

## Asset Price Monitor

### Local Equity Markets

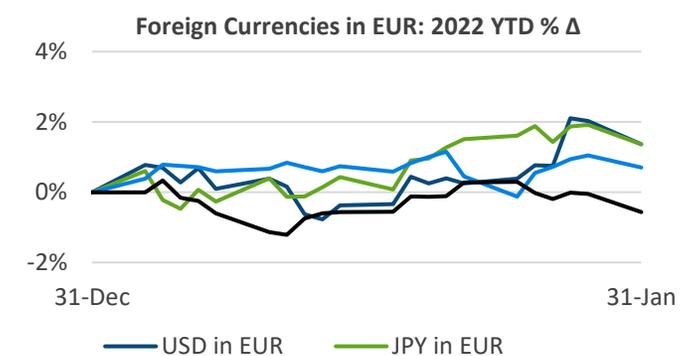
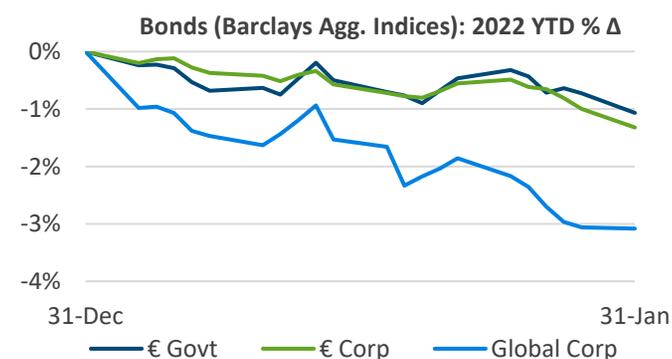
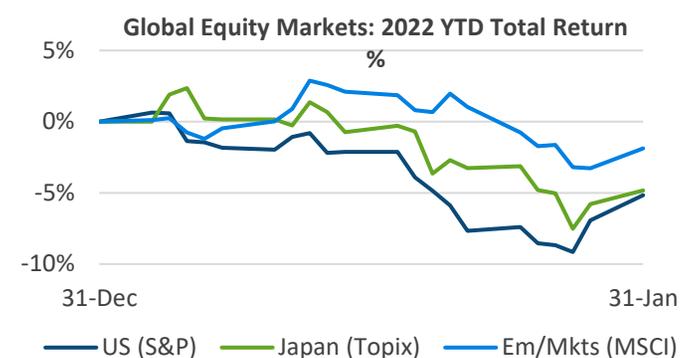
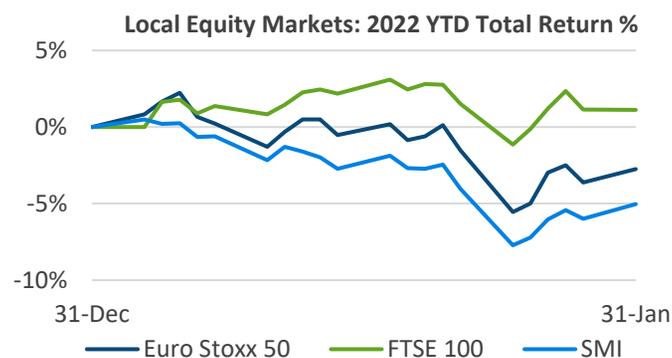
- After a strong end to 2021, most major equity markets suffered losses in January on the back of concerns over central banks tightening monetary policy and geopolitical tensions in Europe.
- The FTSE 100 outperformed most global indices and gained 1.1%.
- The Euro Stoxx 50 lost 2.7%.

### Global Equity Markets

- The S&P 500 and the Japanese Topix indices were down 5.2% and 4.8% at month-end, respectively.
- Emerging markets outperformed their developed market counterparts, with the MSCI Emerging Markets index ending the month down by only 1.9%.

### Bond/FX Markets

- The European government bond index lost 1.1% in January.
- The European corporate bond index was down 1.3%.
- The Euro had a weak performance in January, losing 1.4% against the US Dollar and the Japanese Yen. Meanwhile, it weakened by 0.7% against the British Pound.



