

### Market Price Monitor

#### Local Equity Markets

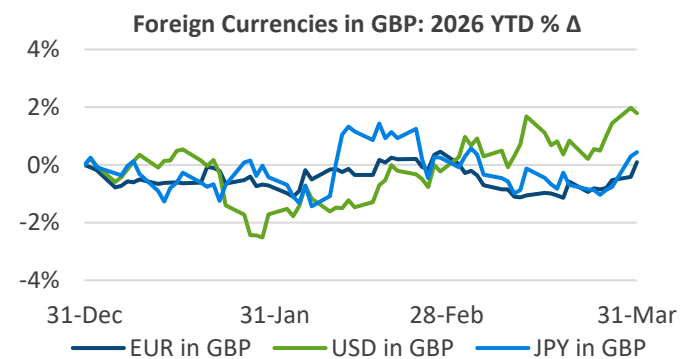
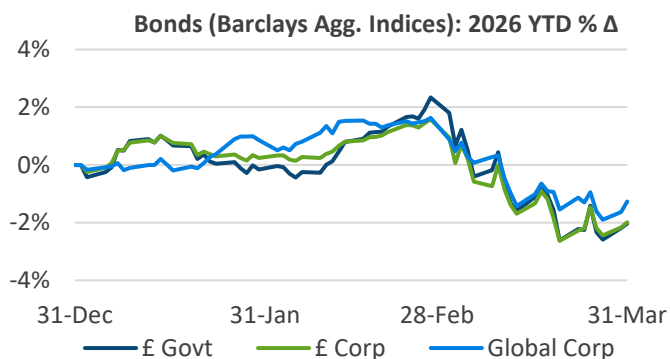
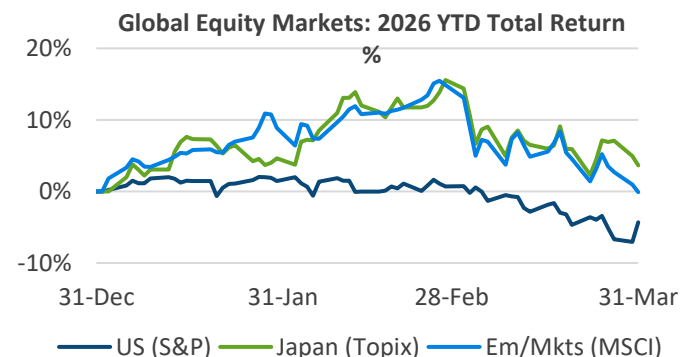
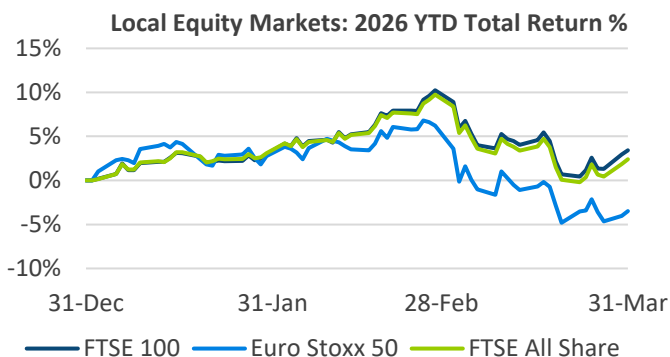
- Global equity markets fell sharply in March as the escalation in the U.S.–Iran conflict triggered a broad shift toward safer investments, higher energy prices, and tighter financial conditions.
- The Euro Stoxx 50 ended the month down 9.1%.
- The FTSE 100 lost 6.2%.

#### Global Equity Markets

- The S&P 500 was down 5.0%.
- Topix ended the month with losses of 10.3%.
- The MSCI Emerging Markets index fell by 13.0%.

#### Bond/FX Markets

- Both the British government and corporate bond indices fell in March. The former was down 4.3% and the latter fell by 3.5%.
- The British Pound had a mixed performance in March, weakening by 2.0% and 0.2%, against the US Dollar and the Japanese Yen respectively, but gaining by 0.4% against the Euro.



