

Market Price Monitor

Local Equity Markets

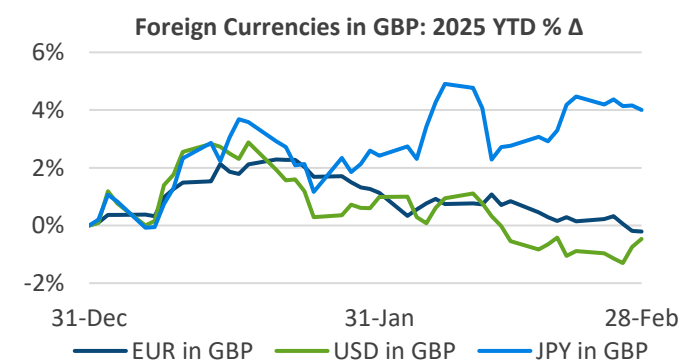
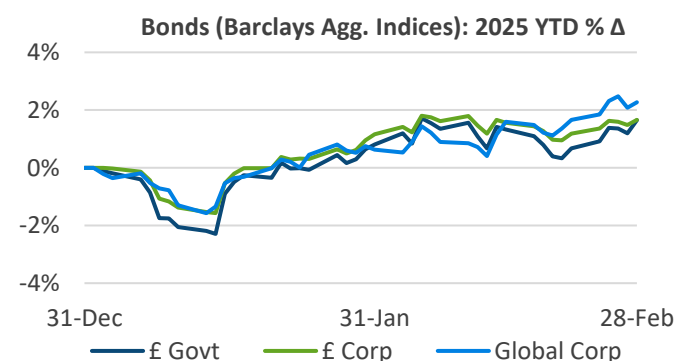
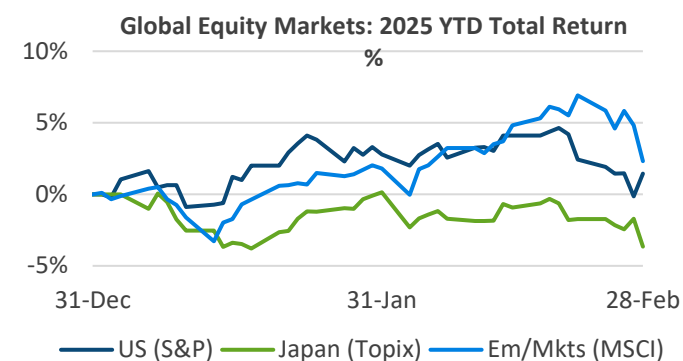
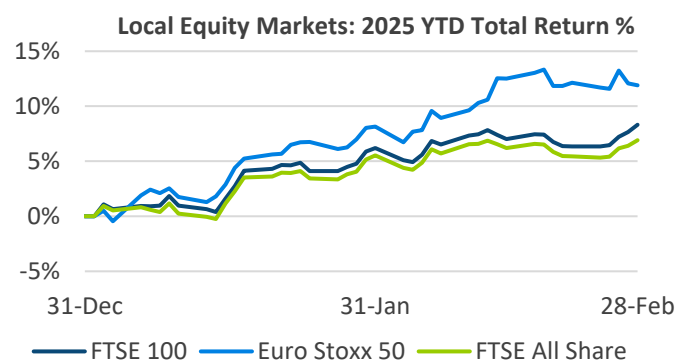
- Global equity market performance was mixed in February, as global uncertainty surrounding US tariffs, inflation and global growth weighed on investor sentiment. However, European equities outperformed as the increased likelihood of a ceasefire in Ukraine boosted risky assets in the region.
- The Euro Stoxx 50 ended the month up 3.5%.
- The FTSE 100 gained 2.0%.

Global Equity Markets

- S&P 500 was down 1.3%, and the Japanese Topix fell by 3.8%.
- Conversely, the MSCI Emerging Markets index gained 0.5%.

Bond/FX Markets

- Both the British government and corporate bond indices rose in February. The former was up 0.8% and the latter gained 0.5%.
- The British Pound had a mixed performance in February, gaining 1.4% and 1.3%, against the US Dollar and the Euro, respectively, but weakening by 1.5% against the Japanese Yen.



