

Il termometro dei mercati finanziari (1 Gennaio 2021)

a cura di Emilio Barucci e Daniele Marazzina

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L'iniziativa di Finriskalert.it "Il termometro dei mercati finanziari" vuole presentare un indicatore settimanale sul grado di turbolenza/tensione dei mercati finanziari, con particolare attenzione all'Italia.

Il termometro dei mercati finanziari						
1-Jan-21	Legenda					
Valutazione complessiva		Calma		↑	miglioramento	
				↔	stabile	
		Tensione		↓	peggioramento	
Mercati italiani	1-Jan	25-Dec	18-Dec	11-Dec	4-Dec	
Rendimento borsa italiana	0.46	↓	0.70	1.26	-2.15	-0.78
Volatilità implicita borsa italiana	22.67	↑	23.25	22.28	22.57	21.24
CDS principali banche 10Ysub	317.87	↔	318.84	316.43	326.35	322.40
Tasso di interesse ITA 2Y	-0.47	↑	-0.41	-0.46	-0.46	-0.45
Spread ITA 10Y/2Y	0.99	↔	0.98	1.00	0.99	1.05
Mercati europei	1-Jan	25-Dec	18-Dec	11-Dec	4-Dec	
Rendimento borsa europea	0.26	↑	-0.07	1.72	-1.51	0.33
Volatilità implicita borsa europea	19.31	↑	19.78	18.69	19.60	17.67
Rendimento borsa ITA/Europa	0.20	↓	0.77	-0.46	-0.64	-1.10
Spread ITA/GER	1.10	↔	1.11	1.11	1.16	1.13
Spread EU/GER	0.45	↔	0.45	0.45	0.47	0.45
Politica monetaria, cambi e altro	1-Jan	25-Dec	18-Dec	11-Dec	4-Dec	
Euro/Dollaro	1.224	↔	1.218	1.223	1.211	1.214
Spread US/GER 10Y	1.49	↓	1.47	1.52	1.53	1.51
Euribor 6M	-0.526	↑	-0.519	-0.518	-0.523	-0.510
Prezzo Oro	1898	↓	1878	1884	1846	1834
Spread 10Y/2Y Euro Swap Curve	0.26	↔	0.27	0.27	0.26	0.30

Significato degli indicatori

- Rendimento borsa italiana: rendimento settimanale dell'indice della borsa italiana FTSEMIB;
- Volatilità implicita borsa italiana: volatilità implicita calcolata considerando le opzioni at-the-money sul FTSEMIB a 3 mesi;
- Future borsa italiana: valore del future sul FTSEMIB;
- CDS principali banche 10Ysub: CDS medio delle obbligazioni subordinate a 10 anni delle principali banche italiane (Unicredit, Intesa San Paolo, MPS, Banco BPM);
- Tasso di interesse ITA 2Y: tasso di interesse costruito sulla curva dei BTP con scadenza a due anni;
- Spread ITA 10Y/2Y : differenza del tasso di interesse dei BTP a 10 anni e a 2 anni;
- Rendimento borsa europea: rendimento settimanale dell'indice delle borse europee Eurostoxx;
- Volatilità implicita borsa europea: volatilità implicita calcolata sulle opzioni at-the-money sull'indice Eurostoxx a scadenza 3 mesi;
- Rendimento borsa ITA/Europa: differenza tra il rendimento settimanale della borsa italiana e quello delle borse europee, calcolato sugli indici FTSEMIB e Eurostoxx;
- Spread ITA/GER: differenza tra i tassi di interesse italiani

e tedeschi a 10 anni;

- Spread EU/GER: differenza media tra i tassi di interesse dei principali paesi europei (Francia, Belgio, Spagna, Italia, Olanda) e quelli tedeschi a 10 anni;
- Euro/dollaro: tasso di cambio euro/dollaro;
- Spread US/GER 10Y: spread tra i tassi di interesse degli Stati Uniti e quelli tedeschi con scadenza 10 anni;
- Prezzo Oro: quotazione dell'oro (in USD)
- Spread 10Y/2Y Euro Swap Curve: differenza del tasso della curva EURO ZONE IRS 3M a 10Y e 2Y;
- Euribor 6M: tasso euribor a 6 mesi.

I colori sono assegnati in un'ottica VaR: se il valore riportato è superiore (inferiore) al quantile al 15%, il colore utilizzato è l'arancione. Se il valore riportato è superiore (inferiore) al quantile al 5% il colore utilizzato è il rosso. La banda (verso l'alto o verso il basso) viene selezionata, a seconda dell'indicatore, nella direzione dell'instabilità del mercato. I quantili vengono ricostruiti prendendo la serie storica di un anno di osservazioni: ad esempio, un valore in una casella rossa significa che appartiene al 5% dei valori meno positivi riscontrati nell'ultimo anno. Per le prime tre voci della sezione "Politica Monetaria", le bande per definire il colore sono simmetriche (valori in positivo e in negativo). I dati riportati provengono dal database Thomson Reuters. Infine, la tendenza mostra la dinamica in atto e viene rappresentata dalle frecce: ↑, ↓, ↔ indicano rispettivamente miglioramento, peggioramento, stabilità rispetto alla rilevazione precedente.