### Total Returns as of January 31, 2022

	Euro Stoxx 50	FTSE 100	SMI	US (S&P)	Japan (Topix)	Em/Mkts (MSCI)	€ Govt	€ Corp	CHF in EUR	USD in EUR	JPY in EUR	GBP in EUR
1 Month	-2.7%	1.1%	-5.0%	-5.2%	-4.8%	-1.9%	-1.1%	-1.3%	-0.6%	1.4%	1.4%	0.7%
3 Month	-1.5%	3.6%	1.0%	-1.6%	-5.1%	-4.1%	-1.0%	-1.2%	1.5%	3.0%	2.1%	1.1%
1 Year	22.9%	20.7%	18.8%	23.3%	7.0%	-6.9%	-3.9%	-2.2%	3.6%	8.2%	-1.6%	6.1%
YTD	-2.7%	1.1%	-5.0%	-5.2%	-4.8%	-1.9%	-1.1%	-1.3%	-0.6%	1.4%	1.4%	0.7%

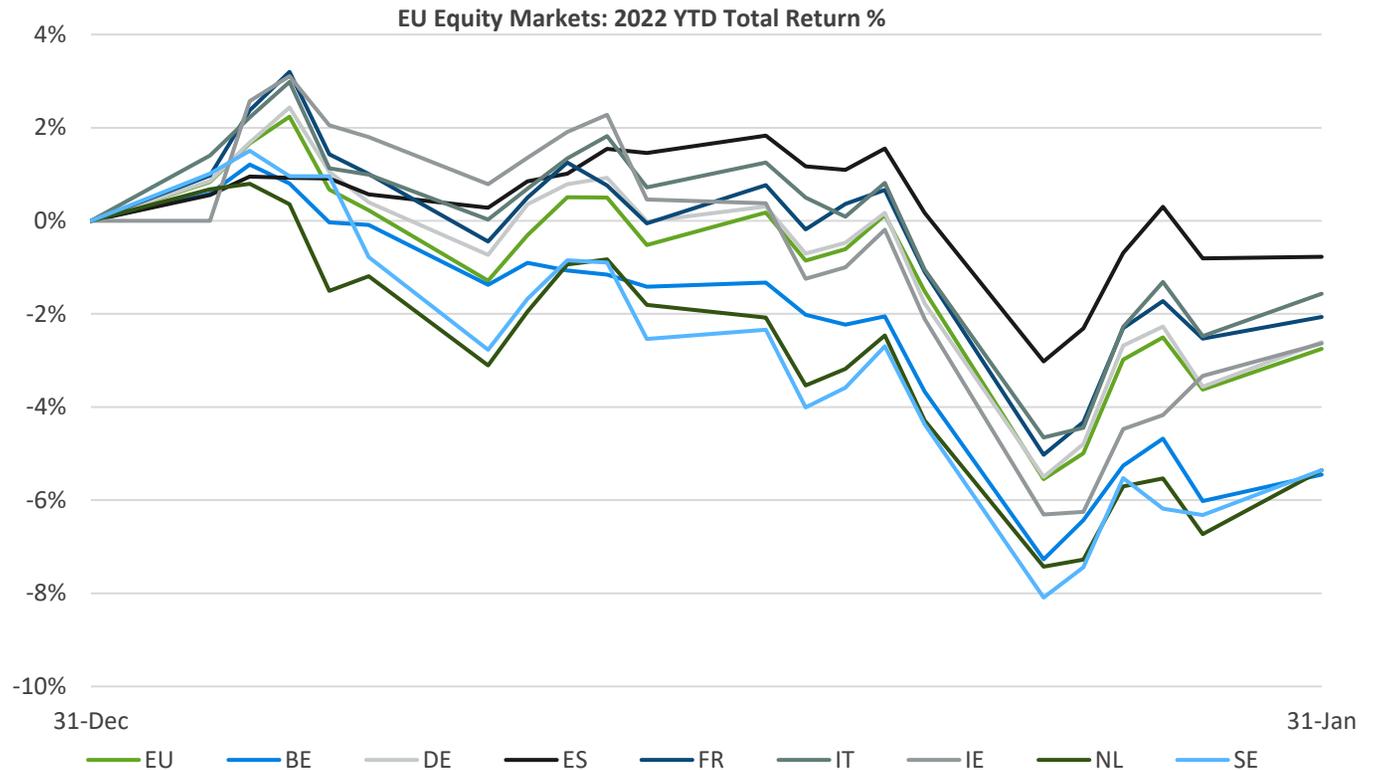
## Milliman Financial Risk Management

EuroZone Market Monitor – 31 January 2022

Data sources: Bloomberg; Barclays; EuroStat; Oxford-Man Institute; Milliman FRM

### Eurozone Equity

- All major European equity indices suffered losses in January.
- The Spanish equity market was the outperformer of the region, only down 0.8%.
- The Belgian equity index suffered the largest loss in January, falling by 5.5%.

