-year rates were relatively unchanged.
- The 1 and 5-year GBP risk-free rates fell by 19 and 13 basis points, respectively.
- EUR risk-free rates fell at all terms in September, with the moves more pronounced at the short-term tenors.
- The 1 and 5-year risk-free rates fell by 38 and 29 basis points, respectively.
- The EUR CRA was unchanged and remains floored at 10 basis points.

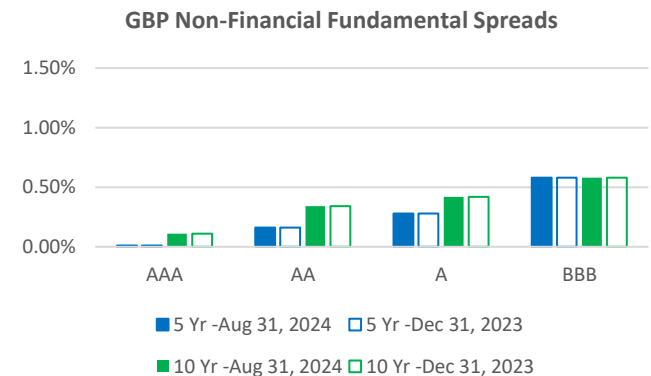
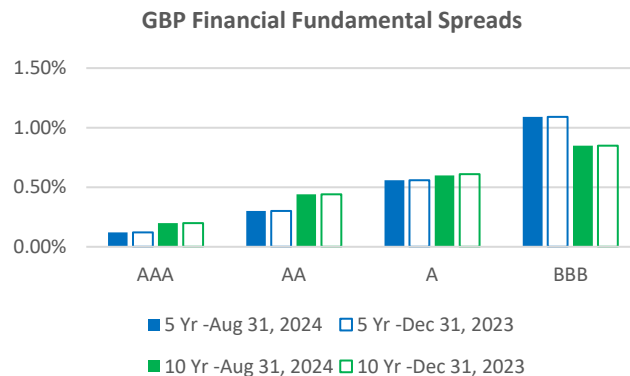
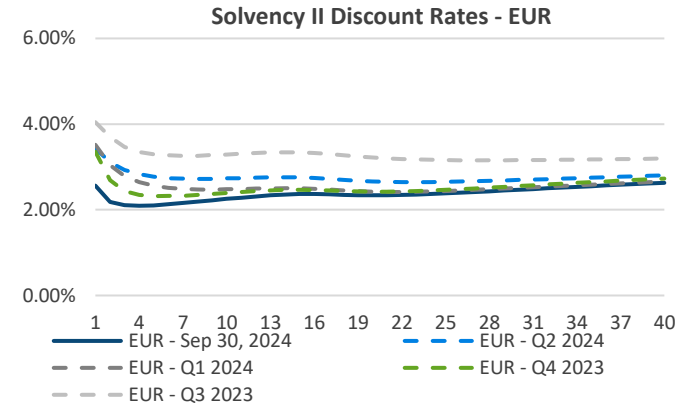
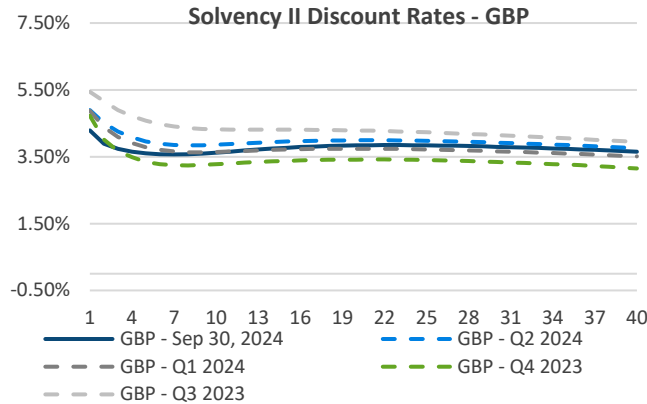
The **Solvency II risk-free discount rates** are calculated independently based on applying the Smith-Wilson Extrapolation to swap rates sourced from Bloomberg and applying the Credit Risk Adjustment as defined in the Technical Specs. For the official published curves please refer to [EIOPA](#) and [PRA](#) websites.

Solvency II Fundamental Spreads

- There were no material changes since the start of the year.

EIOPA fundamental spreads show the credit spread corresponding to the risk of default or downgrading of an asset. This is shown here across financial and non-financial assets, credit quality steps 0-3 and durations of 1-30 years. The data is provided by EIOPA.

Fundamental spread = maximum (probability of default + cost of downgrade; 35% of long-term average spread). For fundamental spreads on other tenors please refer to the [EIOPA](#) website.