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EIOPA's opinion on SII review

a cura di Silvia Dell'Acqua

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Last 17th December 2020 EIOPA published its opinion regarding the review of the SII directive. It will now be reviewed by the

European Commission, who is finalizing its proposal by 21Q3. The proposal will be then then discussed and drafted into a law by the European Parliament.

The review process started last February 2019, with the European Commission calling EIOPA for an advice and the latter publishing a number of public consultations, including a complementary information request to consider the effects of the COVID-19 pandemic (see <https://www.finriskalert.it/2020-review-of-sii-a-cura-di-silvia-dellacqua/> and <https://www.finriskalert.it/european-commission-and-sii-review-a-cura-di-silvia-dellacqua/>).

The SII review is focused on adapting the current regulation to the new economic context (especially the persistence of low interest rates), with the ultimate goal of ensuring a better protection to the policyholders, without penalizing too much the insurance industry. The main areas EIOPA puts under the spotlight are:

- LTG measures and equity risk (RF extrapolation, VA, RM and LTE)
- SCR (Interest Rate Risk)
- Reporting and disclosure
- Proportionality
- Macroprudential policy
- Recovery and resolution
- Insurance guarantee schemes
- **Long-Term Guarantee (LTG) measures and equity risk**

The SII directive should consider that liquid interest rates exceed the Last Liquid Point (LLP), currently set to 20 years for the EUR currency. From this point, the Smith-Wilson (SW) extrapolation starts, driving the forward rates towards a defined target value (UFR - Ultimate Forward Rate, set to 3.75% for EUR in 2020) within a certain convergence period (40 years for EUR).

In the previous consultation, EIOPA suggested to take the market information into account by choosing a later LLP (e.g. 30 or 50y for EUR) or by considering a different extrapolation method, with an expected severe increase in both TP and SCR, particularly for firms characterized by long duration businesses.

This time, EIOPA suggests to abandon both the LLP and SW technique in favour of an extrapolation to the UFR that starts from the First Smoothing Point (FSP). Between these two values, forward rates are defined as follows:

$$f_{FSP, FSP+h} = \ln(1 + UFR) + [LLFR - \ln(1 + UFR)] \frac{1 - e^{-ah}}{ah}$$

Being:

- h the maturity of the forward rate to be extrapolated
- LLFR the newly defined Last Liquid Forward Rate, computed as a weighted average of forward rates before and after the FSP, with weights that depend on the liquidity of the respective rate instruments
- a a convergence parameter that EIOPA advises to set to 10%; a transitional measure, phasing out in 2032, increases the value up to 20% in periods of very low interest rates, in order to limit the impacts, specifically:

$$a = \begin{cases} X & \text{when } RF(FSP) \leq -0.5\% \\ X = 20\% & \text{in the 1st year of application, lin. decreasing to 10\% in 2032} \\ \text{lin. interp. between 10\% and } X & \text{when } RF(FSP) \in (-0.5\%; 0.5\%) \\ 10\% & \text{when } RF(FSP) \geq 0.5\% \end{cases}$$

EIOPA recommends to require companies with long-term liabilities to run and report a sensitivity with a set to 5%. The disclosure (TP, OF, SCR, MCR) should only be mandatory if the sum of Cash Flows (CFs) beyond the FSP is higher than 10% of the total sum of CFs.

During periods when $a \geq 10\%$ insurance companies should disclose the impacts of lowering it to 10% and can only distribute dividends until their OF computed with $a = 10\%$ cover the SCR.

The Volatility Adjustment (VA) can be applied (by adding it up) just up to the FSP and should not be applied after. The same holds for the determination of the LLFR itself (e.g. for the EUR currency, the LLFR with VA would be calculated as follows: $LLFR^{VA} = w_{20} f_{15,20}^A + w_{25} f_{20,25} + w_{30} f_{25,30} + w_{40} f_{30,40} + w_{50} f_{30,50}$).

EIOPA proposes to change the calculation of the Volatility Adjustment (VA) to help companies that hold illiquid insurance liabilities, but addressing possible overshooting effects. The VA of a certain country j is split into two parts:

$$VA_j = VA_{Perm} + VA_{Macro, j}$$

- the permanent component VA_{Perm} reflects the long-term illiquid nature of all insurance cash-flows

$$VA_{Perm} = GAR \cdot AR_1^L \cdot AR_5^L \cdot RC_S \cdot Scale$$
- the macroeconomic component $VA_{Macro, j}$ replaces the existing country specific VA and is applicable to liabilities of products sold in a country j and denominated in the currency of that country

$$VA_{Macro, j} = GAR \cdot AR_1^L \cdot AR_5^L \cdot w_j \cdot \max(0, RC_{Sj} \cdot Scale_j - 1.3RC_S \cdot Scale)$$

Where:

EIOPA suggests to forbid the use of dynamic volatility adjustment in the SCR standard formula and also suggests to increase the prudence principle for internal models applying it.

