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ESRB
European Systemic Risk Board
European System of Financial Supervision

Adverse scenario for the European Insurance and Occupational Pensions Authority's EU-wide insurance stress test in 2018

Introduction

In accordance with its mandate, the European Insurance and Occupational Pensions Authority (EIOPA), in cooperation with the European Systemic Risk Board (ESRB), initiates and coordinates EU-wide stress tests to assess the resilience of financial institutions within its remit to adverse market developments. It plans to conduct a stress test this year for insurance companies. EIOPA requested that the ESRB provide two adverse macro-financial scenarios for this stress test. The ECB, in collaboration with the ESRB, has developed the narrative and methodology and calibrated the adverse scenarios for the 2018 exercise. These are presented in this document which has been approved by the ESRB General Board and transmitted to EIOPA.

The 2018 EIOPA insurance sector stress test will include three different stress scenarios. Two of these scenarios aim to analyse the impact of a combination of market and insurance stresses, while the third focuses on specific natural catastrophe events. The insurance-specific components of the stress scenarios (such as lapses, longevity or catastrophe events) will be developed by EIOPA, while the ESRB was asked to provide the two capital market stress scenarios:

- scenario 1: "yield curve up" scenario combined with a stress on lapses and claims inflation (targeting non-life claim provisions);
- scenario 2: "yield curve down" scenario combined with lapse and longevity stresses.

The capital market stress scenarios were calibrated independently of the additional insurance elements of the scenarios being developed by EIOPA.

This document presents the main features of the two adverse scenarios deemed relevant for the insurance sector according to EIOPA. The scenarios presented in the note are calibrated on the basis of detailed guidance from EIOPA and discussions with the ESRB members. This document summarises the main sources of risk and vulnerabilities addressed by the scenarios together with the calibration of each scenario. The shocks reported in the note and in the tables should be interpreted as one-off and instantaneous shifts in asset prices relative to their end-2017 levels.[1] The methodology underlying the calibration of the shocks is based

[1] For this reason, the severity of the scenario designed for EIOPA cannot be directly compared with that of the EBA, as the overall impact of the latter depends on the accumulation of shocks occurring over three years. In addition, the narrative of the EIOPA

on the same models used in previous ESRB contributions to the EIOPA stress test exercises.[2]

Systemic risks and vulnerabilities addressed by the scenarios

The scenarios reflect the ESRB's assessment of prevailing sources of systemic risk for the EU financial system:

1. spillovers from a disruptive repricing of term and other risk premia in global financial markets;
2. impaired intermediation capacity of banks amid weak performance and structural challenges;
3. public and private debt sustainability concerns amid historically high debt levels;
4. liquidity risks in the non-bank financial sector, with contagion to the broader system.

At the same time, the scenarios address the two key vulnerabilities of the European insurance sector identified by EIOPA:

- on the assets side, as insurers are large investors in government and corporate bonds, equity and real estate, they are particularly vulnerable to the risk of an abrupt fall in global asset prices;
- on the liabilities side, low risk-free interest rates – often approximated with swap rates – increase the value of insurers' long-term liabilities while compressing the margins between guaranteed returns on life policies and matching long-term low-risk investments.

The aforementioned risks are addressed by the macro-financial scenarios presented here.

In contrast to the 2016 EU-wide insurance stress test, in which a "double hit" scenario was calibrated covering these vulnerabilities at the same time, in 2018 two different scenarios have been designed, which cover the two vulnerabilities separately: "yield curve up" and "yield curve down".

scenarios differs from that of the EBA's adverse scenario, as it is more focused on vulnerabilities linked to the insurance sector, albeit it is based on the same overall financial stability risk assessment.

[2] For details on the methodology please refer to the Scenarios for the European Insurance and Occupational Pensions Authority's EU-wide pension fund stress test in 2015.

Narrative and calibration of the scenarios

Yield curve up

The “yield curve up” scenario is assumed to be initiated by an abrupt reversal in global risk premia. The swap rate curve would shift upwards by 85 bps in the EU for the ten-year maturity and by more than 100 bps in other major advanced economies (see Chart 1). The overall repricing of risk premia would raise concerns about the debt sustainability of some EU sovereigns, widening the spreads of EU government bond yields against those on equivalent German bonds. On average, the spread of ten-year government bond yields against the equivalent German bonds would widen by around 36 bps in the EU, reaching a maximum of 134 bps. Overall, ten-year government bond yields in the EU would increase by an average of 155 bps, with a range between 119 bps and 253 bps under the adverse scenario (see Chart 2).

