Il termometro dei mercati finanziari (11 Ottobre 2019)

a cura di Emilio Barucci e Daniele Marazzina

12/10/2019 14:43

CALMA

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							
11-Oct-19	Legenda						
Valutazione complessiva	(verde)	Calma	↑	miglioramento			
(arancione)	(arancione)		↔	stabile			
	(rosso)	Tensione	↓	peggioramento			
Mercati italiani	11-Oct		4-Oct	27-Sep	20-Sep	13-Sep	
Rendimento borsa italiana	3.24	↑	-2.48	-0.48	-0.26	1.07	
Volatilità implicita borsa italiana	17.99	↑	18.93	17.68	16.88	16.92	
Future borsa italiana	22050	↑	21410	21885	22035	22035	
CDS principali banche 10Ysub	413.20	↔	416.61	415.42	407.62	402.40	
Tasso di interesse ITA 2Y	-0.11	↓	-0.19	-0.24	-0.19	-0.18	
Spread ITA 10Y/2Y	1.16	↓	1.02	1.07	1.11	1.05	
Mercati europei	11-Oct		4-Oct	27-Sep	20-Sep	13-Sep	
Rendimento borsa europea	3.57	↑	-2.80	-0.71	0.60	1.57	
Volatilità implicita borsa europea	15.47	↑	16.33	14.54	13.54	13.48	
Rendimento borsa ITA/Europa	-0.34	↓	0.31	0.24	-0.86	-0.50	
Spread ITA/GER	1.49	↓	1.42	1.41	1.44	1.32	
Spread EU/GER	0.58	↔	0.59	0.58	0.60	0.56	
Politica monetaria, cambi e altro	11-Oct		4-Oct	27-Sep	20-Sep	13-Sep	
Euro/Dollaro	1.104	↔	1.098	1.095	1.101	1.108	
Spread US/GER 10Y	2.19	↑	2.10	2.25	2.27	2.35	
Euribor 6M	-0.375	↓	-0.387	-0.376	-0.368	-0.408	
Prezzo Oro	1482	↑	1508	1492	1504	1493	
Spread 10Y/2Y Euro Swap Curve	0.40	↓	0.32	0.30	0.28	0.43	

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.

Climate Change and SII

a cura di di Silvia Dell'Acqua

11/10/2019 18:45

Climate Change has been one of the most debated topics over the last few months.

Having liked it or not, one cannot have staid indifferent to the speech held by Greta Thunberg last 23 September at the 2019 UN Climate Action Summit, where the climate activist said: "we are at the beginning of a mass extinction. And all you can talk about is money and fairy tales of eternal economic growth". Besides the scientific consensus on her side, it is easy to agree with her ideals and her passion.

Back in 2012, in a more prosaic way, Christiana Figueres, the former executive secretary of the UN Framework Convention on Climate Change said: "climate change increasingly poses one of the biggest long-term threats to the investments and the wealth of the global economy".

Pensions, life insurances and nest eggs of billions of ordinary people depend on the long-term security and stability of institutional investment funds. This article provides an insights on how the climate change has been considered so far in the insurance industry and in the SII framework.

Last August 2018, the European Commission requested EIOPA to provide an opinion on sustainability within Solvency II, with a particular focus on aspects relating to climate change mitigation, due by 30 September 2019. To make it short, EIOPA thinks that undertakings should asses their exposure to sustainability risk, but acknowledges that the medium to long term impacts of climate change cannot fully be captured in the SII capital requirements of Pillar I, that are designed to reflect the risk over a 1 year time horizon. Complementary tools like scenario analysis and stress testing may be more appropriate and included in the ORSA evaluation (Pillar II). Regarding Pillar II, in the near future further considerations should be given to mandatory requirements for public disclosure on sustainability risk on both sides of the BS.

