

## Il termometro dei mercati finanziari (28 Maggio 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						
28-mag-21		Legenda				
Valutazione complessiva		Calma		↑	miglioramento	
				↔	stabile	
		Tensione		↓	peggioramento	
Mercati italiani		28-mag	21-mag	14-mag	07-mag	30-apr
Rendimento borsa italiana	0.78	↓	0.84	0.63	1.95	-1.00
Volatilità implicita borsa italiana	17.26	↑	18.93	19.22	18.07	18.21
CDS principali banche 10Ysub	347.41	↔	349.25	346.92	347.74	346.43
Tasso di interesse ITA 2Y	-0.32	↑	-0.24	-0.21	-0.31	-0.33
Spread ITA 10Y/2Y	1.22	↔	1.28	1.29	1.24	1.19
Mercati europei		28-mag	21-mag	14-mag	07-mag	30-apr
Rendimento borsa europea	1.11	↑	0.21	-0.42	1.50	-0.96
Volatilità implicita borsa europea	15.38	↓	16.86	16.22	15.32	16.04
Rendimento borsa ITA/Europa	-0.33	↓	0.64	1.04	0.45	-0.04
Spread ITA/GER	1.10	↑	1.17	1.20	1.14	1.07
Spread EU/GER	0.52	↑	0.55	0.57	0.55	0.52
Politica monetaria, cambi e altro		28-mag	21-mag	14-mag	07-mag	30-apr
Euro/Dollaro	1.22	↔	1.219	1.213	1.214	1.204
Spread US/GER 10Y	1.78	↔	1.76	1.76	1.80	1.83
Euribor 6M	-0.509	↓	-0.517	-0.515	-0.513	-0.518
Prezzo Oro	1895	↓	1875	1837	1835	1770
Spread 10Y/2Y Euro Swap Curve	0.58	↑	0.62	0.61	0.58	0.60

### 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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## Insurance Stress Test 2021

a cura di *Silvia Dell'Acqua*

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Last April 2021 EIOPA initiated a stress test exercise to assess the resilience of the EU insurance sector to a prolongation and worsening of the current adverse economic conditions, translated into market and insurance shocks that double hit the capital and liquidity positions of the firms. The reference date is 20YE.

EIOPA and the National Supervisory Authorities (NSAs) are concluding a set of consultations with the participants by the end of May, providing clarifications and improving the stress test package. The calculations must be submitted by the 13<sup>th</sup> of August 2021 to the NSAs, that are validating and reviewing the results during the later months, publishing the stress test outcome in December 2021.

Stress tests are used by regulators to gain insight into the companies' vulnerabilities to adverse, albeit plausible, economic evolution. They do not result in a "pass or fail", but may raise possible follow-ups, such as recommendations of corrective actions to individual companies or suggestions of new market practices to the whole industry. Stress tests also aim at assessing the potential for a spill-over effect from the insurance to other financial and non-financial sectors.

Differently from the 2018 Stress Test, the 2021 one is based on one single adverse scenario, but, in addition to the usual capital perspective, it also assesses the liquidity position of the companies. This decision follows the recent publication by EIOPA of a methodological paper on the liquidity stress testing for insurances, as described by the Author in this article <https://www.finriskalert.it/liquidity-stress-testing-for-insurances/>. The participants are requested to estimate their position under both the assumptions of Fixed Balance Sheet (no reactive management actions are allowed) and Constrained Balance Sheet (reactive management actions are allowed, when previously discussed with the NSAs). A qualitative questionnaire is also to fill out.