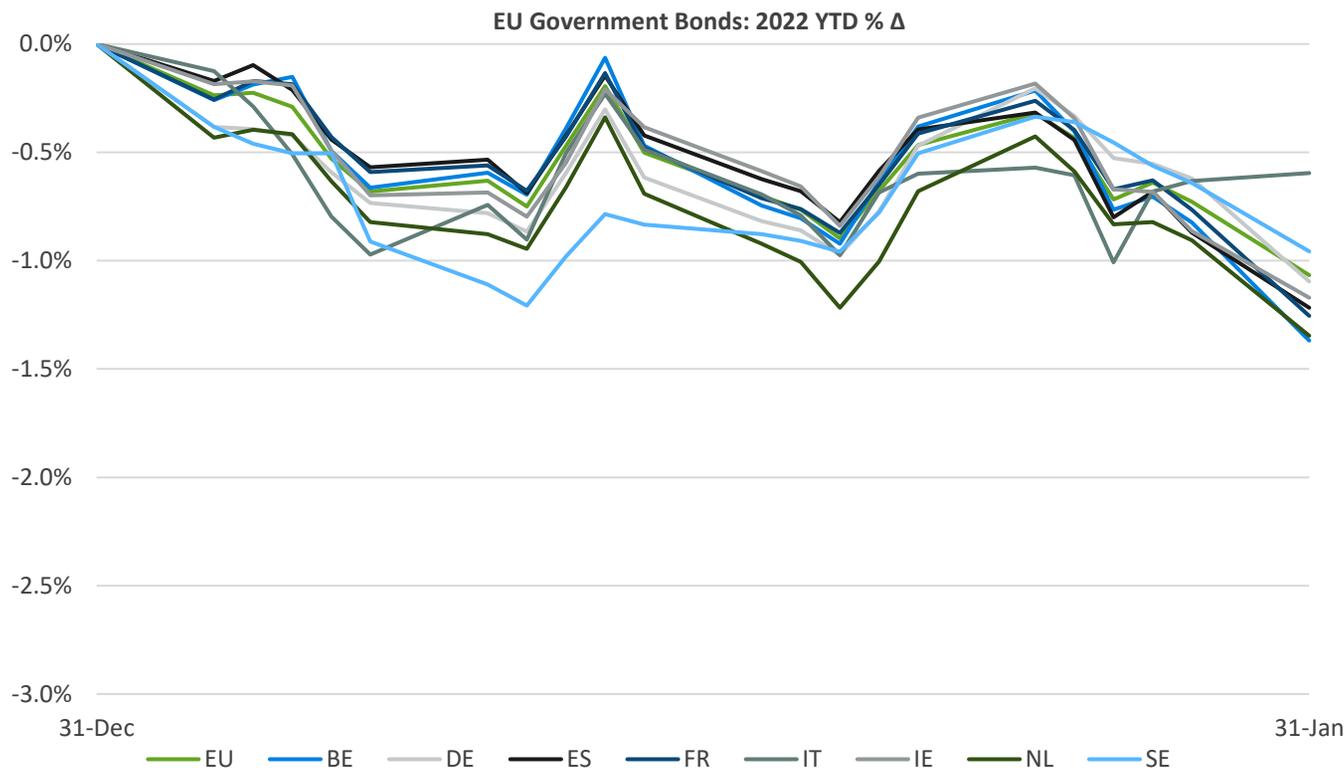


**Equity Returns as of January 31, 2022**

	EU	Belgium	Germany	Spain	France	Italy	Ireland	Netherlands	Sweden
1 Month	-2.7%	-5.5%	-2.6%	-0.8%	-2.1%	-1.6%	-2.6%	-5.4%	-5.4%
3 Month	-1.5%	-4.2%	-1.4%	-4.2%	2.7%	0.7%	-3.8%	-6.6%	0.2%
QTD	-2.7%	-5.5%	-2.6%	-0.8%	-2.1%	-1.6%	-2.6%	-5.4%	-5.4%
YTD	-2.7%	-5.5%	-2.6%	-0.8%	-2.1%	-1.6%	-2.6%	-5.4%	-5.4%

**Eurozone Government Bonds**

- Similar to equities, European government bonds started the year with losses.
- The Italian government bond index outperformed, down by 0.6%.