Beyond the outcome of this opinion, deeply discussed in the following, it is important to recall that EIOPA is committed to the international and European agenda on sustainability. In fact, the Authority is:

- engaged in the preparation on a sensitivity analysis exercise to assess the risk embedded in undertakings' portfolios for the transition to a low-carbon economy to take place in 2020
- dedicating analysis for climate related risks in its financial stability report and enhancing its supervisory stress testing methodology
- coordinating a catastrophe risk expert network to provide evidences on the calibration of the standard formula parameters, the risk management practices and private sector initiatives in addressing gaps in coverage of natural catastrophe risks
- involved in the Commission's work on developing a unified classification system for sustainable economic activities (taxonomy)
- a member of the Network for Greening the Financial System.

To draft the opinion requested by the European Commission, EIOPA collected evidences via a public call for evidence and a confidential request for information conducted between January and March 2019 (at European level, solo and group participants represent approximatively 20% and 38% of the total assets), plus a public consultation on a draft opinion conducted between the 3 rd and the 26th of July 2019 (answered by 26 stakeholders). The outcome of the opinion covers multiple goals, among which:

- understanding the extent to which sustainability and climate risk are captured in the evaluation of Assets and Liabilities and understanding the extent to which the Standard Formula calibrations and the Internal Models designs are capable of taking into account sustainability factors and climate related developments;
- understanding the extent to which sustainability and climate risk are considered in the products designing and whether or not they are incentivised by SII;
- collecting good practices on how to incorporate sustainability in the investment and ALM phases.

Before deep diving into the opinion, it is important to clarify what climate change related risks are and how they can be classified.

Climate change related risks obviously encompass extreme weather events, including natural catastrophes, but also more general climate trends, such the rise in temperatures, the rise of the sea's level or climate-related forced migration that could affect the insurance activity.

EIOPA classifies the climate change related risks into three categories, proposed by the Bank of England

1. physical risk: related to specific weather events and longer term shifts in the climate. It is expected to mostly impact real estate portfolios and, indirectly, sovereign bond exposures (affecting the tourism), global supply and availability of resources;
2. transition risk: arising from the process of adjustment towards a low carbon economy, due to developments in policy and regulations, emerging of disruptive technology or business models or shifting of sentiment and societal preferences. EIOPA is currently investigating to identify and quantify potential climate transition vulnerabilities in the asset portfolios of European insurers by tracing the extent to which they are accumulating of reducing the risk in their corporate bonds and equity portfolios;
3. liability risk: coming from people or businesses seeking compensation for losses they may suffer from 1. or 2.. It is of concern for insurance undertakings providing liability protection (e.g. professional indemnity insurance).

Solvency II, that operates on a risk based framework, is designed to take into account all quantifiable risks and requires insurers to hold sufficient capital against those. The capital requirements are calibrated to correspond to the VaR of the BOF of an insurance subject to a confidence level of 99.50% over a one year period (Article 101 (3) of the SII Directive). Therefore, the current design does not provide any positive or negative incentive with respect to sustainable investments.

For what concerns the Assets valuation, market prices should reflect all relevant risks, including sustainability considerations. Unfortunately, the market currently seems to be not that efficient because of a limited availability of information on the sustainability profile of the investments: undertakings do not value sustainable investments differently than other investments. Improvement on data quality and collection of reliable information can help the market to correctly price the sustainability risk. Scenario analysis should be applied and mitigation strategies should be put in place. Some measures to reduce sustainability risks can be taken into account in the valuation of property risk as it is plausible that the value of a very energy efficient real estate is less sensitive to energy price movements compared to other real estates. Equity prices are on the opposite influenced by a broad variety of factors and, looking backward, it cannot even be assumed that an asset currently considered to be green has always been green in the past (examples of such transformations can be found in the energy sectors). The spread risk module is mostly relevant for bonds and, therefore, it also has a relevance for sustainable assets, especially in the area od project bonds aiming at sustainable projects, like green bonds.