Total Returns as of February 28, 2025

	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	2.0%	1.3%	3.5%	-1.3%	-3.8%	0.5%	0.8%	0.5%	1.6%	-1.3%	-1.4%	1.5%
3 Month	6.9%	5.7%	14.1%	-1.0%	0.2%	2.2%	-0.9%	1.1%	0.3%	-0.7%	1.2%	0.6%
1 Year	19.8%	18.4%	15.7%	18.4%	2.6%	10.6%	1.2%	5.2%	5.4%	-3.6%	0.3%	-0.1%
YTD	8.3%	6.9%	11.9%	1.4%	-3.7%	2.3%	1.6%	1.7%	2.3%	-0.2%	-0.5%	4.0%

Insurance Monitor

Solvency II Risk Free Rates

- GBP risk-free rates fell at most terms in February, with the declines more pronounced at the short-end of the curve, whilst the 30-year rate increased by 1 basis point.
- The 1 and 5-year GBP risk-free rates fell by 8 and 4 basis points, respectively.
- EUR risk-free rates at all terms in February, with the falls more pronounced at the shorter tenors.
- The 1 and 5-year EUR rates fell by 16 and 11 basis points, respectively.
- The EUR CRA was unchanged and remains floored at 10 basis points.

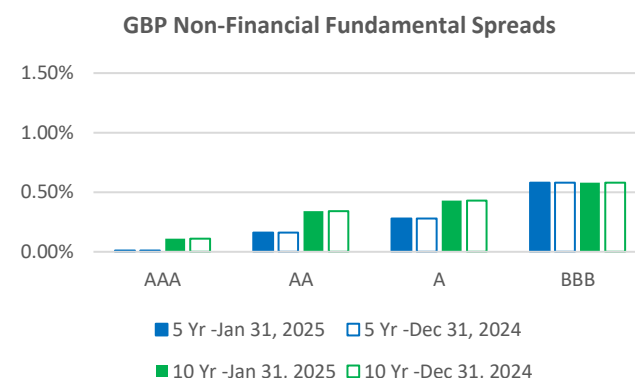
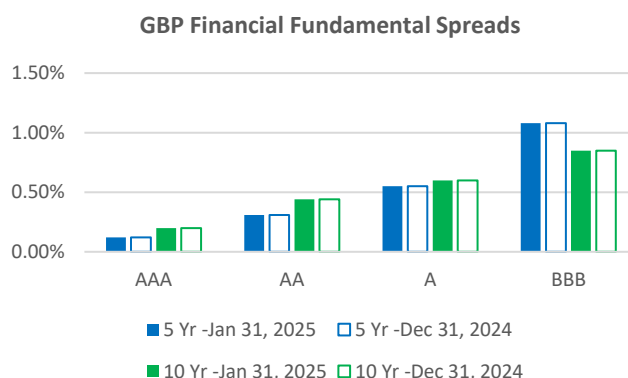
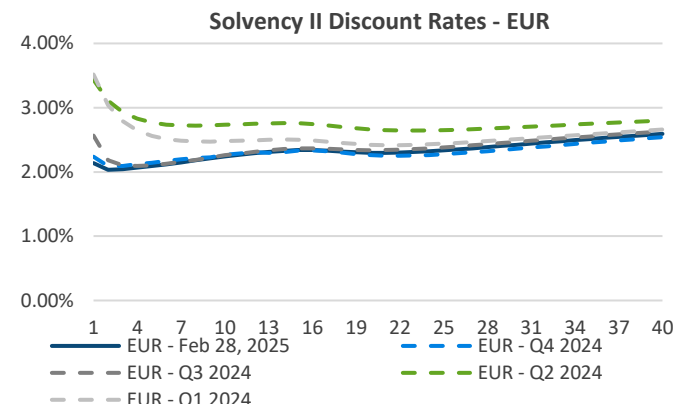
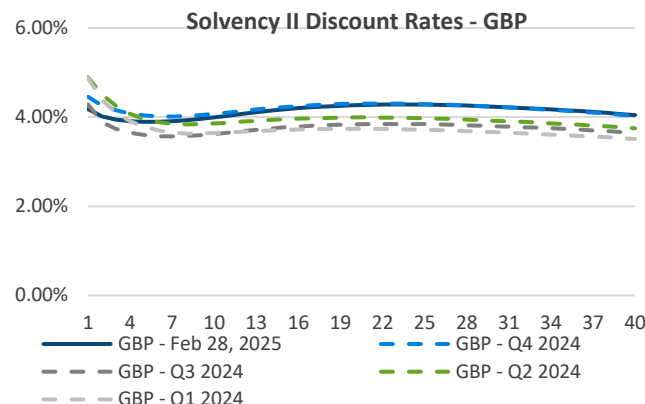
The **Solvency II risk-free discount rates** are calculated independently based on applying the Smith-Wilson Extrapolation to swap rates sourced from Bloomberg and applying the Credit Risk Adjustment as defined in the Technical Specs. For the official published curves please refer to [EIOPA](#) and [PRA](#)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