- The Belgian government bond index was the worst performer, losing 1.4%.



Bond Returns as of January 31, 2022									
	EU	Belgium	Germany	Spain	France	Italy	Ireland	Netherlands	Sweden
1 Month	-1.1%	-1.4%	-1.1%	-1.2%	-1.3%	-0.6%	-1.2%	-1.3%	-1.0%
3 Month	-1.0%	-1.4%	-0.9%	-1.2%	-1.1%	-0.5%	-0.8%	-1.0%	-0.3%
QTD	-1.1%	-1.4%	-1.1%	-1.2%	-1.3%	-0.6%	-1.2%	-1.3%	-1.0%
YTD	-1.1%	-1.4%	-1.1%	-1.2%	-1.3%	-0.6%	-1.2%	-1.3%	-1.0%

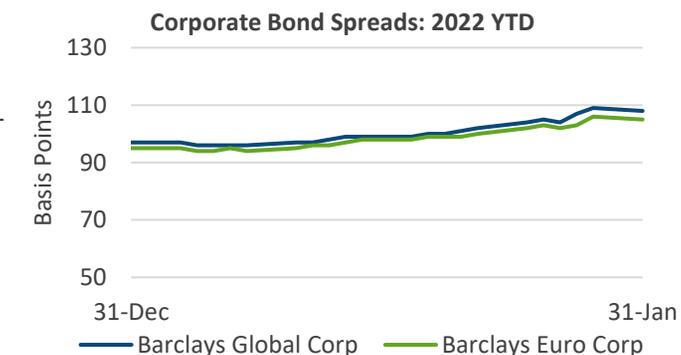
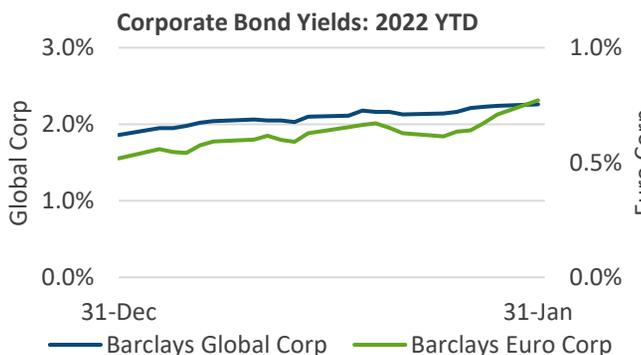
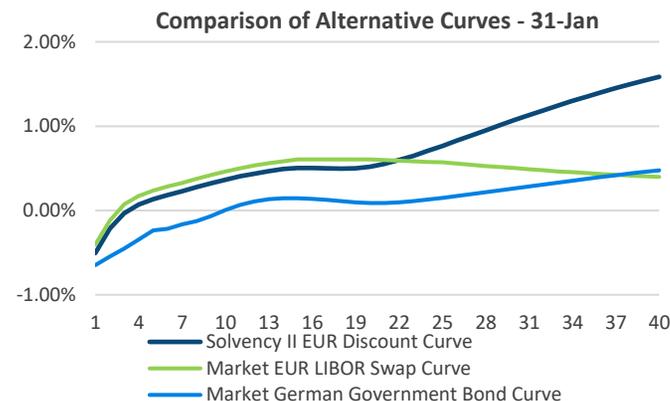
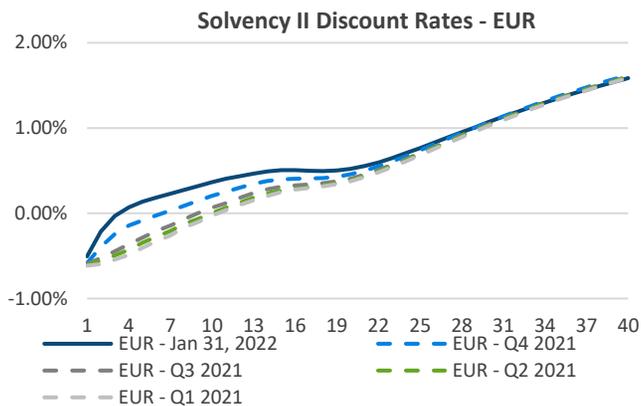
Liability Valuation Monitor

