

Market Price Monitor

Local Equity Markets

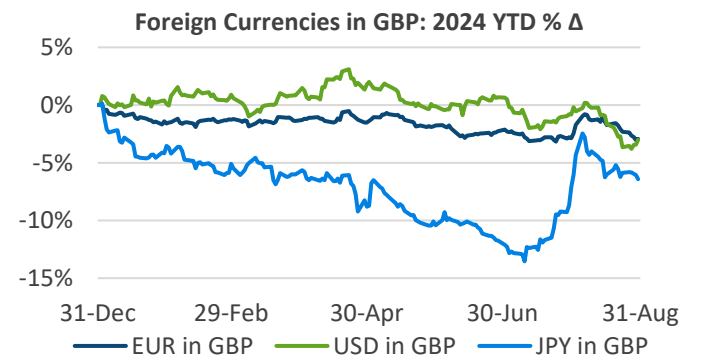
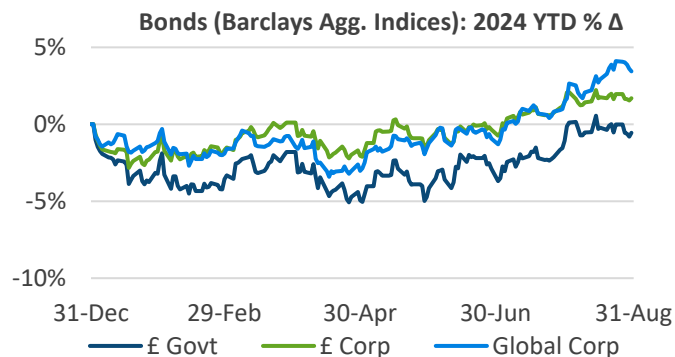
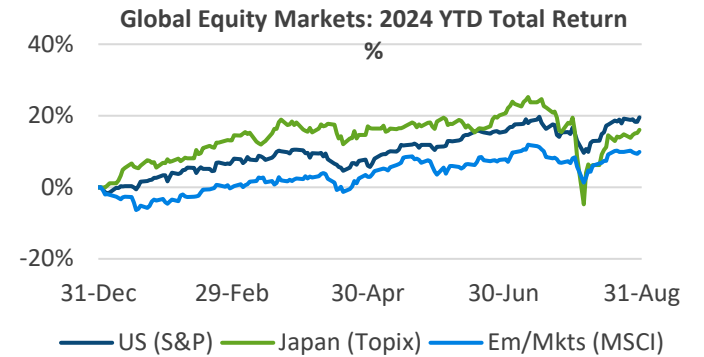
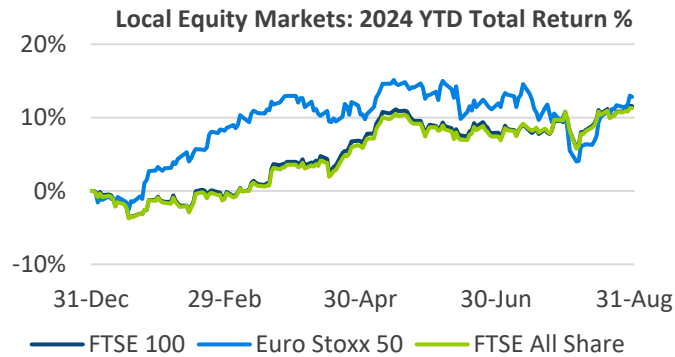
- Global equity markets had a mixed performance in August as disappointing economic data coupled with Bank of Japan's rate hike and speculation on Federal Reserve's easing policy, all contributed to a volatile month.
- The Euro Stoxx 50 ended the month up 1.8%.
- The FTSE 100 gained 0.9%.

Global Equity Markets

- The S&P 500 returned 2.4%, whilst the Japanese Topix index lost 2.9%.
- The MSCI Emerging Markets index was up 1.6%.

Bond/FX Markets

- The British government and corporate bond indices gained 0.5% and 0.2%, respectively.
- The global corporate bond index was up 1.9%.
- The British Pound had a mixed performance, having risen 2.2% against the US Dollar but weakened by 0.7% against the Japanese Yen.



