

## Market Price Monitor

### Local Equity Markets

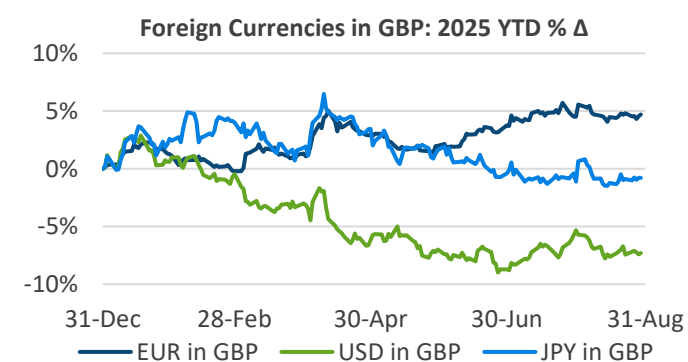
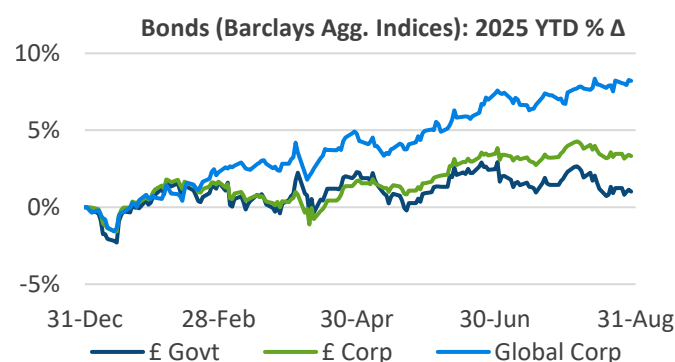
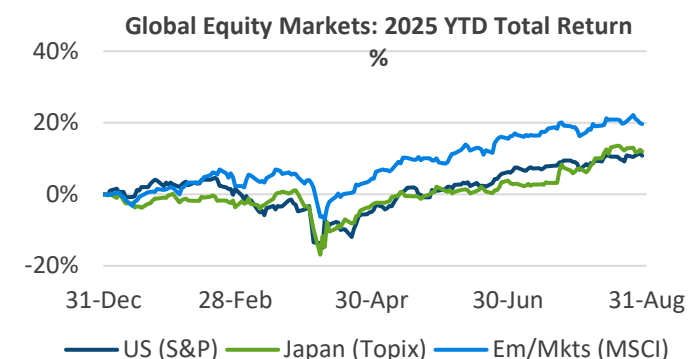
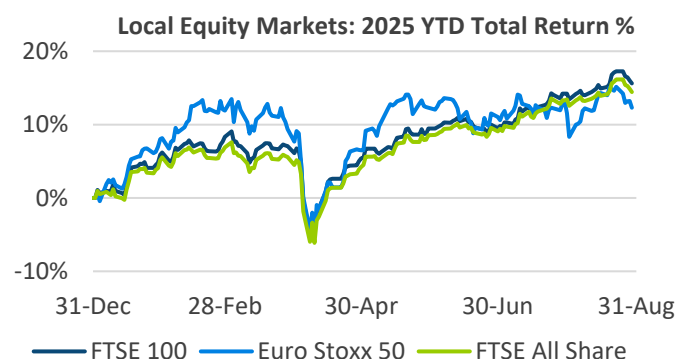
- Equity markets had a positive performance in August as data pointed to a resilient global economy, while corporate earnings generally beat expectations.
- The Euro Stoxx 50 gained 0.6%.
- The FTSE 100 was up 1.2%.

### Global Equity Markets

- The S&P 500 was up 2.0% and the Japanese Topix returned 4.5%.
- The MSCI Emerging Markets index ended the month up 1.5%.

### Bond/FX Markets

- The British government bond index ended the month down 1.1%, and the British corporate bond index fell 0.5%.
- The British Pound had a mixed performance in August, gaining 2.1% against the US Dollar, but remaining relatively flat against the Euro and the Japanese Yen.