Risk Free Rates

- EUR risk-free rates increased at most terms in January, with the exception of the very long-end of the curve.
- The 5 and 10-year risk-free rates rose by 22 and 16 basis points, respectively.
- In contrast, the 40-year rate fell by 4 basis points.
- The EUR UFR decreased by 15 basis points in January to 3.45%.

Corporate Bonds

- Global corporate bond yields rose by 40 basis points in January, while their European counterparts increased by 25 basis points.
- Both the European and global corporate bond spreads widened in January, the former by 10 basis points and the latter by 11 basis points.
- The rise in risk-free rates combined with the widening in the European corporate bond spreads, resulted in losses for the European corporate bond index.



	Change in Solvency II Discount (bps)						Change in Corporate Bond Yields (bps)		Change in Corporate Bond Spreads (bps)	
	1Y	Y5	Y10	Y20	Y30	Y40	Global Corp	Euro Corp	Global Corp	Euro Corp
Since Q4 2021	8	22	16	6	0	-4	40	25	11	10
Since Q3 2021	9	42	30	11	2	-2	61	43	20	21
Since Q2 2021	10	48	36	13	3	-1	68	44	22	22
Since Q1 2021	11	54	39	15	5	0	52	41	13	15

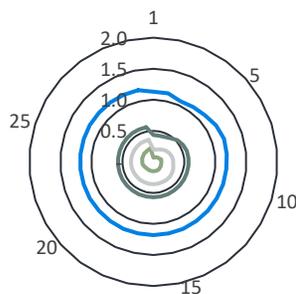
Solvency II Monitor - Spreads

Fundamental Spreads

- There were some marginal declines in the long-term BBB rated fundamental spreads for both Financials and Non-Financials.

Fundamental Spreads %

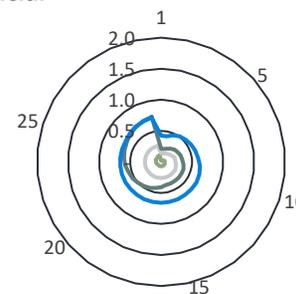
EUR: Financial



— AAA — AA — A — BBB

EUR Financial Fundamental Spread %					
	1Y	Y5	Y10	Y20	Y30
AAA	0.07	0.10	0.13	0.15	0.22
AA	0.20	0.27	0.34	0.36	0.36
A	0.43	0.52	0.57	0.57	0.57
BBB	1.13	1.12	1.18	1.18	1.18
EUR Financial 'Before Floor' %					
	1Y	Y5	Y10	Y20	Y30
AAA	0.00	0.04	0.08	0.15	0.22
AA	0.03	0.06	0.10	0.18	0.26
A	0.06	0.12	0.18	0.31	0.42
BBB	0.15	0.23	0.32	0.46	0.57