Chart 1: Shock to ten-year swap rates (bps)

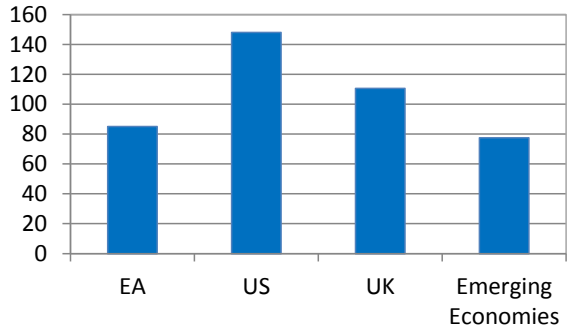
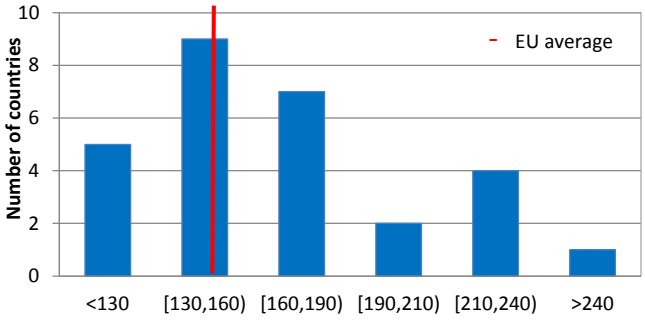
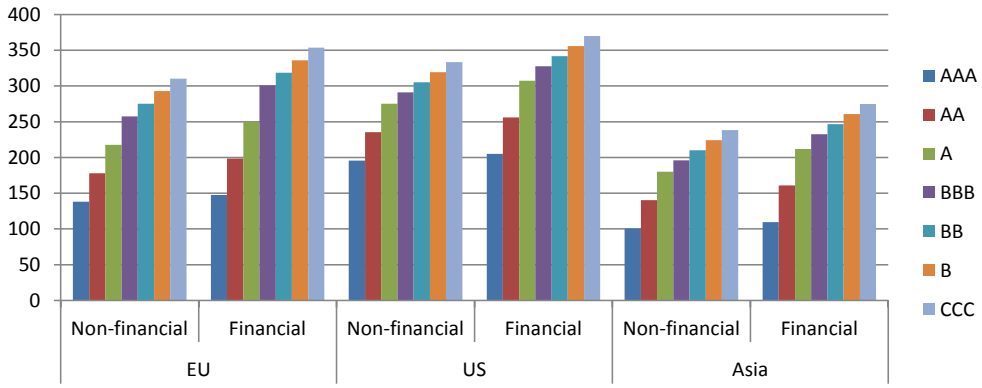


Chart 2: Distribution of the shocks to ten-year government bond yields in the EU (bps)



Yields on non-financial corporate and bank debt would also increase, following the general increase in risk premia (see Chart 3). In the banking sector, shocks to credit spreads would be aggravated by fundamental concerns about prospective mark-to-market losses on fixed-income assets, bringing about an increase of more than 350 bps for lower-rated financial corporations. AAA-rated non-financial corporate bond yields would also increase by about 138 bps in the EU, but the impact on credit spreads would be more pronounced for weaker issuers, reaching 310 bps for CCC-rated non-financial corporate bonds.

Chart 3: Shocks to corporate bond yields (bps)



The repricing of risk premia would also bring about a substantial drop in stock prices, amplified by a general sell-off of stocks in the non-banking sector. Overall, stock prices in the EU would decline by around 39% (see Chart 4). The value of investments in private equity and real estate investment trusts (REITs) would fall by between 33% and 41% (see Chart 5). Residential and commercial real estate prices would also decline significantly, by 20% and 31%, respectively, with respect to the baseline at EU level (see Chart 6 and 7).

Chart 4: Distribution of shocks to stock prices in the EU (%)

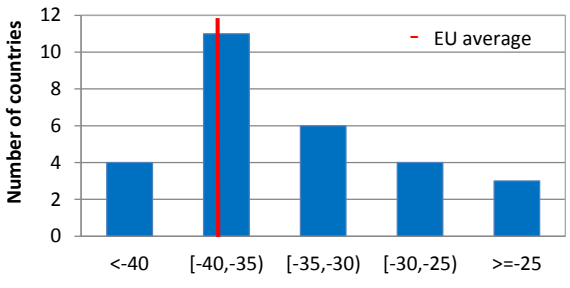


Chart 5: Shocks to private equities, hedge funds and REITs (%)

