

## Market Price Monitor

### Local Equity Markets

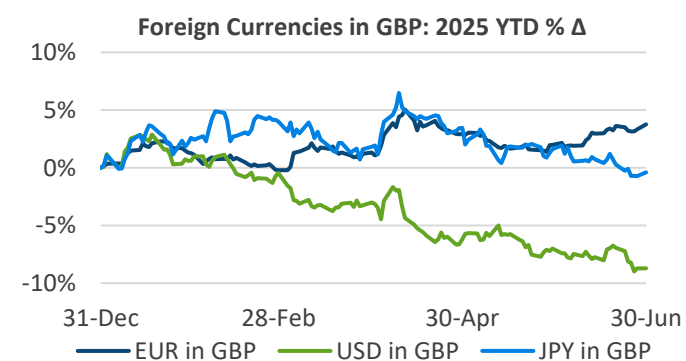
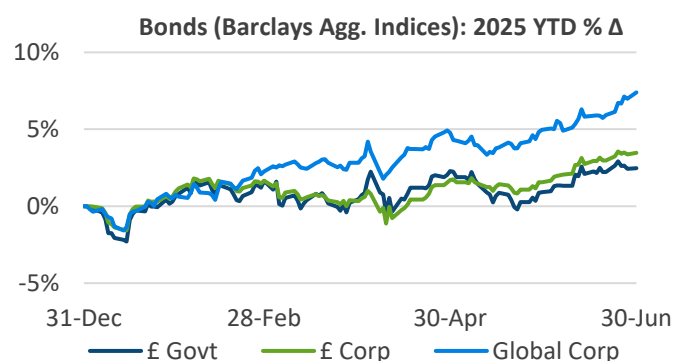
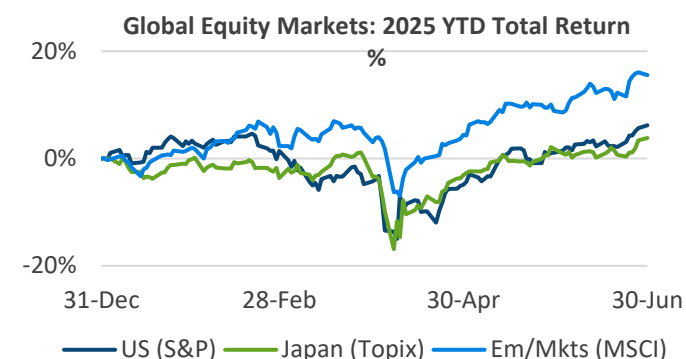
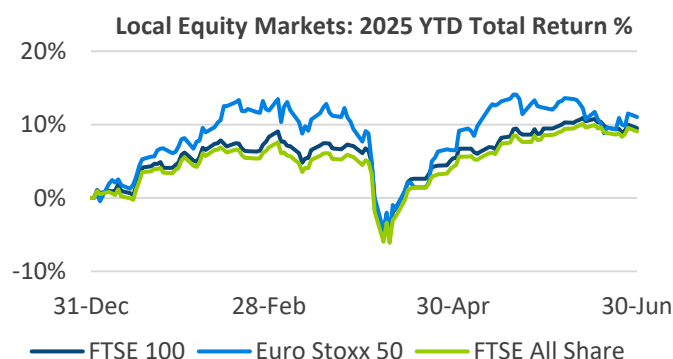
- Global equity markets had a mixed performance in June, as geopolitical volatility increased following the war between Israel and Iran. The looming tariff deadline of 9 July also weighed on some local markets as countries continued their negotiations with the US administration.
- The Euro Stoxx 50 ended the month down 1.1%.
- The FTSE 100 was flat at month-end.

### Global Equity Markets

- The S&P 500 ended the month up 5.1%, and the Topix gained 2.0%.
- The MSCI Emerging Markets index returned 6.1%.

### Bond/FX Markets

- The British government bond index was up 1.5%, and the British corporate bond index gained 2.3% in June.
- The British Pound had a mixed performance in May, gaining 1.9% against the US Dollar, and 2.0% against the Japanese Yen. Meanwhile the Pound weakened by 1.7% against the Euro.