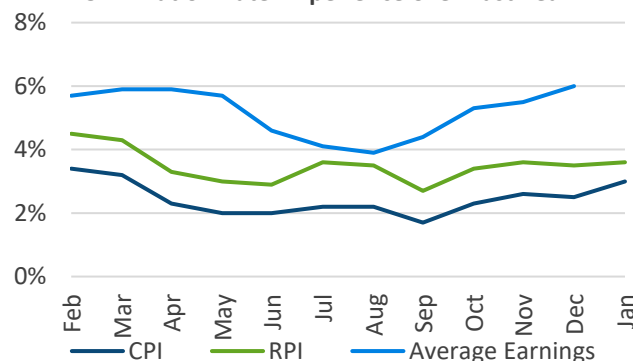
	Change in GBP Discount Rates (bps)				
	1Y	Y5	Y10	Y20	Y30
Since Q4 2024	-28	-14	-8	-3	0
Since Q3 2024	-11	30	38	43	44
Since Q2 2024	-71	-6	14	28	32
Since Q1 2024	-70	11	35	53	57

	Change in EUR Discount Rates (bps)					
	1Y	Y5	Y10	Y20	Y30	CRA
Since Q4 2024	-10	-5	-3	4	6	0
Since Q3 2024	-43	-1	-2	-4	-4	0
Since Q2 2024	-130	-68	-49	-36	-27	0
Since Q1 2024	-138	-47	-24	-12	-9	0

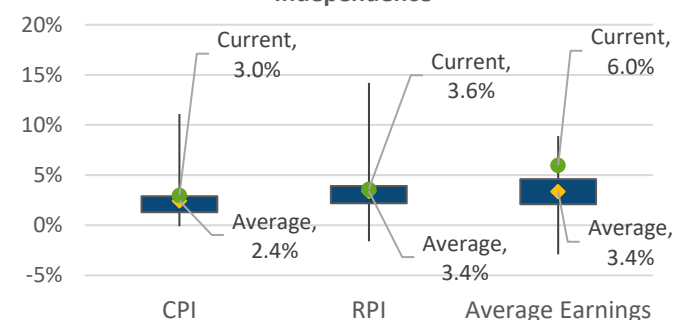
UK Inflation Monitor

- UK's CPI rose by 50 basis points to 3.0% in January.
- UK's RPI measure increased by 10 basis points to 3.6% in January.
- According to the ONS: *"The largest upward contribution came from transport, and food and non-alcoholic beverages; the largest downward contribution came from housing and household services."*
- Average earnings rose by 50 basis points to 6.0% in December, after the previous months figure was revised lower by 10 basis points.
- The projected RPI curve was relatively unchanged in comparison to the previous month.
- UK Q4 2024 GDP grew by 1.4%, an increase of 40 basis points from the previous quarter which was revised higher by 10 basis points.

UK Inflation Rate: Experience over Past Year



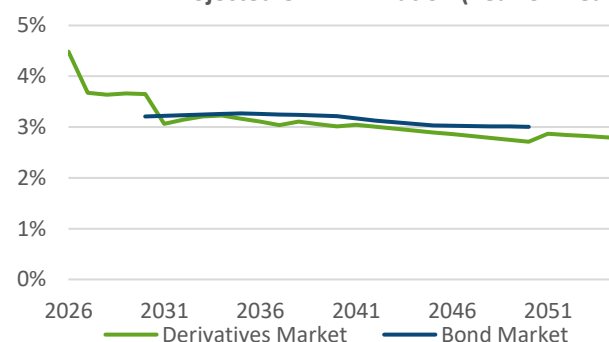
Max, Min and 50% Range: Since BoE Independence



Historical UK GDP Growth (Year-on-Year)



Projected UK RPI Inflation (Year-on-Year)