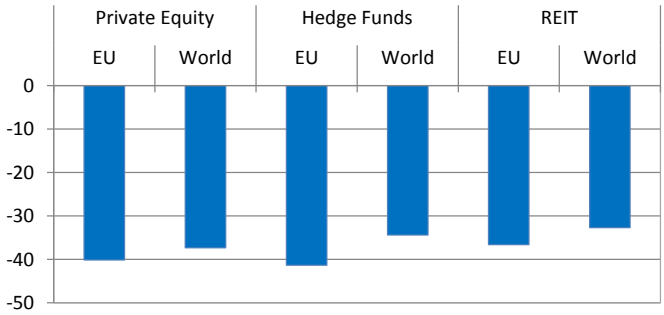


Chart 6: Distribution of shocks to residential real estate prices (%)

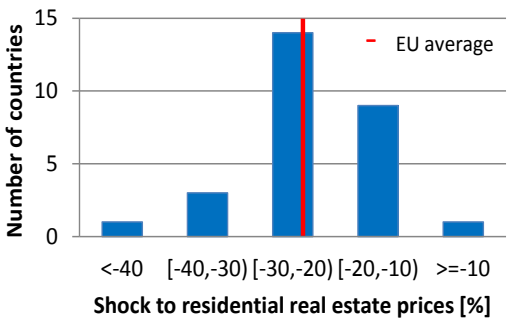
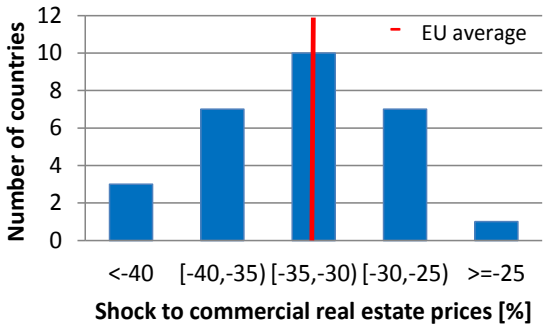


Chart 7: Distribution of shocks to commercial real estate prices (%)

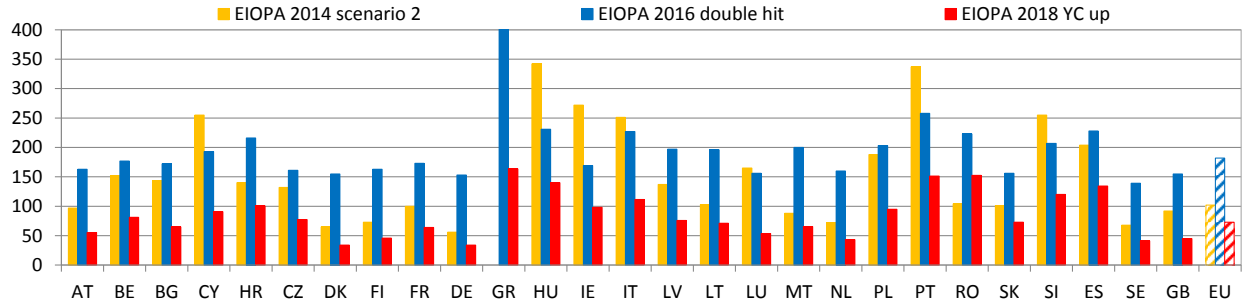


The overall scenario is the outcome of three different simulations with three different triggers: the sovereign yield spreads, the swap rate curves, and stock prices in the EU and other advanced economies. All simulations have been conducted based on a sample spanning from 1 January 2005 to 31 December 2017. This sample selection has been chosen in order to reflect in the calibration the main features of the scenario in the narrative defined by EIOPA.

The calibration of the adverse scenarios takes into account the fact that shocks are applied as one-off shocks in the methodology of the EIOPA insurance sector stress test and should therefore be severe in order to compensate for this.

The increase in sovereign bond yields is also substantial and reflects the two triggering events: substantial repricing of the risk-free rate (by around 85 bps) and a further amplification effect due to the repricing of the spreads of government bond yields against risk-free rates. As illustrated in Chart 8, the spreads of ten-year government bond yields against ten-year swap rates in the scenario are milder than in the 2016 EIOPA double hit scenario: 70 bps for the aggregate EU level compared with 182 bps in 2016.