### Total Returns as of March 31, 2026

	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	-6.2%	-6.7%	-9.1%	-5.0%	-10.3%	-13.0%	-4.3%	-3.5%	-2.9%	-0.4%	2.0%	0.2%
3 Month	3.4%	2.4%	-3.5%	-4.3%	3.6%	-0.1%	-2.0%	-2.0%	-1.3%	0.1%	1.8%	0.4%
1 Year	22.6%	21.5%	9.5%	17.8%	34.6%	30.3%	2.4%	4.7%	5.9%	4.2%	-2.3%	-7.9%
YTD	3.4%	2.4%	-3.5%	-4.3%	3.6%	-0.1%	-2.0%	-2.0%	-1.3%	0.1%	1.8%	0.4%

### Insurance Monitor

#### Solvency II Risk Free Rates

- GBP risk-free rates rose at all terms in March, with the increases more pronounced at the short end of the curve.
- The 1 and 5-year GBP risk-free rates rose by 78 and 63 basis points, respectively.
- EUR risk-free rates increased at all tenors in March.
- The 1 and 5-year EUR risk-free rates rose by 56 and 49 basis points, respectively.
- The EUR CRA was unchanged and remains floored at 10 basis points.

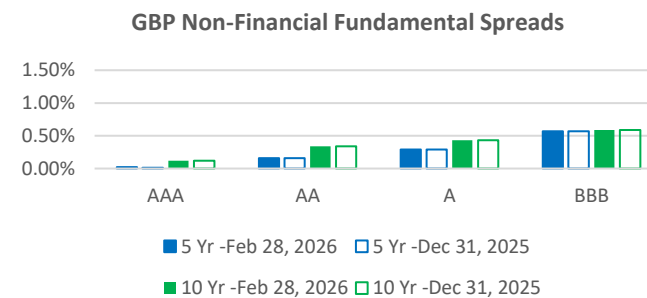
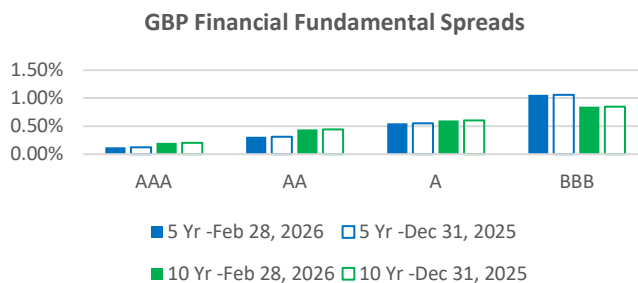
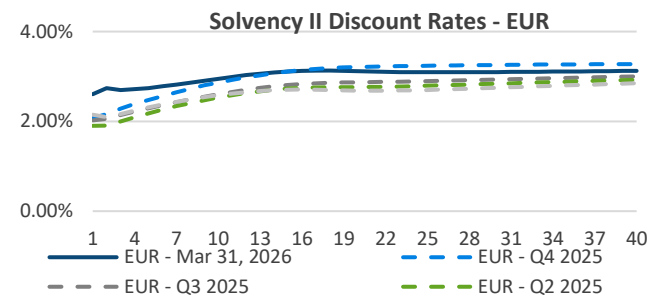
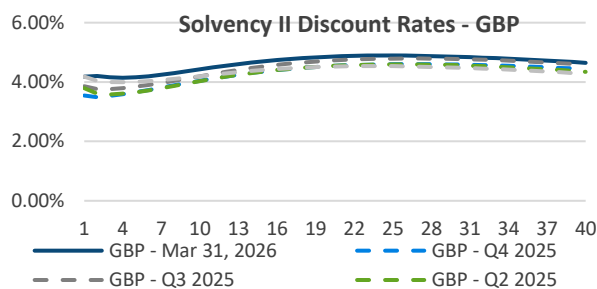
The **Solvency II risk-free discount rates** are calculated independently based on applying the Smith-Wilson Extrapolation to swap rates sourced from Bloomberg and applying the Credit Risk Adjustment as defined in the Technical Specs. For the official published curves please refer to [EIOPA](#) and [PRA](#)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



	Change in GBP Discount Rates (bps)				
	1Y	Y5	Y10	Y20	Y30
Since Q4 2025	64	50	39	32	26
Since Q3 2025	32	32	24	13	8
Since Q2 2025	39	51	40	32	29
Since Q1 2025	0	16	23	33	37

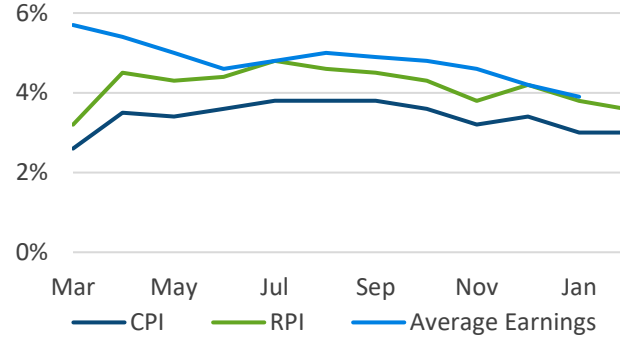
	Change in EUR Discount Rates (bps)					
	1Y	Y5	Y10	Y20	Y30	CRA
Since Q4 2025	53	26	9	-9	-16	0
Since Q3 2025	58	45	34	24	16	0
Since Q2 2025	70	57	41	35	26	0
Since Q1 2025	46	43	37	43	35	0