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

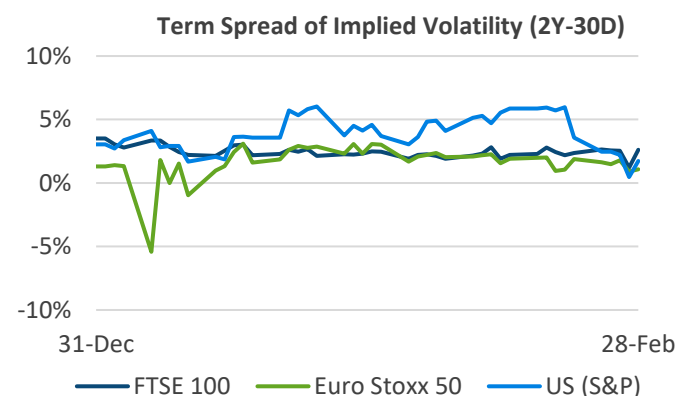
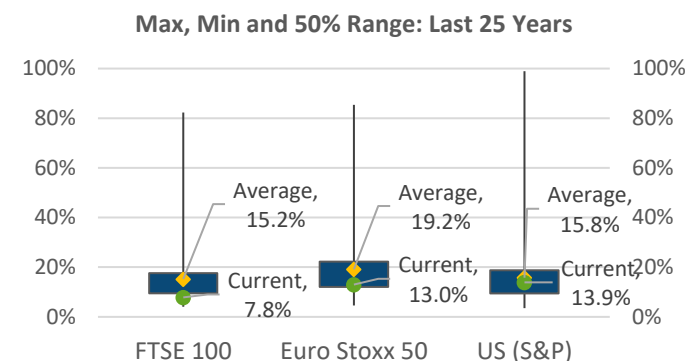
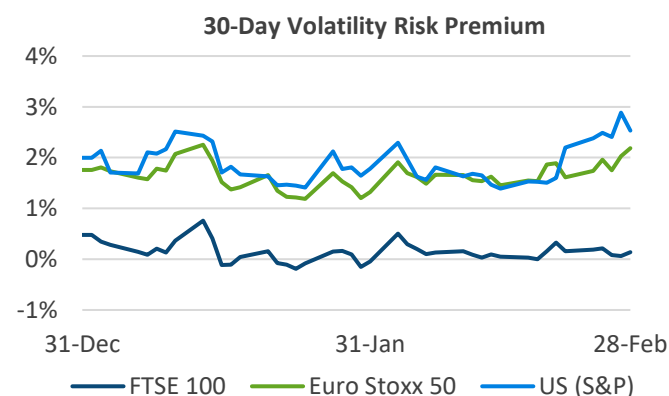
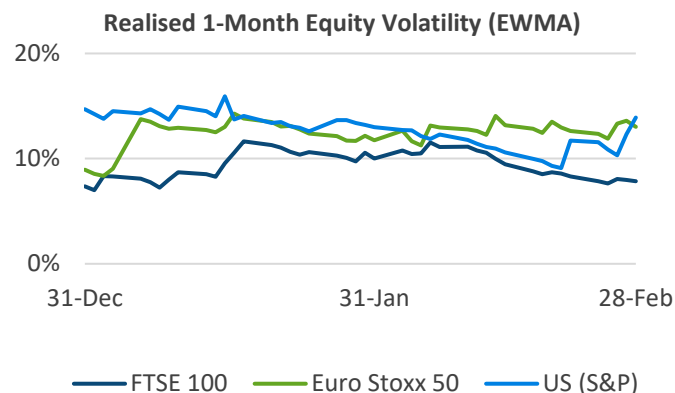
- **Consumer Price Index (CPI)** – measuring the monthly price of a basket of consumer goods and services
- **Retail Price Index (RPI)** – similar to CPI, but the main difference due the addition of mortgage payments, council tax and other housing costs
- **Average Earnings** – measuring the average 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 of the S&P 500 and the Euro Stoxx 50 increased, whilst the realised volatility of the FTSE 100 was lower at month-end.
- The FTSE 100 ended the month with a realised volatility of 7.8%. The same measure stood at 13.0% and 13.9% 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 0.1% at month-end. The volatility risk premium on the Euro Stoxx 50 was 2.2%, and 2.5% on the S&P 500.
- The change in spread between implied volatility of 2-year and 30-day at-the-money options remained positive 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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