Regarding the Liability evaluations, the majority (over 75%) of the undertakings interviewed do not take into account climate or sustainability risks in their best estimate calculations. Non-life (CAT) insurers implicitly consider climate risks, but only based on historical data; the current calibration of the Standard Formula parameters for the natural catastrophe risk module does not explicitly include climate change risks. EIOPA suggests the need of capturing those risks in a forward looking manner in the ORSA. Life business insurances do not integrate the risks at all, even if climate change can have an impact on the best estimate calculation though its effect on economic scenario generators, health and mortality and morbidity rates. As it is not straightforward for undertakings to account for sustainability and climate change related developments in the Liabilities evaluations, they should perform sensitivities and scenario analysis, using historical data combined with scientific literature and forward looking models.

For what concerns the underwriting policies and pricing decisions, the majority of the firms interviewed declared that they not take explicit account of climate or sustainability risk in their underwriting policies and pricing decisions. More than 80% of the Life Business responded that climate risk is not applicable to them. Underwriting by itself cannot mitigate a risk, it can only price a risk and, although higher prices can shift the business to sustainable models, there are obvious commercial and societal limits to repricing. EIOPA suggests to require undertakings to consider the impact of their underwriting on sustainability factors and adjust the pricing of products to reduce the risk and to have a positive impact on the Environmental, Social and Governance issues.

For what concerns the investment practices, EIOPA considers it is relevant to require undertakings to take into account the impact of their investment activity on sustainability factors. 70% of the participants declared that they have already implemented practices to include sustainability in their investment management /they are planning to do so in the next three years. Nevertheless, undertakings noted that sustainable investments are not less risky per se. The four major obstacles they have highlighted in investing in sustainable investments are: 1) lack of data and information on performance, 2) lack of commonly agreed taxonomy, 3) poor offer and 4) impossibility to monitor climate change risks. The interviewed undertakings have also pointed out the need for SII to remain risk based and avoid imposing investment incentives. The main benefit of identifying green or brown assets, if based on a European definition (taxonomy) of sustainable activities, would be that investors will be better positioned to assess their asset allocation against climate change objectives: such classification may support thematic investments, but not general investment purposes. For developed market equities it has been proved (cit. Black Rock Research paper "Sustainable investing: a 'why not' moment") that both risk and returns are surprisingly similar for ESG (Environmental, Social and Governance) and non ESG investments. Furthermore, while developments on a green taxonomy are ongoing, no brown taxonomy has yet been developed at European level and it's also not straightforward to distinguish green assets (i.e. assets whose underlying activity is considered to be sustainable) from others, as their risk profile has many facets that it's difficult to break it down into black and white. Together with a lack of clear definition, there is also a lack of database for the analysis of a long term trend in the associated risks.

Policymaking, responsibility and uncertainty

11/10/2019 18:42

In a few weeks, I will come to the end of my term as President of the European Central Bank...

https://www.ecb.europa.eu//press/key/date/2019/html/ecb.sp191011~b0a4d1e7c5.en.html

EBA publishes work programme for 2020

11/10/2019 18:42

The European Banking Authority (EBA) published its detailed annual work programme for 2020...

https://eba.europa.eu/-/eba-publishes-work-programme-for-2020

EIOPA publishes first parallel calculation for Solvency II Relevant Risk Free Interest Rate Term Structures...

11/10/2019 18:41

The European Insurance and Occupational Pensions Authority

(EIOPA) published today the first parallel calculation on the relevant risk free interest rate…

https://eiopa.europa.eu/Pages/News/EIOPA-publishes-first-parallel-calculation-for-Solvency-II-Relevant-Risk-Free-Interest-Rate-Term-Structures-Sept19.aspx

Bank of America Is Now Hiring in Blockchain, Not Just Filing Patents

11/10/2019 18:38

The second-largest U.S. bank has begun hiring for blockchain positions…

https://www.coindesk.com/bank-of-america-is-now-hiring-in-blockchain-not-just-filing-patents