### Total Returns as of August 29, 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	1.2%	0.9%	0.6%	2.0%	4.5%	1.5%	-1.1%	-0.5%	1.4%	0.2%	-2.1%	0.3%
3 Month	5.6%	5.4%	0.0%	9.6%	9.9%	9.9%	0.1%	1.7%	3.1%	2.7%	-0.3%	-2.4%
1 Year	13.6%	12.6%	11.3%	15.9%	16.2%	17.7%	-2.5%	3.3%	5.8%	2.9%	-2.8%	-3.4%
YTD	15.6%	14.5%	12.3%	10.8%	12.0%	19.6%	1.0%	3.3%	8.2%	4.7%	-7.3%	-0.8%

## Insurance Monitor

### Solvency II Risk Free Rates

- GBP risk-free rates increased at all terms in August, with the moves more pronounced at the long-end.
- The 20 and 30-year GBP risk-free rates rose by 18 and 22 basis points, respectively.
- EUR risk-free rates fell at the short-end but rose at the longer tenors.
- The 5-year EUR risk-free rate declined by 5 basis points, while the 30-year rate increased by 8 basis points.
- The EUR CRA was unchanged and remains floored at 10 basis points

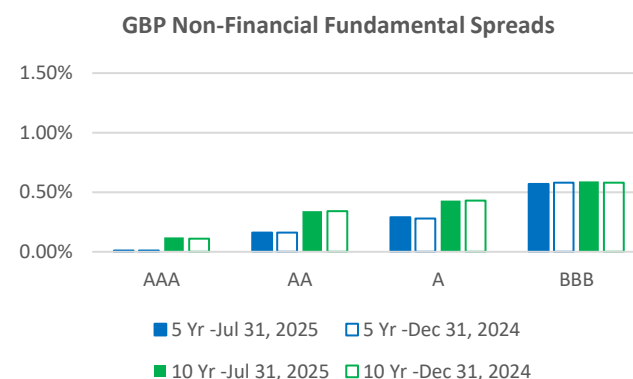
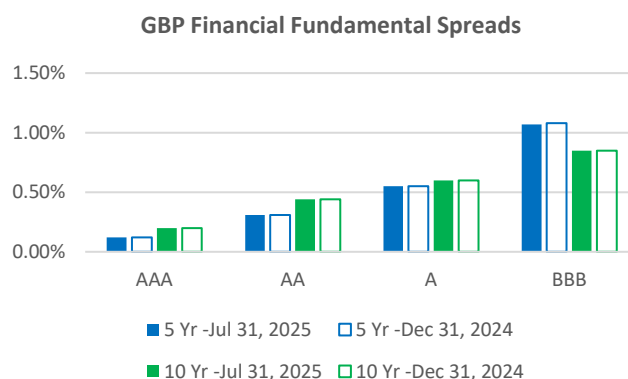
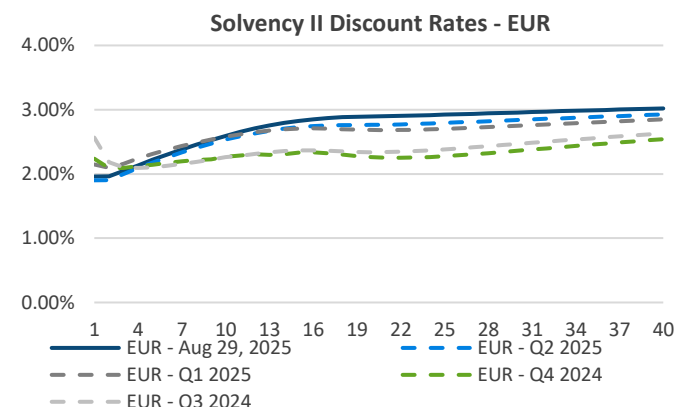
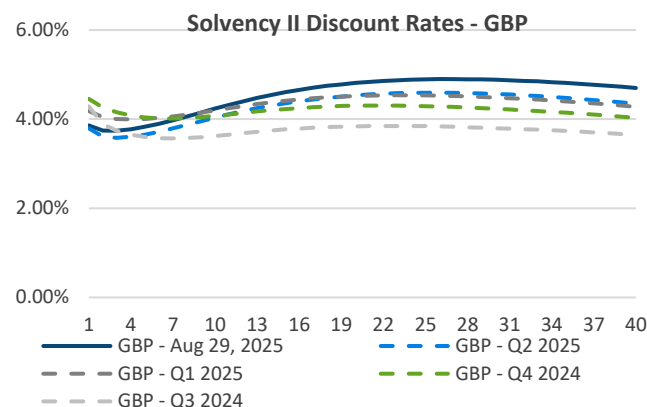
The **Solvency II risk-free discount rates** are calculated independently based on applying the Smith-Wilson Extrapolation to swap rates sourced from Bloomberg and applying the Credit Risk Adjustment as defined in the Technical Specs. For the official published curves please refer to [EIOPA](#) and [PRA](#)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