Chart 8: Spread of the ten-year government bond yields against the ten-year EUR swap rates in the 2014, 2016 and 2018 EIOPA scenarios (bps)



Yield curve down

The “yield curve down” scenario assumes a protracted period of extremely low interest rates, with very low rates prevailing for longer maturities. The decline in interest rates would reflect a slowdown in economic activity due to spillovers from outside the EU. Ten-year swap rates decline by around 80 bps in advanced economies and by around 40 bps in the emerging market economies (EMEs) (see Chart 9). In the euro area, ten-year swap rates also decline by 80 bps, while one-year swap rates fall by 11 bps. Ten-year government bond yields would decline by 36 bps at the EU aggregate level, with the declines at country level mainly reflecting the creditworthiness of the sovereign and spanning from -49 bps to 17 bps (see Chart 10). Most corporate bond yields would also fall and, similarly to the “yield curve up” scenario, the spread between AAA-rated corporate bonds and CCC-rated corporate bonds would increase (see Chart 11).

Due to lower economic growth, stock prices would also decline; however, the decline in stock prices would be much milder than in the “yield curve up” scenario. Stock prices would decrease by around 16% in the EU (see Chart 12). The value of investments in private equity and REITs[3] would fall by between 6% and 18% (see Chart 13). Different factors would push real estate prices in opposite directions: the decline in the risk-free rate would lead to an increase in real estate prices, while the overall slowdown of the economy would exert downward pressure. For this reason, residential and commercial real estate prices are assumed to remain unchanged in this scenario.

The scenario is generated with a unique simulation in which the triggering event is a decline in swap rates in both advanced and emerging economies. The calibration was performed over

[3] The REITs decline only marginally in the EU, consistent with the assumption that real estate prices would not fall.

a one-quarter horizon and the sample of calibration covers the period from 1 January 2005 to 31 December 2017.[4]

Chart 9: Shock to ten-year swap rates (bps)[5]

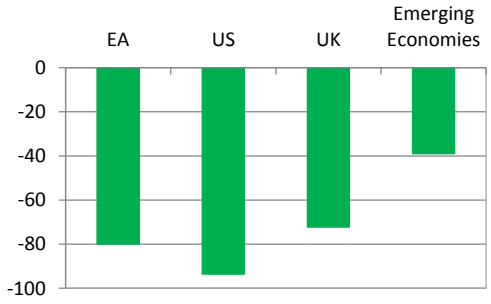


Chart 10: Distribution of the shocks to ten-year government bond yields in the EU (bps)

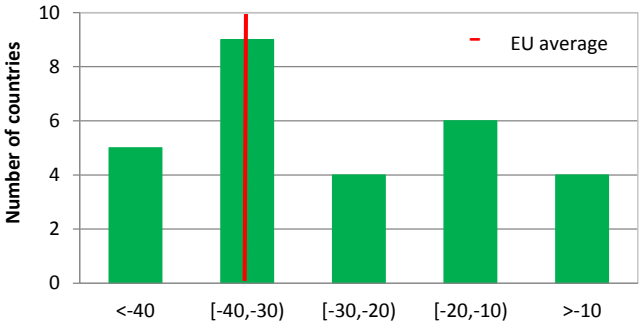
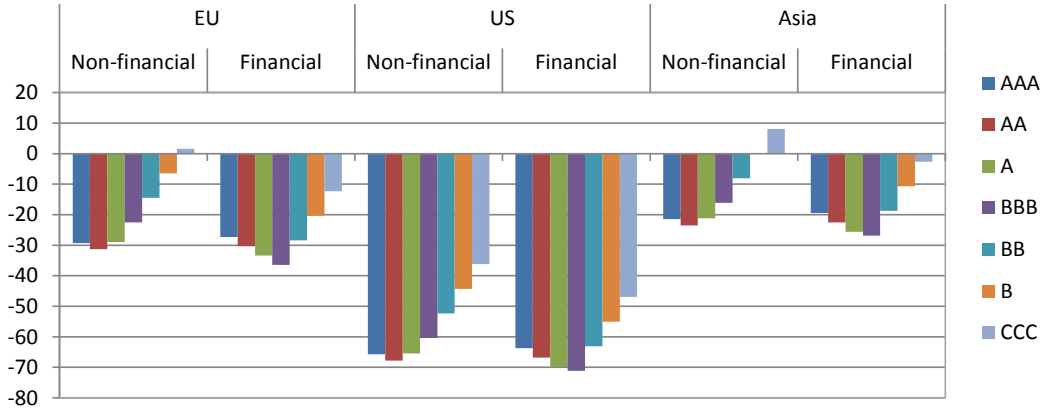


Chart 11: Shocks to corporate bond yields (bps)



[4] In addition, the calibration includes a technical adjustment of an additional 20 bps to the sovereign bond yield shocks homogenously applied across maturities and countries. This was added to ensure that swap rates generally fall by more than government bond yields at comparable maturities.