	Total Returns as of August 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	0.9%	0.5%	1.8%	2.4%	-2.9%	1.6%	0.5%	0.2%	1.9%	-0.1%	-2.2%	0.7%
3 Month	2.3%	2.4%	-0.2%	7.4%	-2.0%	6.1%	3.8%	2.8%	4.7%	-1.2%	-2.9%	4.4%
1 Year	16.9%	17.0%	19.1%	27.1%	19.0%	15.5%	6.9%	10.4%	9.6%	-1.7%	-3.5%	-4.0%
YTD	11.6%	11.3%	12.8%	19.5%	16.0%	9.9%	-0.5%	1.7%	3.4%	-2.9%	-3.0%	-6.4%

Insurance Monitor

Solvency II Risk Free Rates

- Movement in GBP risk-free rates was mixed in August.
- The 1 and 30-year GBP risk-free rates fell by 22 and 2 basis points, respectively. Meanwhile the 10-year rate rose 3 basis points.
- EUR risk-free rates fell at the short and medium terms but were relatively unchanged at the long-end.
- The 1 and 5-year EUR risk-free rates fell by 24 and 7 basis points, respectively.
- The EUR CRA was unchanged and remains floored at 10 basis points.

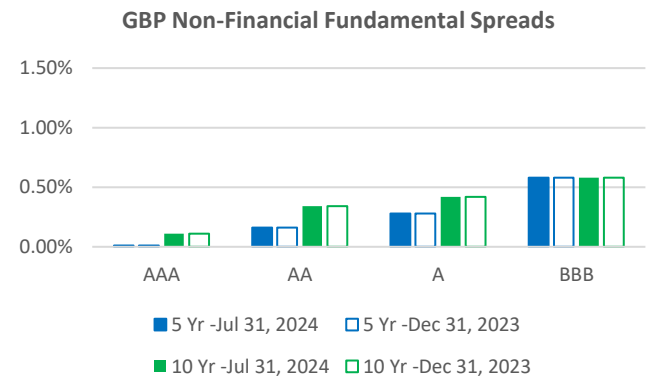
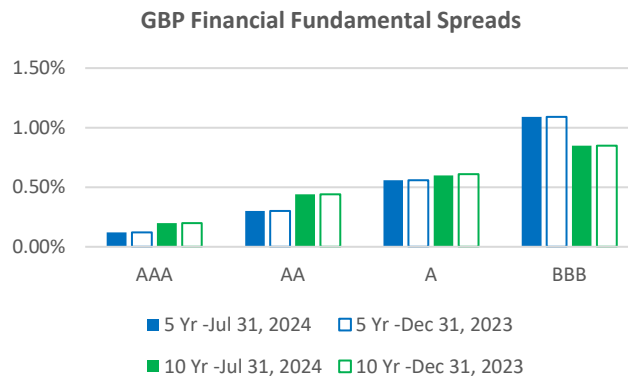
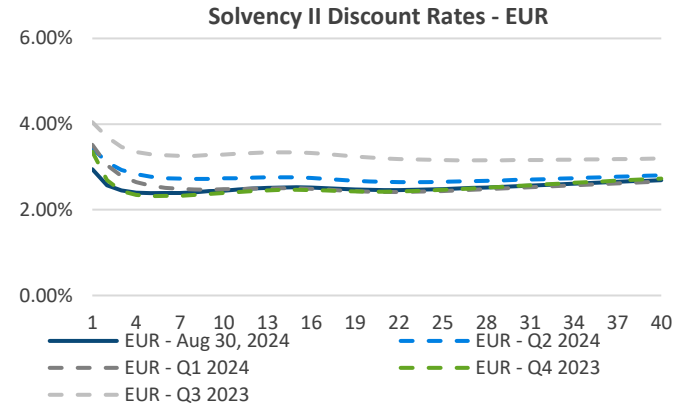
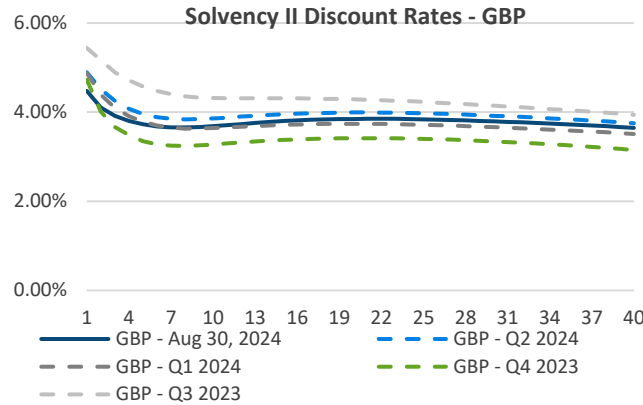
The **Solvency II risk-free discount rates** are calculated independently based on applying the Smith-Wilson Extrapolation to swap rates sourced from Bloomberg and applying the Credit Risk Adjustment as defined in the Technical Specs. For the official published curves please refer to [EIOPA](#) and [PRA](#)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