### Total Returns as of June 30, 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	0.0%	0.5%	-1.1%	5.1%	2.0%	6.1%	1.5%	1.9%	2.3%	1.7%	-1.9%	-2.0%
3 Month	3.2%	4.4%	3.2%	10.9%	7.5%	12.2%	2.0%	3.1%	4.4%	2.4%	-5.9%	-2.2%
1 Year	11.3%	11.2%	11.8%	15.2%	4.1%	16.0%	1.3%	5.6%	9.6%	1.2%	-7.8%	2.9%
YTD	9.5%	9.1%	11.0%	6.2%	3.8%	15.6%	2.5%	3.5%	7.4%	3.8%	-8.7%	-0.4%

## Insurance Monitor

### Solvency II Risk Free Rates

- GBP risk-free rates declined at all terms in June, with the moves more pronounced at the short end.
- The 1 and 5-year GBP risk-free rates fell by 21 and 20 basis points, respectively.
- EUR risk-free rates rose at all terms in June, with the increases more pronounced at the long end.
- Both the 20 and 30-year EUR rates increased by 16 basis points.
- The EUR CRA was unchanged and remains floored at 10 basis points

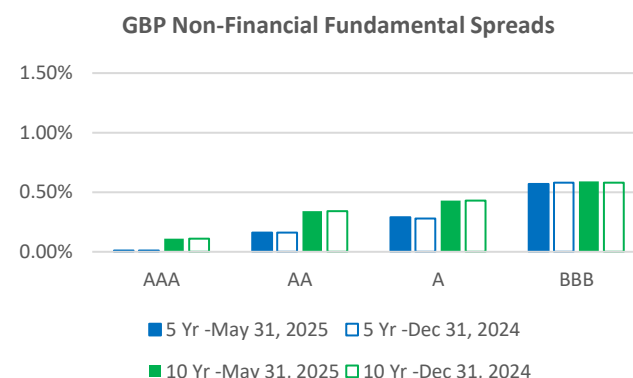
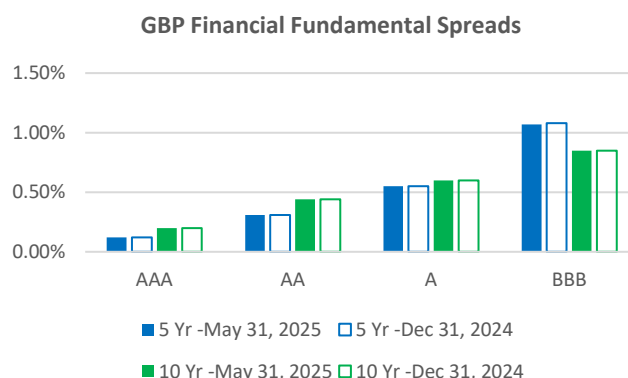
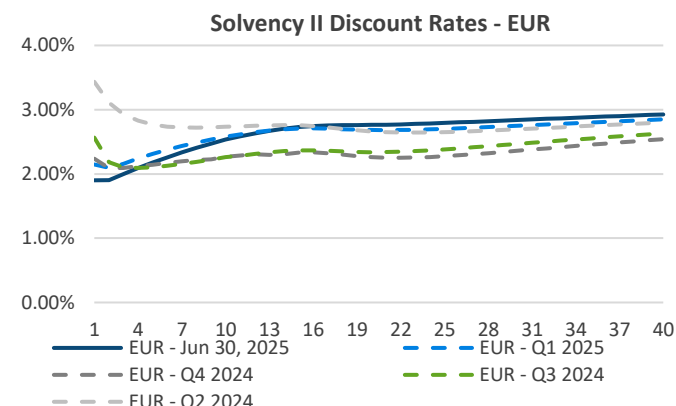
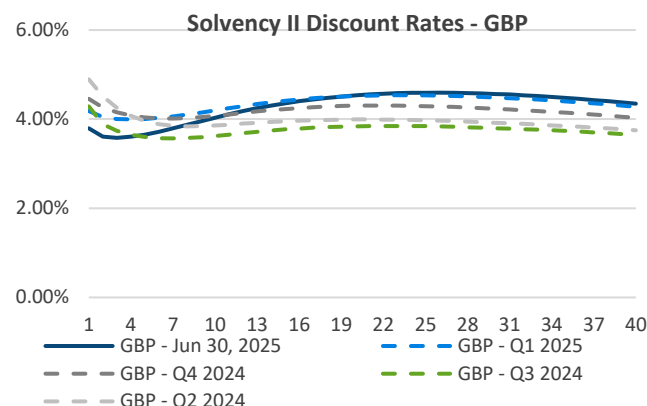
The **Solvency II risk-free discount rates** are calculated independently based on applying the Smith-Wilson Extrapolation to swap rates sourced from Bloomberg and applying the Credit Risk Adjustment as defined in the Technical Specs. For the official published curves please refer to [EIOPA](#) and [PRA](#)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