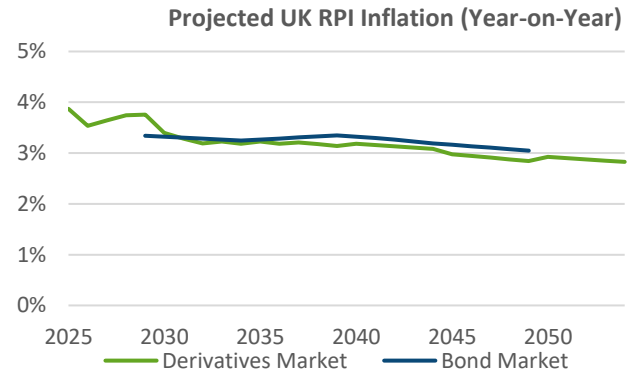
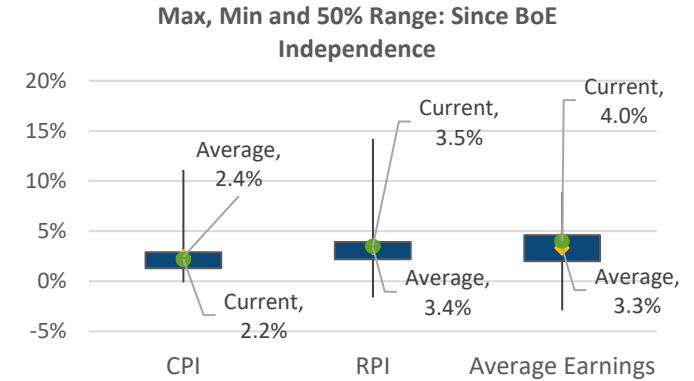
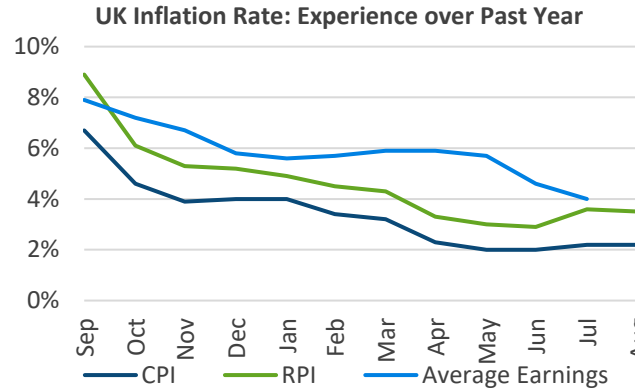


	Change in GBP Discount Rates (bps)				
	1Y	Y5	Y10	Y20	Y30
Since Q2 2024	-61	-36	-24	-15	-12
Since Q1 2024	-59	-18	-2	10	14
Since Q4 2023	-44	25	35	42	46
Since Q3 2023	-115	-98	-70	-45	-35

	Change in EUR Discount Rates (bps)					
	1Y	Y5	Y10	Y20	Y30	CRA
Since Q2 2024	-87	-67	-47	-32	-23	0
Since Q1 2024	-95	-46	-22	-8	-4	0
Since Q4 2023	-79	-21	-13	-8	-9	0
Since Q3 2023	-148	-119	-103	-88	-69	0

UK Inflation Monitor

- UK's CPI was unchanged at 2.2% in August.
- UK's RPI measure fell by 10 basis points to 3.5% in July.
- According to the ONS: "The largest upward contribution came from air fares, which rose this year but fell a year ago; the largest offsetting downward contributions came from motor fuels, and restaurants and hotels."
- Average earnings fell by 60 basis points to 4.0% in July.
- The projected RPI curve was relatively unchanged in comparison to previous month.



Historical year-on-year inflation rate is assessed by the % change on:

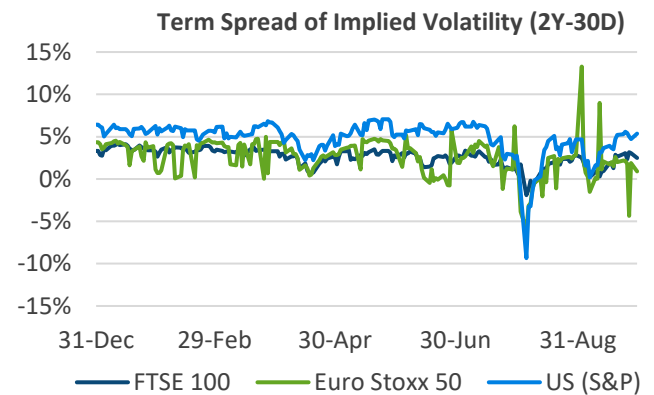
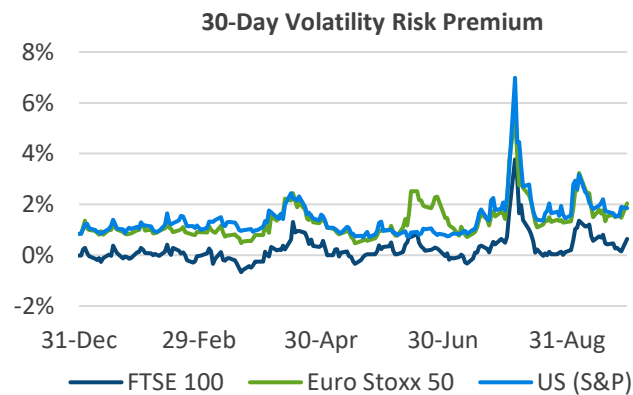
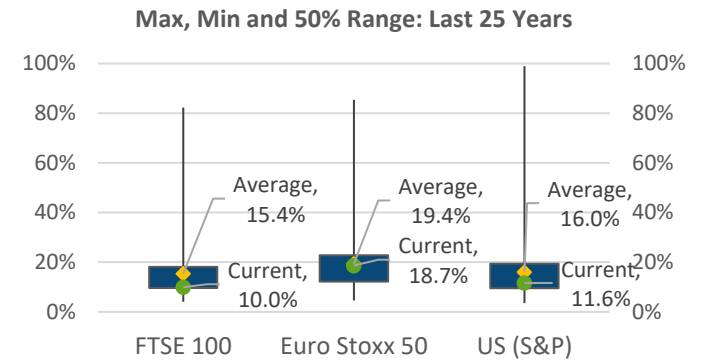
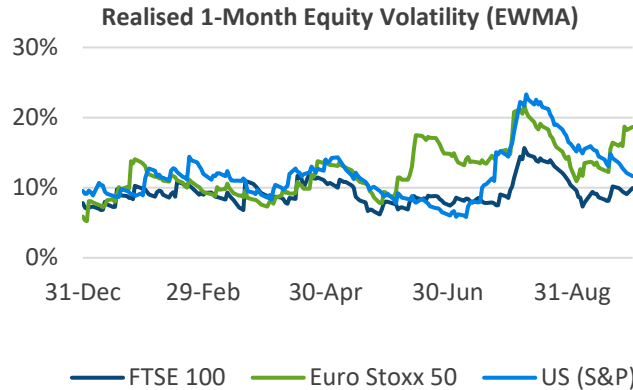
- **Consumer Price Index (CPI)** – measuring the monthly price of a basket of consumer goods and services
- **Retail Price Index (RPI)** – similar to CPI, but the main difference due the addition of mortgage payments, council tax and other housing costs
- **Average Earnings** – measuring the average total weekly employee remuneration over the previous 3 months.

Projection year-on-year inflation rate is the forward rate calculated from market data:

- **Derivatives Market View** – constructed from zero coupon inflation par swap rates against the RPI index at various tenors
- **Bond Market View** – constructed from the difference between the nominal rates implied by the conventional gilts and the real rates implied by the index-linked (RPI) gilts.

Volatility and Hedging Cost Monitor

- Realised volatilities on major equity indices declined in September, with the exception of Euro Stoxx 50 which saw its realised volatility increase.
- The FTSE 100 ended the month with a realised volatility of 10.0%. The same measure stood at 18.7% and 11.6% on the Euro Stoxx 50 and the S&P 500, respectively.
- Volatility risk premiums on major indices increased. The FTSE 100 had a volatility risk premium of 0.6% at month-end. The volatility risk premium on the Euro Stoxx 50 was 2.0%, and 1.9% on the S&P 500.
- The change in spread between implied volatility of 2-year and 30-day at-the-money options was mixed but remained positive for the major indices at month-end.



Actual realised equity volatility is measured by the weighted standard deviation of 1 month daily index change. The Exponentially Weighted Moving Average (EWMA) methodology places more importance to the recent returns in the calculation of the volatility.

Volatility Risk Premium is estimated as the difference between 30-day implied volatility and projected realised volatility. This reflects the additional cost of hedging from purchasing a basket of options, in comparison to managing a dynamic delta hedge with futures (ignoring rolling transaction costs).

Volatility Term Premium is calculated as the difference between the implied volatility of an at-the-money 2-year maturity option and the implied volatility of an at-the-money 30-day option. This gives an indication of market demand for protection over the longer term, relative to demand for protection in the shorter-term. Bloomberg as the source of the data interpolates between listed options to provide implied volatility data for these fixed terms.

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