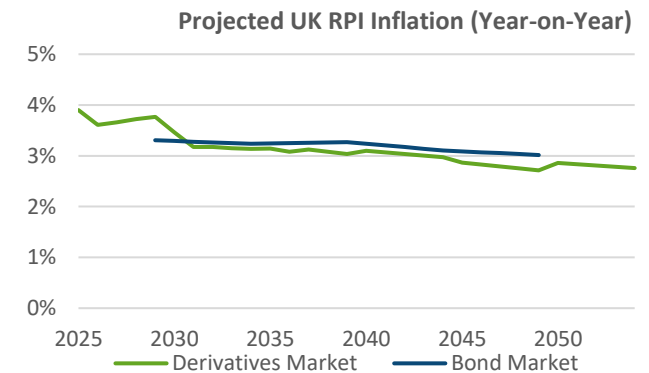
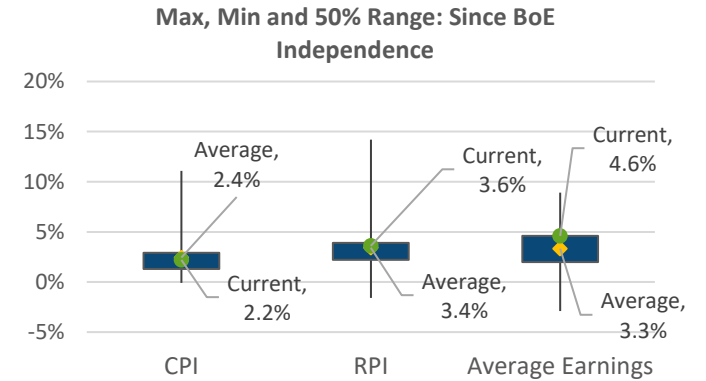
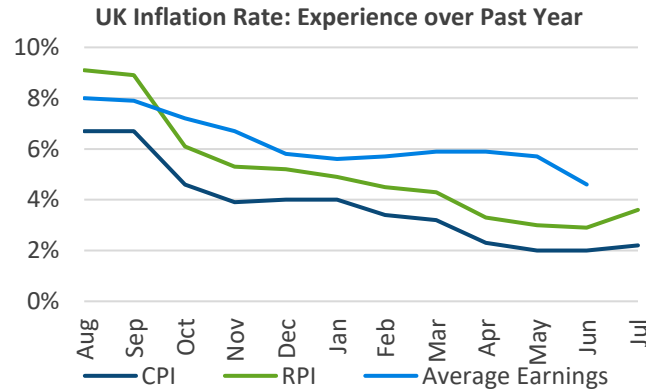


	Change in GBP Discount Rates (bps)				
	1Y	Y5	Y10	Y20	Y30
Since Q2 2024	-42	-23	-17	-15	-13
Since Q1 2024	-40	-6	4	11	13
Since Q4 2023	-25	38	41	43	45
Since Q3 2023	-97	-85	-63	-44	-35

	Change in EUR Discount Rates (bps)					
	1Y	Y5	Y10	Y20	Y30	CRA
Since Q2 2024	-49	-38	-29	-20	-14	0
Since Q1 2024	-57	-17	-3	4	4	0
Since Q4 2023	-41	7	6	4	0	0
Since Q3 2023	-110	-90	-84	-75	-61	0

UK Inflation Monitor

- UK's CPI increased by 20 basis points to 2.2% in July.
- UK's RPI measure rose by 70 basis points to 3.6% in July.
- According to the ONS: *“The largest upward contribution came from housing and household services where prices of gas and electricity fell by less than they did last year; the largest downward contribution came from restaurants and hotels, where prices of hotels fell this year having risen last year.”*
- Average earnings fell by 110 basis points to 4.6% in June.
- The projected RPI curve was marginally lower in comparison to previous month.