Unexpectedly, EIOPA proposes changes to the Risk Margin (RM) too. The industry has criticized this metric because it is too sensitive to changes in the interest rates (and, therefore, to changes in their extrapolation) and it appears in general to be too large. The proposed new design reduces both the size and volatility of the RM, by multiplying future SCRs by a floored exponentially decreasing factor.

Finally, EIOPA advises that insurance companies with illiquid obligation should be able to classify more equity as LTE (Long Term Equity), benefiting of the low capital charge (22%, almost half of the normal equity holdings) associated to this asset class, introduced back in 2019 with the purpose of helping the sector, but with too stringent criteria to satisfy.

• Solvency capital requirements (SCR)

EIOPA confirms its previous advice dated 2018 (relative shift approach), highlighting the need of modifying the IR risk calibration into a relative shift approach; EIOPA believes that the current design does not properly reflect the steep fall of interest rates into negative values. The proposed calibration works as follows:

$$r_t^{up}(m) = r_t(m)(1 + s_m^{up}(\theta_m) + b_m^{up})$$

$$r_t^{dw}(m) = r_t(m)(1 - s_m^{dw}(\theta_m) - b_m^{dw})$$

The shocked interest rates in the downward scenario are floored to a minimum of -1.25%. This new calibration is expected to take a significant toll on the SII position of the companies, therefore EIOPA proposes to phase it in over a 5 years period. The proposals is a view of EIOPA and may not be adopted, as the European Commission will balance technical considerations to political ones. EIOPA has reiterated the advice of introducing negative interest rates in the SF SCR calculation in a number of Consultation Papers (first one dated 2018), at that time rejected by the EC.

• Reporting and disclosure

EIOPA stresses the need of changing the Solvency and Financial Condition Report (SFCR) to improve its outreach. The report will be split into two parts: the first addressed to policyholders with a high-level content, while the latter addressed to a professional audience. Furthermore, the SFCR will be subject to a mandatory audit review.

Another proposal concerns the standardisation of the sensitivities on OF, SCR and SR:

	Scenario down	Scenario up
Risk free interest rates	-50bps	+50bps
Credit spreads of fixed-income investments	-50bps	+50bps
Equity markets	-25%	+25%
Property values	-25%	+25%

In addition to that, companies may include other sensitivities when considered suitable to assess their own risk profile.

• Proportionality

EIOPA wants to increase and standardize the level of proportionality across the three pillars of Solvency II. Companies that are eligible for proportionality measures, by passing objective criteria, have access to simplified methodologies for calculating their capital requirements.

• Macroprudential policy

EIOPA advises to expand the Solvency II perimeter to include a macroprudential perspective: EIOPA and the NSA (National Supervisor Authorities) should be provided with the power to impose capital charges for systemic risk, to suspend shareholder dividend payments, to include macroprudential concerns in the ORSA, to impose concentration limits. In exceptional circumstances the [supervisory authorities](#) would even have the power to impose a temporary freeze on the policyholders' redemption rights.

• Recovery and resolution

EIOPA advises to integrate Solvency II with an EU-wide recovery and resolution framework for insurers and reinsurers. A relevant share of undertakings (chosen by size, cross-border activity, business model and risk profile) should be required to develop and maintain recovery plans as preventive measure. The occurrence of specific judgment-based conditions would trigger preventive measures such as more intensive dialogue and

reporting and limits on variable remuneration and bonuses; further conditions (such as non-compliance with the SCR) would trigger the entry into the recovery and resolution phase, where more measures would be available to the supervisors, up to taking control of the undertaking.

• Insurance guarantee schemes

EIOPA proposes to introduce a European network of insurance guarantee schemes, with a common minimum set of coverages, funded by all insurance undertaking. The insurance guarantee schemes are meant to protect policyholders either with a monetary compensation or by ensuring the continuation of their policy in case the insurance company becomes insolvent.

Why Bitcoin Is Bigger Than an Inflation Hedge, feat. Dan Tapiero

02/01/2021 22:09:07

The prominent gold and bitcoin macro commenter discusses a new generation of institutional investors...

<https://www.coindesk.com/bitcoin-bigger-than-inflation-hedge-dan-tapiero>

Banca d'Italia: Informazioni sulla Brexit

02/01/2021 22:08:30

Lo scorso 30 gennaio si è concluso il processo di ratifica dell'[accordo di recesso](#) del Regno Unito dall'Unione europea (UE). A partire dal 1° febbraio 2020...

<https://www.bancaditalia.it/compiti/stabilita-finanziaria/informazioni-brexite/index.html?com.dotmarketing.htmlpage.language=102>

EIOPA outlines key financial stability risks and vulnerabilities for insurance and pension sector

02/01/2021 22:06:56

The European Insurance and Occupational Pensions Authority

(EIOPA) published today its December Financial Stability Report that sheds light on the financial stability risks in the European insurance and pension sector...

https://www.ivass.it/media/eiopa/documenti/2020/EIOPA_outlines_key_financial_stability_risks_and_vulnerabilities.pdf

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