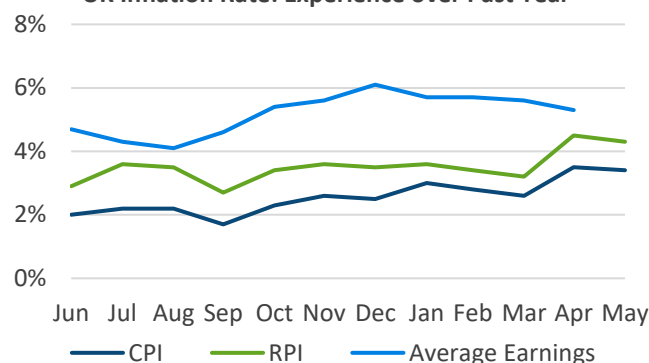
	Change in GBP Discount Rates (bps)				
	1Y	Y5	Y10	Y20	Y30
Since Q1 2025	-39	-35	-17	1	8
Since Q4 2024	-66	-38	-4	23	33
Since Q3 2024	-49	5	41	69	77
Since Q2 2024	-110	-31	17	54	65

	Change in EUR Discount Rates (bps)					
	1Y	Y5	Y10	Y20	Y30	CRA
Since Q1 2025	-25	-14	-5	8	9	0
Since Q4 2024	-33	4	27	50	48	0
Since Q3 2024	-67	7	27	42	37	0
Since Q2 2024	-153	-60	-20	10	14	0

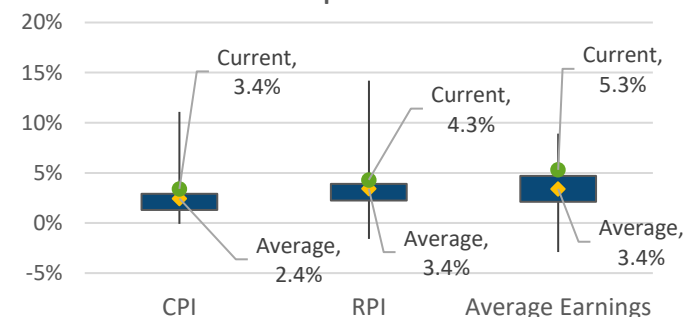
## UK Inflation Monitor

- UK's CPI fell by 10 basis points to 3.4% in May.
- UK's RPI measure decreased by 20 basis points to 4.3% in May.
- According to the ONS: *"The largest downward contribution came from transport; the largest, partially offsetting, upward contributions came from food, and furniture and household goods."*
- Average earnings fell by 30 basis points to 5.3% in April, after the previous months figure was revised higher by 10 basis points.

UK Inflation Rate: Experience over Past Year



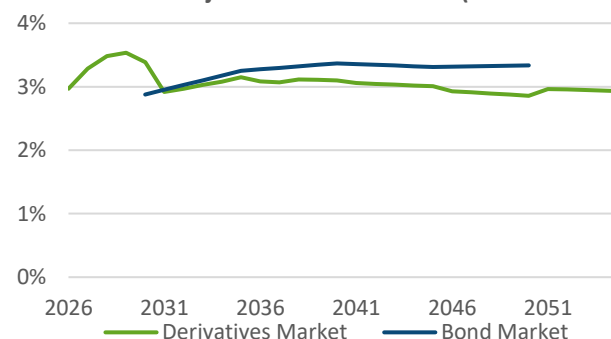
Max, Min and 50% Range: Since BoE Independence



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:

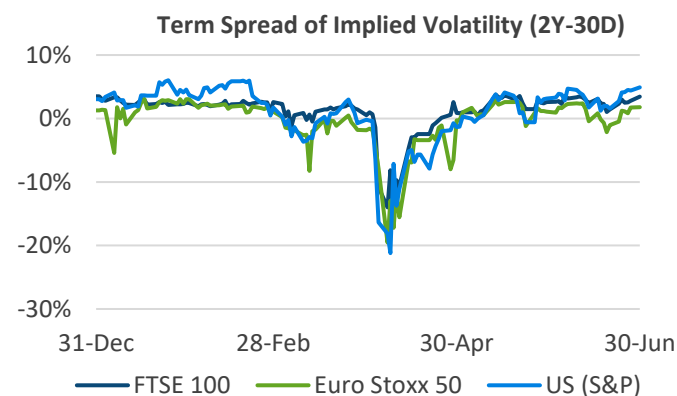
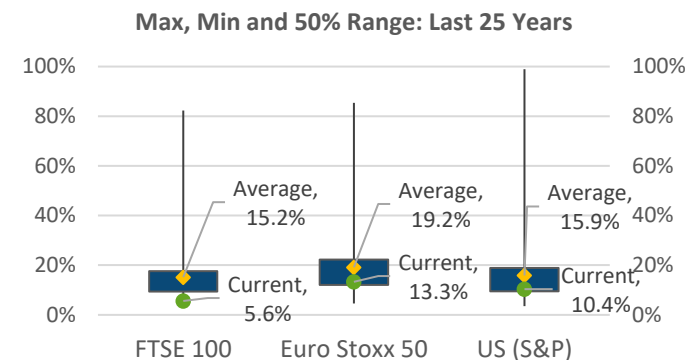
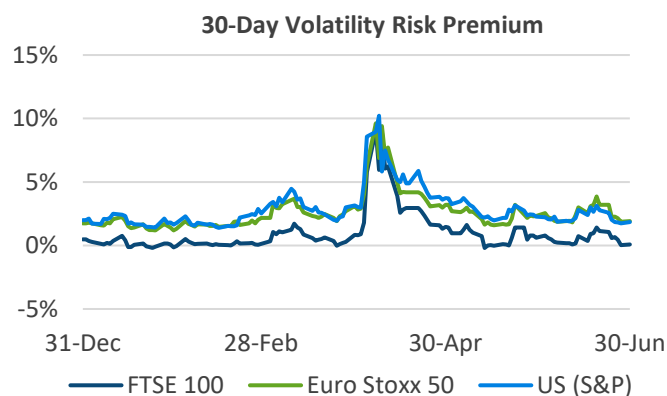
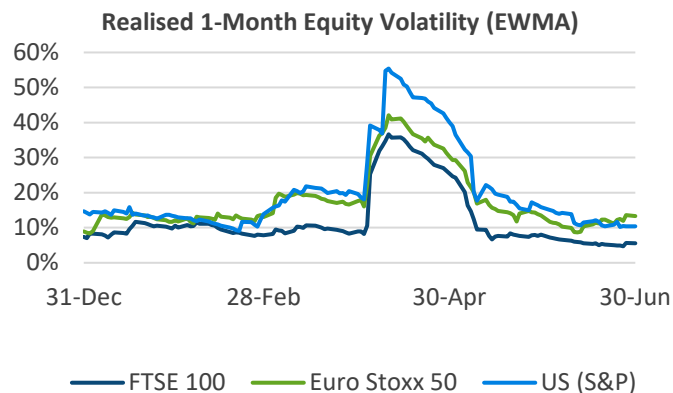
- **Consumer Price Index (CPI)** – measuring the monthly price of a basket of consumer goods and services
- **Retail Price Index (RPI)** – similar to CPI, but the main difference due the addition of mortgage payments, council tax and other housing costs
- **Average Earnings** – measuring the average 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 on major indices declined and remained well below historical averages.
- The FTSE 100 ended the month with a realised volatility of 5.6%. The same measure stood at 13.3% and 10.4% on the Euro Stoxx 50 and the S&P 500, respectively.
- Volatility risk premiums on major indices declined. The FTSE 100 had a volatility risk premium of 0.1% at month-end. The volatility risk premium on both the Euro Stoxx 50 and S&P 500 was 1.9%.
- The spread between implied volatility of 2-year and 30-day at-the-money options was in positive territory for 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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