Chart 12: Distribution of shocks to stock prices in the EU (%)

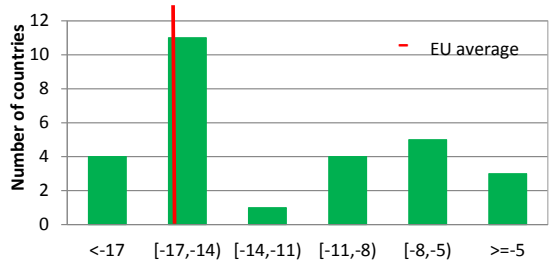
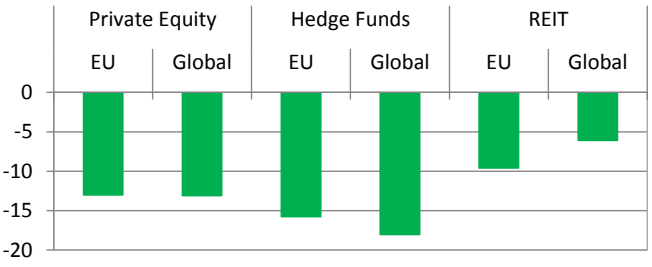


Chart 13: Shocks to private equities, hedge funds and REITs (%)



Annex 1: Tables for the "yield curve up" scenario

Table 1.1: Shocks to swap rates

Shocks to SWAP rates (bps)						
Country	Currency	1Y	2Y	5Y	10Y	20Y
EA	EUR	49	87	99	85	70
BG	BGN	39	54	69	69	69
HR	HRK	19	19	19	23	23
CZ	CZK	5	25	41	51	50
DK	DKK	49	87	99	85	70
HU	HUF	57	70	103	108	137
IS	ISK	39	54	69	69	69
CH	CHF	25	36	43	44	45
NO	NOK	24	24	34	34	36
PL	PLN	20	48	78	81	89
RO	RON	10	18	43	44	45
RU	RUB	127	131	135	138	138
SE	SEK	20	39	56	39	45
UK	GBP	106	107	108	111	115
AU	AUD	29	29	53	61	60
BR	BRL	50	107	118	118	118
CA	CAD	100	112	119	113	107
CL	CLP	16	23	31	32	33
CN	CNY	23	23	25	25	25
CO	COP	17	49	75	98	98
HK	HKD	18	19	38	33	33
IN	INR	13	25	28	29	29
JP	JPY	4	4	14	14	14
MY	MYR	11	19	55	47	28
MX	MXN	16	36	53	68	68
NZ	NZD	39	54	69	69	69
SG	SGD	31	41	61	55	52
ZA	ZAR	17	41	72	73	70
KR	KRW	14	19	24	24	24
TW	TWD	39	54	69	69	69
TH	THB	41	53	63	68	68
TR	TRY	105	141	161	163	163
US	USD	107	138	156	148	145

Country	Currency	25Y	30Y	35Y	40Y	45Y	50Y
CH	CHF	46					
UK	GBP	118	120	123	125	128	130
US	USD	149	153	158	162	166	170

Note: In the grey cells the average was used as there was insufficient data to perform the calibration at all maturities.

Table 1.2: Shocks to government bond yields

Shocks to government bond yields (bps)							
Country	**Country**	**1Y**	**2Y**	**5Y**	**10Y**	**20Y**	**30Y**
BE	Belgium	118	165	187	167	152	152
BG	Bulgaria	132	154	170	159	144	144
CZ	Czech Republic	164	185	182	162	147	147
DK	Denmark	83	121	133	119	104	104
DE	Germany	83	121	133	119	104	104
EE	Estonia	122	162	172	155	133	133
IE	Ireland	142	180	192	176	143	143
GR	Greece	228	266	278	253	204	204
ES	Spain	185	229	246	222	183	183
FR	France	127	161	164	149	126	126
HR	Croatia	171	209	221	188	173	173
IT	Italy	155	213	225	205	172	172
CY	Cyprus	140	178	190	176	161	161
LV	Latvia	152	190	195	162	146	146
LT	Lithuania	129	167	179	151	136	136
LU	Luxembourg	102	140	152	138	123	123
HU	Hungary	195	233	245	227	212	212
MT	Malta	112	150	162	151	136	136
NL	Netherlands	92	130	142	128	112	112
AT	Austria	98	140	156	144	132	132
PL	Poland	137	183	201	182	162	162
PT	Portugal	210	248	259	229	185	185
RO	Romania	212	250	261	237	221	221
SI	Slovenia	166	204	216	203	160	160
SK	Slovakia	186	187	188	159	144	144
FI	Finland	82	135	145	130	112	112
SE	Sweden	95	139	147	127	112	112
UK	United Kingdom	107	141	149	130	115	165
EA (weighted averages)	EA (weighted average)	124	166	177	159	136	136
EU (weighted averages)	EU (weighted average)	122	162	172	155	133	142
CH	Switzerland	78	80	63	63	63	63
NO	Norway	43	99	56	54	54	54
US	United States	173	169	187	175	169	171
JP	Japan	36	14	29	29	29	29
Other advanced economies	Other advanced economies	47	54	70	69	69	69
Emerging markets	Emerging markets	34	52	66	67	67	67