EUR: Non-Financial



— AAA — AA — A — BBB

EUR Non-Financial Fundamental Spread %					
	1Y	Y5	Y10	Y20	Y30
AAA	0.02	0.03	0.06	0.07	0.11
AA	0.14	0.18	0.25	0.26	0.26
A	0.21	0.29	0.38	0.50	0.74
BBB	0.42	0.53	0.65	0.66	0.73
EUR Non-Financial 'Before Floor' %					
	1Y	Y5	Y10	Y20	Y30
AAA	0.00	0.01	0.04	0.07	0.11
AA	0.00	0.04	0.08	0.16	0.25
A	0.03	0.15	0.27	0.50	0.74
BBB	0.10	0.21	0.33	0.54	0.73

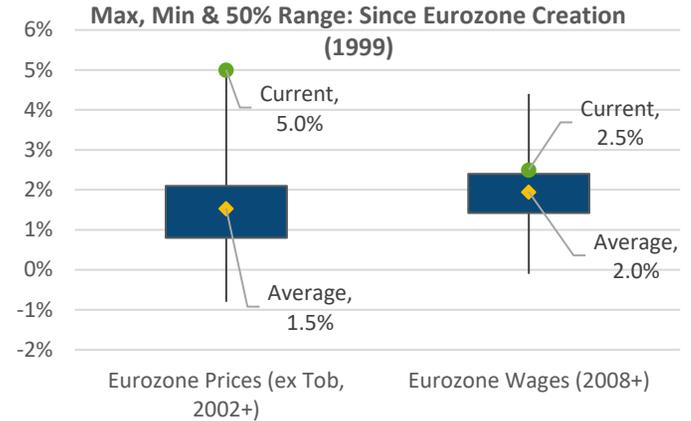
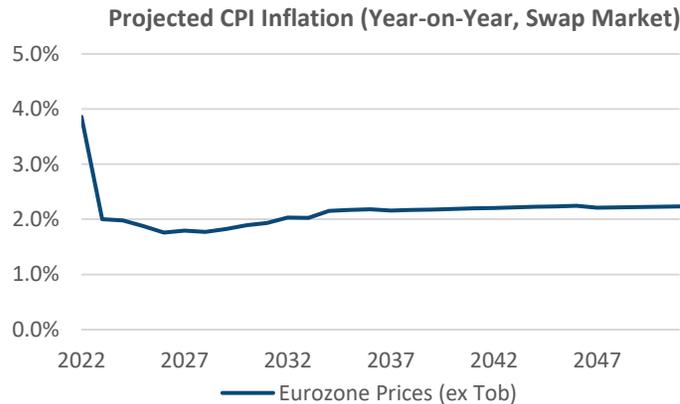
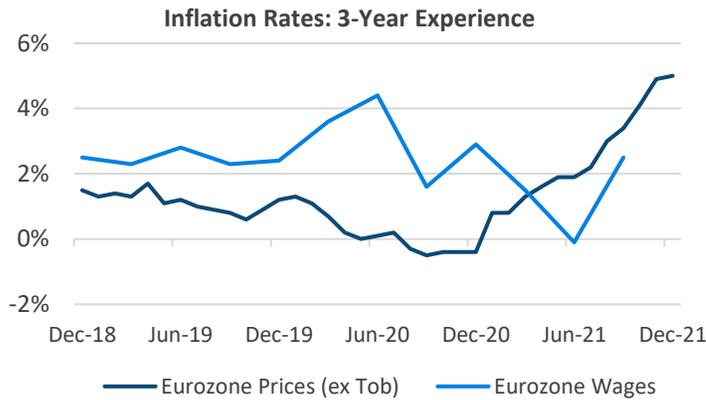
The **Solvency II risk-free discount rates** are based on applying the Smith-Wilson Extrapolation to LIBOR swap rates sourced from Refinitiv and applying the Credit Risk Adjustment as defined in the Technical Specs. The data is provided by EIOPA and as of 31/01/22.

The **Credit Risk Adjustment** is a component of the risk-free discount curve defined by EIOPA. It is calculated from actual experience in the 'LIBOR-OIS' spread (3 months for EUR, 6 months for GBP), and is bounded between 0.10 and 0.35. We show actual LIBOR-OIS spread levels and the defined CRA, for both GBP and EUR.

**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 and as of 31/01/22. **Fundamental spread** = maximum (probability of default + cost of downgrade; 35% of long-term average spread). In the tables we show the **'before floor'** measure = probability of default + cost of downgrade.