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### UK Economic Monitor

- UK's CPI remained unchanged at 3.0% in February.
- UK's RPI measure declined by 20 basis points to 3.6% in February.
- According to the ONS: *"The largest upward contribution came from clothing and footwear. The largest, offsetting, downward contributions came from alcohol and tobacco, and transport."*
- Average earnings declined by 30 basis points to 3.9% in January.
- The projected RPI curve shifted higher at the short end, but rest of the curve was relatively unchanged in March in comparison to the previous month.
- UK Composite PMI fell from the previous month, coming at 50.3 in March, remaining above the key 50 level.
- UK unemployment remained unchanged at 5.2% in January.

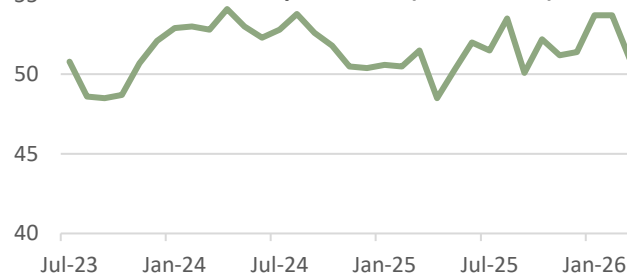
#### UK Inflation Rate: Experience over Past Year



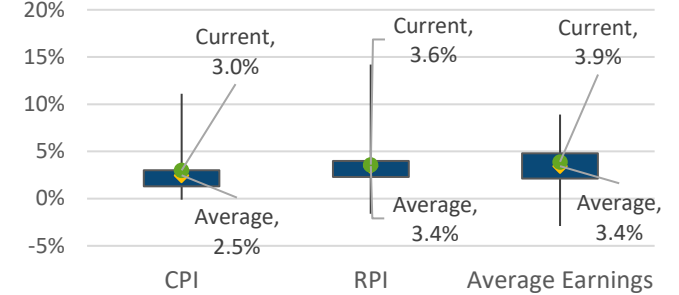
#### Historical UK GDP Growth (Year-on-Year)



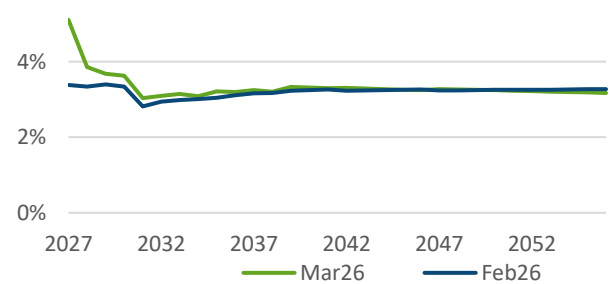
#### Historical UK Composite PMI ( S&P Global)



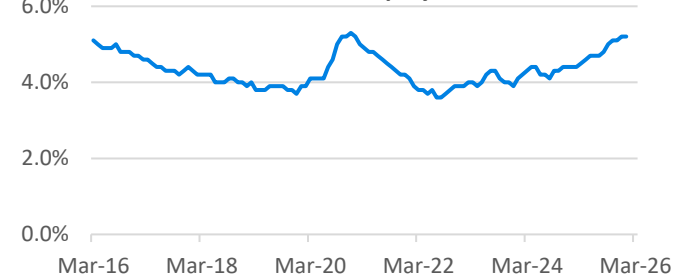
#### Max, Min and 50% Range: Since BoE Independence



#### Projected UK RPI Inflation (Year-on-Year) - Derivatives Market



#### Historical UK Unemployment Rate

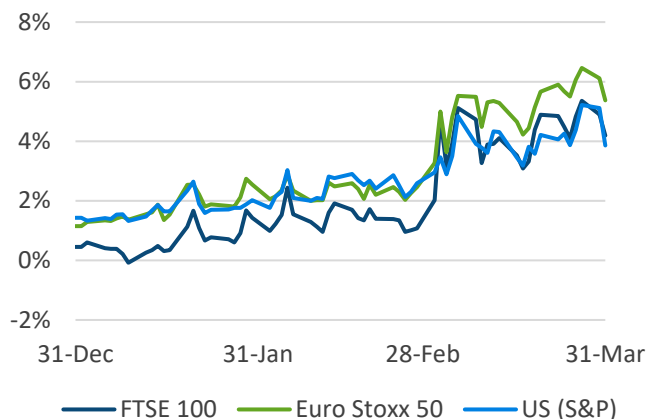


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### Equity Risk & Interest Rate Outlook