Note: In the grey cells the average was used as there was insufficient data to perform the calibration at all maturities.

Table 1.3: Shocks to stock prices

Shocks to stock prices (%)		
Country	**Country**	**Shock**
BE	Belgium	-36
BG	Bulgaria	-28
CZ	Czech Republic	-36
DK	Denmark	-38
DE	Germany	-40
EE	Estonia	-25
IE	Ireland	-36
GR	Greece	-34
ES	Spain	-40
FR	France	-43
HR	Croatia	-35
IT	Italy	-40
CY	Cyprus	-28
LV	Latvia	-20
LT	Lithuania	-27
LU	Luxembourg	-34
HU	Hungary	-34
MT	Malta	-22
NL	Netherlands	-42
AT	Austria	-45
PL	Poland	-33
PT	Portugal	-32
RO	Romania	-38
SI	Slovenia	-24
SK	Slovakia	-41
FI	Finland	-37
SE	Sweden	-39
UK	United Kingdom	-37
EA (weighted average)	EA (weighted average)	-40
EU (weighted average)	EU (weighted average)	-39
CH	Switzerland	-33
NO	Norway	-45
US	United States	-38
JP	Japan	-34
Other advanced economies	Other advanced economies	-34
Emerging markets	Emerging markets	-39

Table 1.4: Shocks to residential real estate prices

Shocks to residential real estate prices (%)		
Country	**Country**	**Deviation from the baseline**
BE	Belgium	-15
BG	Bulgaria	-34
CZ	Czech Republic	-34
DK	Denmark	-18
DE	Germany	-23
EE	Estonia	-29
IE	Ireland	-31
GR	Greece	-5
ES	Spain	-23
FR	France	-17
HR	Croatia	-12
IT	Italy	-12
CY	Cyprus	-14
LV	Latvia	-23
LT	Lithuania	-25
LU	Luxembourg	-28
HU	Hungary	-43
MT	Malta	-22
NL	Netherlands	-24
AT	Austria	-20
PL	Poland	-16
PT	Portugal	-22
RO	Romania	-26
SI	Slovenia	-23
SK	Slovakia	-19
FI	Finland	-13
SE	Sweden	-29
UK	United Kingdom	-21
EA	EA (weighted average)	-18
EU	EU (weighted average)	-20
CH	Switzerland	-10
NO	Norway	-12
US	United States	-31
Other advanced economies	Other advanced economies	-18
Emerging markets	Emerging markets	-18

Table 1.5: Shocks to commercial real estate prices

Shocks to commercial real estate prices (%)		
Country	**Country**	**Deviation from the baseline**
BE	Belgium	-28
BG	Bulgaria	-43
CZ	Czech Republic	-43
DK	Denmark	-30
DE	Germany	-33
EE	Estonia	-37
IE	Ireland	-38
GR	Greece	-22
ES	Spain	-34
FR	France	-31
HR	Croatia	-27
IT	Italy	-24
CY	Cyprus	-29
LV	Latvia	-34
LT	Lithuania	-34
LU	Luxembourg	-37
HU	Hungary	-49
MT	Malta	-33
NL	Netherlands	-35
AT	Austria	-31
PL	Poland	-30
PT	Portugal	-33
RO	Romania	-37
SI	Slovenia	-35
SK	Slovakia	-31
FI	Finland	-27
SE	Sweden	-36
UK	United Kingdom	-31
EA	EA (weighted average)	-30
EU	EU (weighted average)	-31
CH	Switzerland	-24
NO	Norway	-25
US	United States	-28
Other advanced economies	Other advanced economies	-27
Emerging markets	Emerging markets	-27