**Inflation Monitor**

- Eurozone price inflation continued to tick higher in December, rising by 10 basis points to 5.0%.
- The projected CPI curve increased at the near-term but remained broadly unchanged for the rest of the curve.
- The Eurozone Q4 2021 GDP growth increased by 70 basis points from the previous quarter, with the headline figure coming in at 4.6%.
- There were no updates to the wage inflation figure this month.



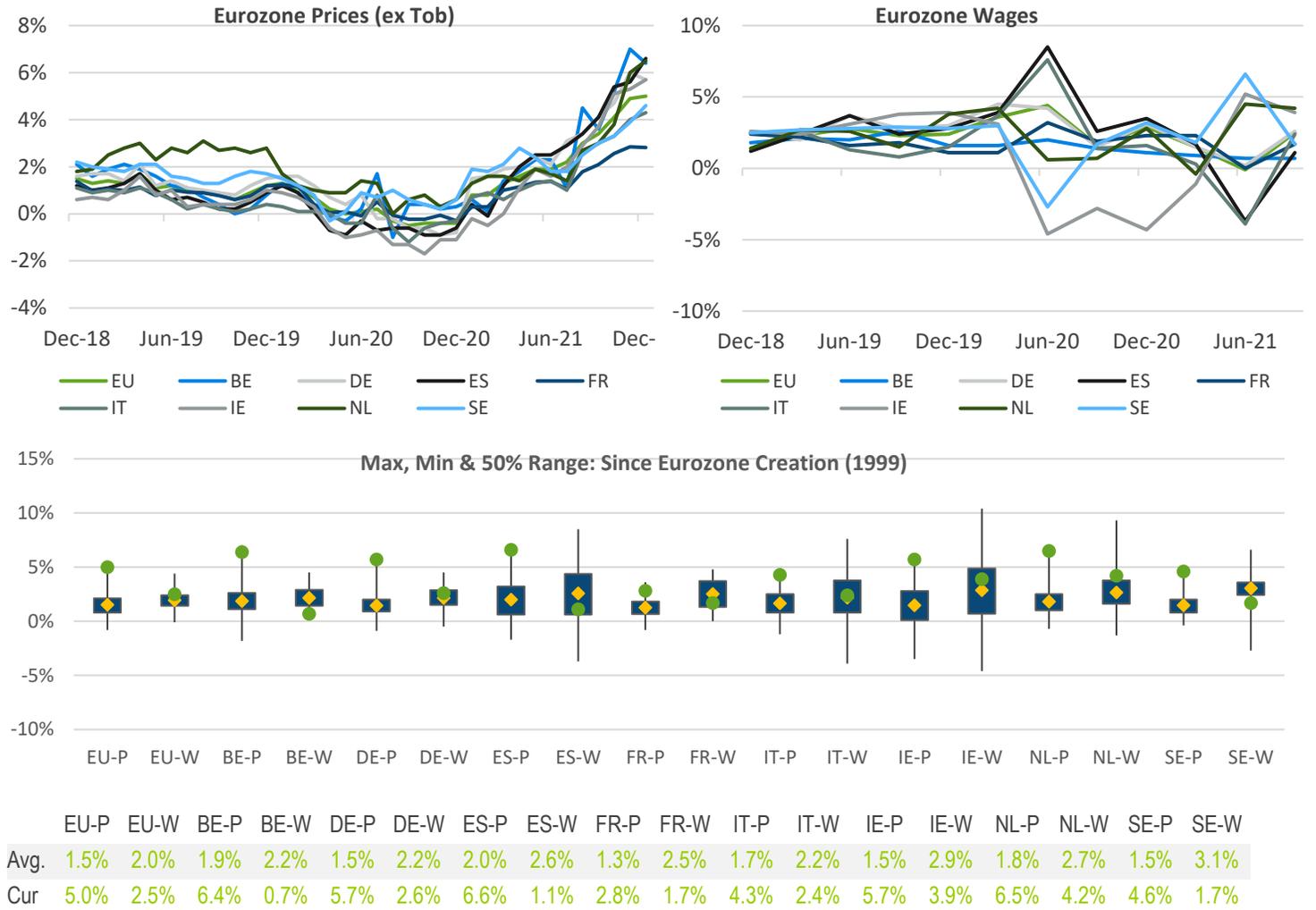
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### Inflation Monitor