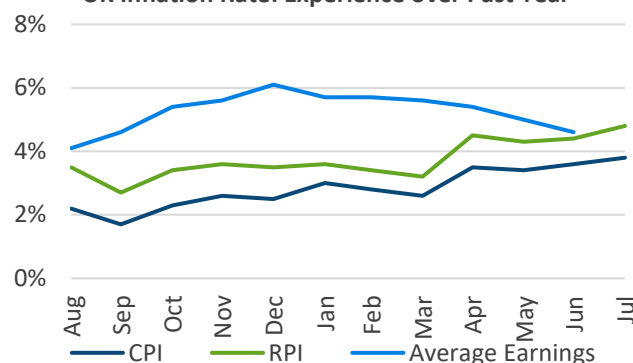
	Change in GBP Discount Rates (bps)				
	1Y	Y5	Y10	Y20	Y30
Since Q2 2025	7	17	21	28	32
Since Q1 2025	-32	-18	4	29	40
Since Q4 2024	-59	-21	16	51	65
Since Q3 2024	-43	23	62	97	108

	Change in EUR Discount Rates (bps)					
	1Y	Y5	Y10	Y20	Y30	CRA
Since Q2 2025	6	4	6	13	12	0
Since Q1 2025	-19	-9	1	21	21	0
Since Q4 2024	-28	8	33	64	60	0
Since Q3 2024	-61	12	33	56	49	0

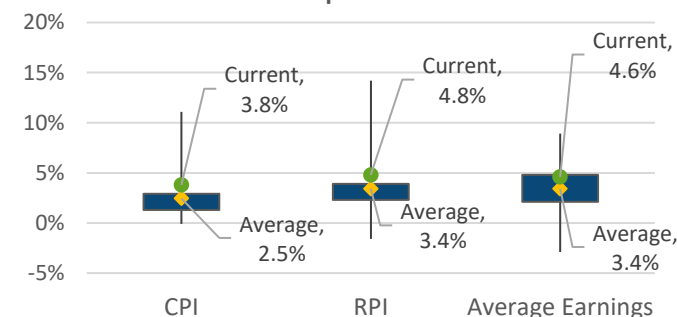
## UK Inflation Monitor

- UK's CPI rose by 20 basis points to 3.8% in July.
- UK's RPI measure increased by 40 basis points to 4.8% in July.
- According to the ONS: "Transport, particularly air fares, made the largest upward contribution to the monthly change; housing and household services, particularly owner occupiers' housing costs, made a large, partially offsetting, downward contribution."
- Average earnings fell by 40 basis points to 4.6% in June.

UK Inflation Rate: Experience over Past Year



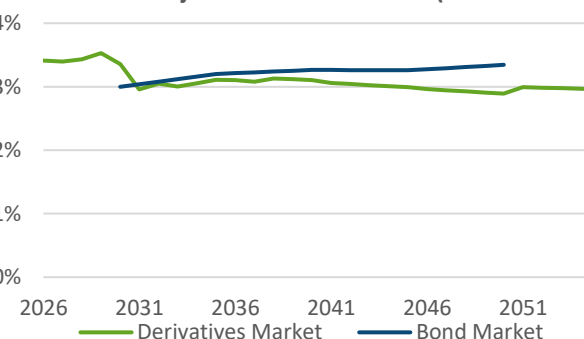
Max, Min and 50% Range: Since BoE Independence



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.