Table 1.6: Shocks to corporate bond yields

Shocks to corporate bond yields (bps)								
Country	**Type**	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC**
EU	*Non-financial*	138	178	218	258	275	293	310
	Financial	147	199	250	301	318	336	354
US	*Non-financial*	196	235	275	291	305	319	333
	Financial	205	256	307	328	342	356	370
Asia	*Non-financial*	100	140	180	196	210	224	238
	Financial	110	161	212	232	247	261	275

Table 1.7: Shocks to RMBS

Shocks to RMBS (bps)				
Country	**AAA**	**AA**	**A**	**BBB**
EU	156	176	196	240
North America	170	194	218	272
Asia	143	160	176	212

Table 1.8: Shocks to other assets

Shocks to other assets (%)						
Private Equity		**Hedge Funds**		**REIT**		**Commodities**
EU	**World**	**EU**	**World**	**EU**	**World**	
-40	-37	-41	-34	-37	-33	0

Table 1.9: Shocks to HICP inflation rate

Country	Shock to annual inflation rate
EA	0.06
CZ	0.00
HR	0.03
DK	0.07
HU	0.20
PL	0.09
RO	0.05
SE	0.01
UK	0.03
CH	0.04
NO	0.01
US	0.10

Note: The number reported is the deviation, in terms of percentage, of the annual inflation from the baseline over one quarter. These numbers were calibrated without a complete macroeconomic scenario, and are only based on correlations with other financial variables.

Annex 2: Tables for the "yield curve down" scenario

Table 2.1: Shocks to swap rates

Shocks to SWAP rates (bps)						
Country	Currency	1Y	2Y	5Y	10Y	20Y
EA	EUR	-11	-27	-55	-80	-78
BG	BGN	-30	-36	-45	-48	-45
HR	HRK	-36	-36	-30	-42	-42
CZ	CZK	-20	-36	-49	-46	-39
DK	DKK	-23	-59	-71	-79	-60
HU	HUF	-47	-45	-52	-59	-75
IS	ISK	-30	-36	-45	-48	-45
CH	CHF	-30	-45	-46	-44	-41
NO	NOK	-57	-61	-65	-62	-60
PL	PLN	-30	-40	-55	-53	-60
RO	RON	-72	-26	-35	-56	-18
RU	RUB	-28	-28	-23	-23	-23
SE	SEK	-43	-51	-60	-56	-60
UK	GBP	-50	-59	-71	-72	-74
AU	AUD	-42	-55	-78	-83	-72
BR	BRL	-19	-29	-44	-44	-44
CA	CAD	-54	-62	-72	-70	-65
CL	CLP	-17	-19	-29	-30	-27
CN	CNY	-22	-29	-28	-36	-36
CO	COP	-8	-8	-8	-7	-16
HK	HKD	-25	-28	-40	-42	-42
IN	INR	-22	-30	-39	-44	-44
JP	JPY	-6	-11	-17	-19	-19
MY	MYR	-27	-36	-62	-64	-64
MX	MXN	-22	-33	-46	-51	-51
NZ	NZD	-30	-36	-45	-48	-45
SG	SGD	-29	-38	-47	-49	-47
ZA	ZAR	-21	-20	-20	-20	-20
KR	KRW	-20	-21	-19	-20	-21
TW	TWD	-30	-36	-45	-48	-45
TH	THB	-41	-60	-74	-80	-26
TR	TRY	-5	20	20	20	20
US	USD	-54	-67	-92	-94	-97

Country	Currency	25Y	30Y	35Y	40Y	45Y	50Y
CH	CHF	-45					
UK	GBP	-75	-76	-77	-78	-79	-80
US	USD	-99	-101	-103	-104	-106	-108

Note: In the grey cells the average was used as there was insufficient data to perform the calibration at all maturities.