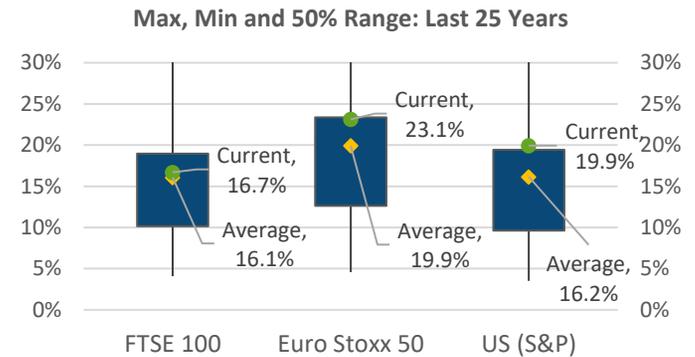
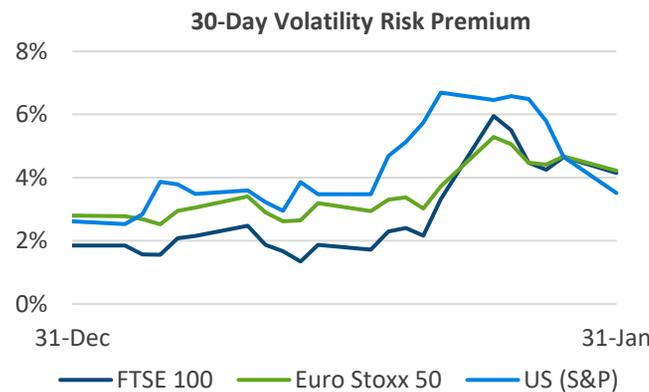
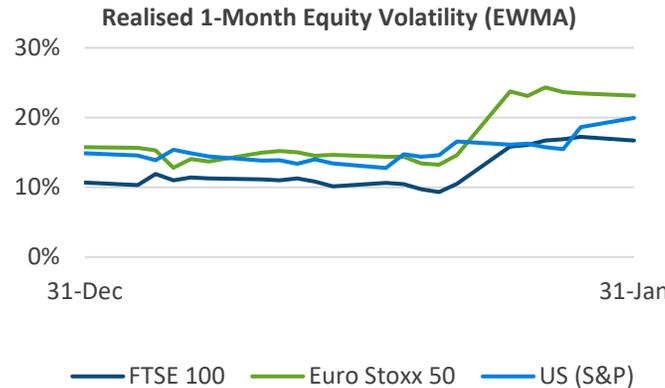
- Price inflation increased in most major European countries in December, with the exception of Belgium and Germany, which saw a fall in their price inflation, whilst France's inflation was unchanged.
- Belgian's price inflation measure fell the most in December as it declined by 60 basis points to 6.4%.
- Spanish price inflation saw the largest increase in December, rising by 100 basis points to 6.6%, which was also the highest inflation reading in the region.
- France's price inflation remained the lowest in the region at 2.8%.



**Volatility and Hedging Cost Monitor**

- Realised volatility on major indices increased in January and ended the month above long-term averages.
- The realised volatility on the FTSE 100 was 16.7% at month-end. The measure stood at 23.1% and 19.9% for the Euro Stoxx 50 and the S&P 500, respectively.
- Similar to realised volatilities, volatility risk premiums on major indices increased during the month. Ending the month at 4.2% for both the FTSE 100 and Euro Stoxx 50 indices. The measure was 3.5% on the S&P 500 at month-end.

*Please contact Milliman for more information on the basis and methodology used for these results.*





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Milliman Financial Risk Management LLC / Milliman Financial Strategies Ltd. is a global leader in financial risk management to the retirement savings industry. Milliman FRM provides investment advisory, hedging, and consulting services on approximately \$176.1 billion USD in global assets (31 December 2021).

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