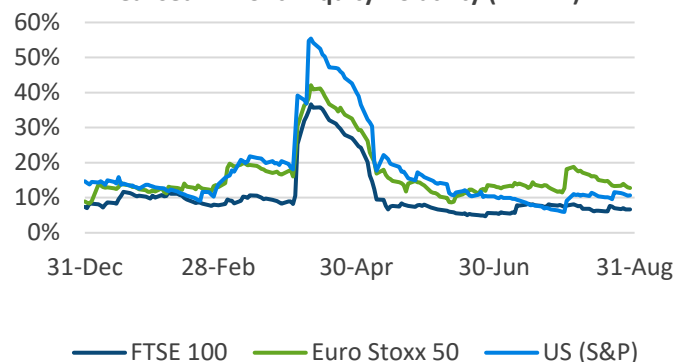
Projection year-on-year inflation rate is the forward rate calculated from market data:

- **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.

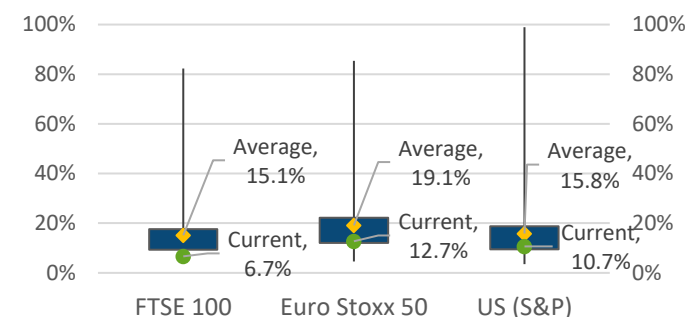
## Volatility and Hedging Cost Monitor

- Realised volatilities on major indices increased at the start of the month on the back of the tariffs announcement, however subsidised quickly and remain well below historical averages,
- The FTSE 100 ended the month with a realised volatility of 6.7%. The same measure stood at 12.7% and 10.7% on the Euro Stoxx 50 and the S&P 500, respectively.
- Volatility risk premiums on major indices were relatively unchanged. The FTSE 100 had a volatility risk premium of 0.0% at month-end. The volatility risk premium on the Euro Stoxx 50 and S&P 500 was 1.9% and 1.5%, respectively.
- 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.

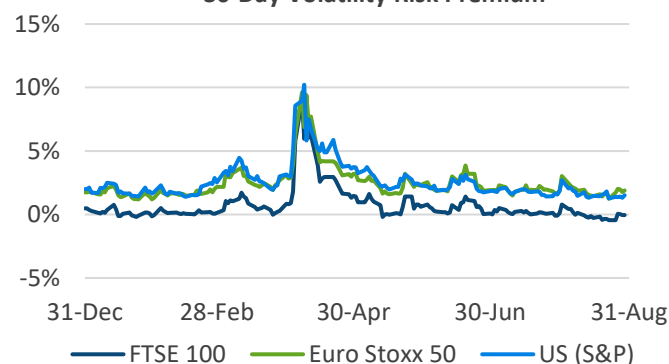
Realised 1-Month Equity Volatility (EWMA)



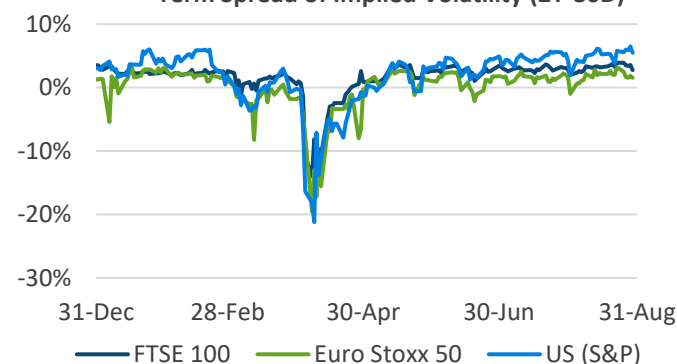
Max, Min and 50% Range: Last 25 Years



30-Day Volatility Risk Premium



Term Spread of Implied Volatility (2Y-30D)



**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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