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

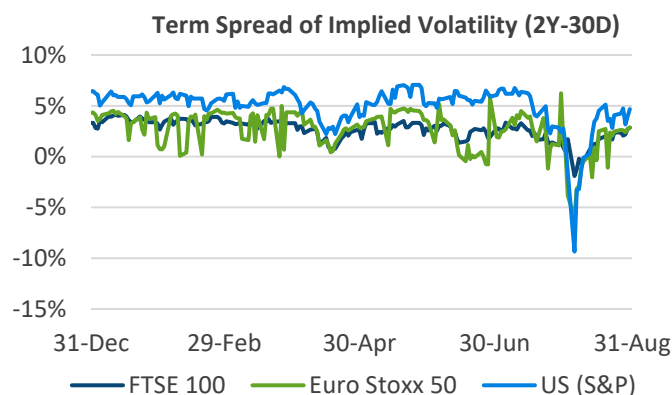
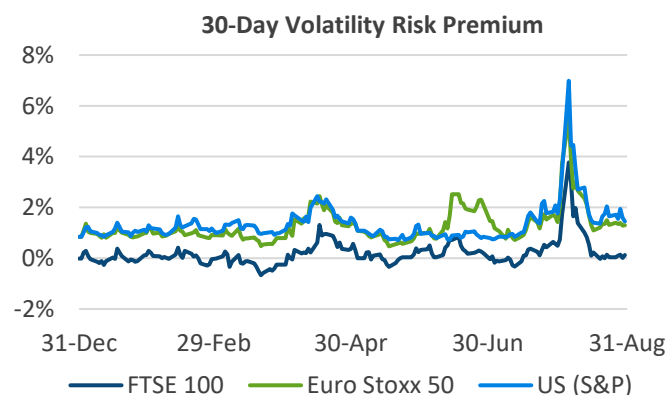
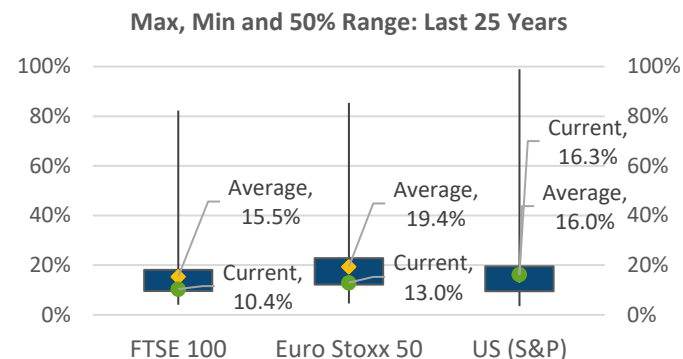
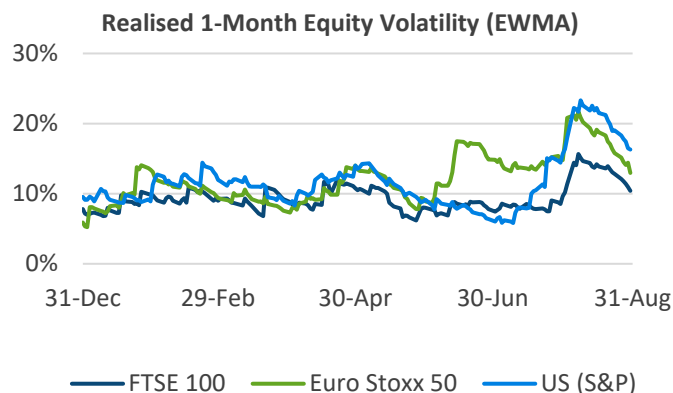
- **Consumer Price Index (CPI)** – measuring the monthly price of a basket of consumer goods and services
- **Retail Price Index (RPI)** – similar to CPI, but the main difference due the addition of mortgage payments, council tax and other housing costs
- **Average Earnings** – measuring the average 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 significantly increased at the start of the month and then subsidised from there on.
- The FTSE 100 ended the month with a realised volatility of 10.4%. The same measure stood at 13.0% and 16.3% on the Euro Stoxx 50 and the S&P 500, respectively.
- Similarly, Volatility risk premiums on major indices spiked during the month, but then decreased to end the month lower. The FTSE 100 had a volatility risk premium of 0.1% at month-end. The volatility risk premium on the Euro Stoxx 50 was 1.3%, and 1.4% on the S&P 500.
- The spread between implied volatility of 2-year and 30-day at-the-money options turned negative during the month but ended the month in positive territory for the major indices.



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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