**Figure 1- Structure of the exercise**

Capital Component	Liquidity Component
<ul style="list-style-type: none"> <li>• Combined scenarios with Market and Insurance specific shocks</li> <li>• Approach:                             <ul style="list-style-type: none"> <li>• Instantaneous shocks</li> <li>• Fixed balance sheet (no reactive Management Actions)</li> <li>• Constrained balance sheet (with guided reactive Management Actions)</li> </ul> </li> <li>• Metrics:                             <ul style="list-style-type: none"> <li>• Balance sheet based (Excess of Assets over Liabilities)</li> <li>• Solvency based (OF, SCR)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Approach:                             <ul style="list-style-type: none"> <li>• Instantaneous shocks</li> <li>• Fixed balance sheet (no reactive Management Actions)</li> <li>• Constrained balance sheet (with guided reactive Management Actions)</li> <li>• Stylised flow based evaluation</li> <li>• Stock based evaluation</li> </ul> </li> <li>• Time Horizon:                             <ul style="list-style-type: none"> <li>• 90 days</li> </ul> </li> <li>• Metrics:                             <ul style="list-style-type: none"> <li>• Liquidity sources / Liquidity needs</li> </ul> </li> </ul>

[source: EIOPA-Bes-21-156\_2021ST - Technical specifications, p.7]

For what concerns the capital position, companies are requested to report on Own Funds, SCR, impact of LTG (Long Term Guarantees) and TM (Transitional Measures), breakdowns of assets and liabilities and other indicators, by the means of templates like those used for the SII QRT reporting. The output required for the liquidity component is composed of two templates (flows and a stock), split by Line of Business and by other views. The questionnaire provides a more in-depth view on the approach used to carry out the calculations, examining the simplifications adopted, the justifications to the reactive management actions implemented in the Constrained BS and the divestment strategy assumed to address the liquidity scarcity.

An overview of the adverse scenario and the Capital and Liquidity Component calculation details are provided in the following.

## Adverse scenario

The adverse scenario was devised by EIOPA in cooperation with the European Systemic Risk Board (ESRB), the independent body responsible for the macroprudential oversight of the European financial system. The scenario involves both economic and insurance specific stresses, assumed to be instantaneous and to be applied in an order representative of the narrative: the market

shocks first, followed by all the consequent insurance shocks.

The COVID-19 economic slowdown is assumed to persist because of continued concerns over the evolution of the pandemic: the widespread unemployment compounded with a general loss of confidence result in a depressed aggregate demand. This turns into a loss of profitability in the private sector, with a large drop in Financial Assets values (e.g. -45% value for the EU stocks, -43% for other advanced economies and -50% across the emerging markets).

The indebtedness of the private sector leads to an increase in Corporate Credit Spreads and default rates, with some sector (such as travel and hospitality) being particularly hit; the scenario envisages a credit spread increase between 71 and 269 bps, depending on sectors and ratings.

Commercial Real Estate (Properties) are strongly affected (-17.4% value) due to a combination of factors: the pandemic restrictions, the spread of remote working and the growth of e-commerce; Residential Real Estate also suffers (-8.4% value) due to both tightened lending practices and drop in wages; Real Estate Investment Trusts drop by 51% in EU.

This grim economic outlook causes a further drop of the global Interest Rates, seeing the Euro 1-year and 10-year Swap Rates declining by respectively 33 and 63 bps. Albeit lower rates offer some relief to indebted countries, the deterioration of public finances due to larger social expenditure and lower fiscal income results in an increase in EU Sovereign Credit Spreads (+28 bps at 10 year, on average).

These market scenarios are followed by a set of insurance specific stresses: the adverse macroeconomic conditions result in a sudden lapse rate of 20% of the in-force policies. Due to the loosening of the lockdowns, mortality rates are supposed to instantaneously increase by 10% with respect to the BE assumption, while non-life insurances (health, legal and other) experience an increase in severity (+2%) and frequency (+15%) of claims with respect to the BE assumption. The deterioration in reinsurers' credit worthiness is reflected in a 5% haircut on reinsurance inflows. Finally, all new written premiums are reduced by 10% compared to the baseline scenario.

## Capital Component

As already recalled, the baseline scenario is represented by the SII 20YE figures.

The LTG and TM applied for the official reporting should be applied for the stressed scenario as well.

Specifically:

- the impact of the TM on TP calculated in the baseline scenario is kept constant in the stressed scenario
- the TM on the RFR, TM on EQ and MA (Matching Adjustment) are evaluated in the stressed scenario, consistently to what was done in the baseline
- the VA (Volatility Adjustments) and the EQ Symmetric Adjustments values for the stressed scenario are provided by EIOPA
- the UFR (Ultimate Forward Rate) remains unchanged compared to its 2021 value (3.6% for EUR), unless the NSAs ask for the simulation of the impact of a shocked UFR, set at 0.61%.