- Realised volatilities on major indices increased in March.
- The FTSE 100 ended the month with a realised volatility of 18.4%. The same measure stood at 21.2% and 20.7% on the Euro Stoxx 50 and the S&P 500, respectively.
- Similarly, volatility risk premiums on major indices increased. The FTSE 100 had a volatility risk premium of 4.2% at month-end. The volatility risk premiums on the Euro Stoxx 50 and S&P 500 were 5.4% and 3.9%, respectively.
- The spread between implied volatility of 2-year and 30-day at-the-money options turned negative across all indices during March 2026, indicating a pronounced rise in short-dated volatility relative to longer-dated levels. The inversion was deepest in the Euro Stoxx 50.
- Market implied probability of a fall of a greater than 5% in the S&P 500 index stood at 17.8% for the month of April, while the probability of a drop of more than 10% was 7.0%.
- As of month-end, OIS markets were pricing in two 25bp rate hikes from the BoE and three 25bp hikes from the ECB in 2026, while the Fed was seen as less likely to either cut or hike rates in 2026.

### 30-Day Volatility Risk Premium



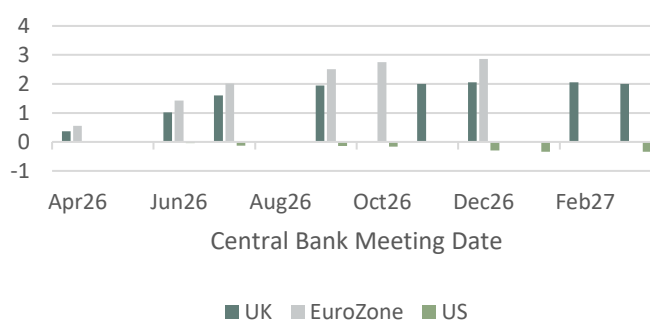
### Realised 1-Month Equity Volatility (EWMA)

	FTSE 100	Euro Stoxx 50	US (S&P)
<b>Current</b>	18.4%	21.2%	20.7%
<b>25Y Historic Average</b>	14.8%	18.8%	15.5%

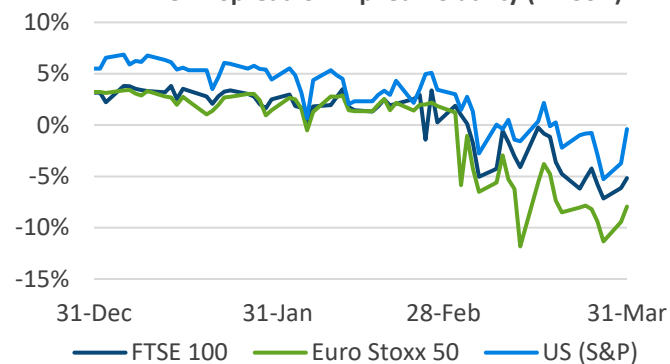
### Implied Probability Of Loss - S&P 500 (31Mar26 – 01May26)

<b>&gt;5%</b>	17.8%		
<b>&gt;10%</b>	7.0%		

### Number of 25 bps Hikes/Cuts priced in OIS Markets



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



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## Definitions & calculations

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 is due to 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

**UK Composite PMI Index (S&P Global)**- A monthly diffusion index measuring overall business activity across UK manufacturing and services sectors, based on surveys of purchasing managers. Readings above 50 indicate expansion, while below 50 signal contraction.

**UK Unemployment Rate**- Proportion of the economically active population (employed + unemployed) who are without a job and are actively seeking work in the last 4 weeks and available to start within 2 weeks, per the ILO definition. The headline rate is a seasonally adjusted, rolling three-month average from the Labour Force Survey (ONS), published monthly.

**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.

**Derivatives Market-implied Number of 25 bp Rate Cuts/Hikes** -The number of 25-basis-point moves in policy rates anticipated by the market, derived from overnight index swaps (OIS). By comparing the current implied forward rate curve (from OIS contracts) with the existing policy rate, one infers how many discrete  $\pm 25$  bp steps the market expects the central bank (e.g., European Central Bank, Bank of England or Federal Reserve) will apply over the horizon.

**Market-implied Probability of S&P 500 Decline (>5% / >10%)** - Estimates the probability, that the S&P 500 index will fall by more than 5% or 10% over the next calendar month. The measure is derived from option market prices by extracting the implied risk-neutral probability density function across strikes and maturities.

**Data Sources:** *Bloomberg; EIOPA; PRA; ONS; S&P Global; Milliman FRM*

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