Table 2.2: Shocks to government bond yields

Shocks to government bond yields (bps)							
Country	Country	1Y	2Y	5Y	10Y	20Y	30Y
BE	Belgium	-10	-17	-29	-33	-36	-39
BG	Bulgaria	4	4	4	4	4	4
CZ	Czech Republic	9	5	0	-19	-12	-5
DK	Denmark	-11	-7	-22	-26	-15	-5
DE	Germany	-16	-28	-43	-44	-44	-43
EE	Estonia	-9	-25	-35	-36	-34	-32
IE	Ireland	15	-21	-30	-30	-21	-14
GR	Greece	-9	-25	-35	-36	-34	-32
ES	Spain	15	-17	-25	-24	-27	-29
FR	France	-2	-26	-37	-39	-41	-43
HR	Croatia	-9	-25	-35	-36	-34	-32
IT	Italy	16	-10	-18	-20	-15	-9
CY	Cyprus	-9	-25	-35	-36	-34	-32
LV	Latvia	-9	-25	-35	-36	-34	-32
LT	Lithuania	17	17	17	17	17	17
LU	Luxembourg	-31	-31	-31	-31	-31	-31
HU	Hungary	-33	-33	-33	-23	-23	-23
MT	Malta	12	12	12	12	12	12
NL	Netherlands	-12	-26	-41	-40	-42	-43
AT	Austria	-24	-25	-38	-40	-40	-40
PL	Poland	-3	-13	-34	-14	-14	-14
PT	Portugal	-2	-2	-20	-19	-19	-19
RO	Romania	-15	-15	-15	-15	-15	-15
SI	Slovenia	14	14	14	14	14	14
SK	Slovakia	-23	-23	-22	-16	-16	-16
FI	Finland	-9	-32	-39	-44	-44	-44
SE	Sweden	-9	-37	-37	-43	-43	-43
UK	United Kingdom	-32	-43	-50	-49	-39	-29
EA (weighted averages)	EA (weighted averages)	-3	-22	-33	-35	-34	-34
EU (weighted averages)	EU (weighted averages)	-9	-25	-35	-36	-34	-32
CH	Switzerland	12	20	26	-5	-5	-5
NO	Norway	-19	-2	-23	-29	-29	-29
US	United States	-9	-24	-53	-71	-71	-71
JP	Japan	14	16	13	12	12	12
Other advanced economies	Other advanced economies	-20	-20	-20	-28	-28	-28
Emerging markets	Emerging markets	9	6	-10	-21	-21	-21

Note: In the grey cells the average was used as there was insufficient data to perform the calibration at all maturities.

Table 2.3: Shocks to stock prices

Shocks to stock prices (%)		
Country	**Country**	**Shock**
BE	Belgium	-16
BG	Bulgaria	-6
CZ	Czech Republic	-15
DK	Denmark	-17
DE	Germany	-17
EE	Estonia	-9
IE	Ireland	-10
GR	Greece	-12
ES	Spain	-16
FR	France	-17
HR	Croatia	-9
IT	Italy	-19
CY	Cyprus	-7
LV	Latvia	-2
LT	Lithuania	-7
LU	Luxembourg	-16
HU	Hungary	-15
MT	Malta	-2
NL	Netherlands	-19
AT	Austria	-16
PL	Poland	-14
PT	Portugal	-10
RO	Romania	-7
SI	Slovenia	-7
SK	Slovakia	-1
FI	Finland	-16
SE	Sweden	-14
UK	United Kingdom	-15
EA (weighted averages)	EA (weighted averages)	-16
EU (weighted averages)	EU (weighted averages)	-16
CH	Switzerland	-13
NO	Norway	-17
US	United States	-21
JP	Japan	-6
Other advanced economies	Other advanced economies	-18
Emerging markets	Emerging markets	-13

Table 2.4: Shocks to corporate bond yields

Shocks to corporate bond yields (bps)								
Country	**Type**	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC**
EU	*Non-financial*	-29	-31	-29	-23	-14	-6	2
	Financial	-27	-30	-33	-36	-28	-20	-12
US	*Non-financial*	-66	-68	-65	-60	-52	-44	-36
	Financial	-64	-67	-70	-71	-63	-55	-47
Asia	*Non-financial*	-21	-23	-21	-16	-8	0	8
	Financial	-19	-23	-26	-27	-19	-11	-3

Table 2.5: Shocks to corporate bond yields

Shocks to RMBS (bps)				
Country	**AAA**	**AA**	**A**	**BBB**
EU	-24	-4	3	15
North America	-63	-47	-30	0
Asia	-19	-8	7	27

Table 2.6: Shocks to other assets

Shocks to other assets (%)						
Private Equity		**Hedge Funds**		**REIT**		**Commodities**
EU	**Global**	**EU**	**Global**	**EU**	**Global**	
-13	-13	-16	-18	-10	-6	-23

Table 2.7: Shocks to HICP inflation rate

Country	Shock to annual inflation rate
EA	-0.01
CZ	-0.02
HR	-0.05
DK	-0.02
HU	-0.16
PL	-0.13
RO	-0.35
SE	-0.03
UK	0.01
CH	-0.02
NO	-0.02
US	-0.05

Note: The number reported is the deviation, in terms of percentage, of the annual inflation from the baseline over one quarter. These numbers were calibrated without a complete macroeconomic scenario, and are only based on correlations with other financial variables.