## Liquidity Component

Following the publication of an ad-hoc methodological paper, EIOPA has introduced a simplified liquidity stress exercise based on the same scenarios used for the capital assessment.

The time horizon is 90 days, and the liquidity is valued using both flow and stock indicators. Indeed, the key metric is represented by the Sustainability Indicator, defined both in absolute and relative term:

- Absolute: Net Flows (t) + Liquid Asset (t)
- Relative: Net Flows (t) / Liquid Asset (t)

In the baseline, Net Flows (t) are those actually incurred in Q121 (written premiums, claims, surrenders, reinsurance, and other outflows). In the stressed scenarios, all in and out cashflows incurred in Q121 should be modified under the effect of the adverse scenarios previously described. Due to the short horizon, no discounting is requested.

Liquid Assets are computed through liquidity haircuts weights, describing their marketability:

- [weight =1] cash, EU sovereign bonds and non-EU highly rated sovereign bonds are not subject to any haircut;
- [weights from 0.93 to 0.85] other non-EU sovereign bonds, covered bonds and high-quality corporate bonds
- [weights from 0.65 to 0.50] less quality corporate bond, equity and collective investment funds.

Encumbered assets are excluded, as they cannot be sold to raise money. The haircuts are the same for both the base and stressed scenario, where the shock in the liquid asset indicator is a direct consequence of the shock applied to the assets value.

In addition to the Sustainability Indicator, other ancillary metrics are to be computed, such as the ratios Liquid Assets on total Assets and Liquid Liabilities on Total Liabilities. The Liquidity of Liabilities, similarly to the Assets, is determined through the usage of weights (the less a liability is Liquid, the better): depending on the Line of Business, weights can vary from 0 for policies without surrender option, to 0.05 in presence of relevant surrender penalties, up to 0.75 for policies whose surrender value is larger or equal to their BEL.

References:

[https://www.eiopa.europa.eu/insurance-stress-test-2021\\_en](https://www.eiopa.europa.eu/insurance-stress-test-2021_en)

[https://www.eiopa.europa.eu/sites/default/files/financial\\_stability/insurance\\_stress\\_test/insurance\\_stress\\_test\\_2021/2021-stress-test-adverse-scenario.pdf](https://www.eiopa.europa.eu/sites/default/files/financial_stability/insurance_stress_test/insurance_stress_test_2021/2021-stress-test-adverse-scenario.pdf)

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## Relazione annuale sul 2020. Considerazioni finali del Governatore

29/05/2021 09:47:16

Il 31 maggio alle ore 10.30 il Governatore Ignazio Visco presenta le Considerazioni finali in occasione della diffusione della Relazione annuale sul 2020...

<https://www.bancaditalia.it/media/notizia/relazione-annuale-sul-2020-considerazioni-finali-del-governatore/?com.dotmarketing.htmlpage.language=102>

## ESMA CONSULTS ON GUIDELINES FOR DATA TRANSFER BETWEEN TRADE REPOSITORIES UNDER EMIR AND SFTR

29/05/2021 09:46:47

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, today launched a [consultation](#) on amendments to its Guidelines on data transfer between Trade Repositories (TRs) under EMIR...

<https://www.esma.europa.eu/press-news/esma-news/esma-consults-guidelines-data-transfer-between-trade-repositories-under-emir>

## Stablecoin company earns record-level investment sum for a crypto outfit

29/05/2021 09:46:04

Circle now holds the record for receiving the biggest investment round taken in by a crypto entity...

<https://cointelegraph.com/news/stablecoin-company-earns-record-level-investment-sum-for-a-crypto-outfit>

## Bitcoin tumbles to \$36K as Ark's Cathie Wood addresses BTC regulatory fears

29/05/2021 09:45:25

The flagship cryptocurrency faces a higher profit-taking sentiment near its 200-day simple moving average wave...

<https://cointelegraph.com/news/bitcoin-tumbles-to-36k-as-ark-s-cathie-wood-addresses-btc-regulatory-fears>

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