

French CPI ex-tobacco Breakeven Inflation Swap Indices

Parameta Solutions French CPI ex-tobacco Breakeven Inflation Swap Indices (FRX BISM) aim to provide market participants with a family of indices tracking the performance of a monthly rolling strategy investing in inflation swaps of different tenors.

Background

Inflation swaps are an important tool for fixed income market participants. According to a recent Bank of England blog post inflation swaps are,

“... like the crystal ball of inflation expectations, allowing traders to hedge against inflation risk and giving us a peek into the minds of market participants.”

Most inflation swap contracts take the form of zero coupon swaps (also known as breakeven Inflation swaps). These are used by a variety of different financial institutions, including pension funds and liability driven investors, hedge funds and insurance companies. Their key feature is that they allow users to gain exposure to changes in the expected future inflation rate.

Index description

The Parameta Solutions French CPI ex-tobacco Breakeven Inflation Swap (FRX BISM) indices aim to provide market participants with a family of indices tracking the performance

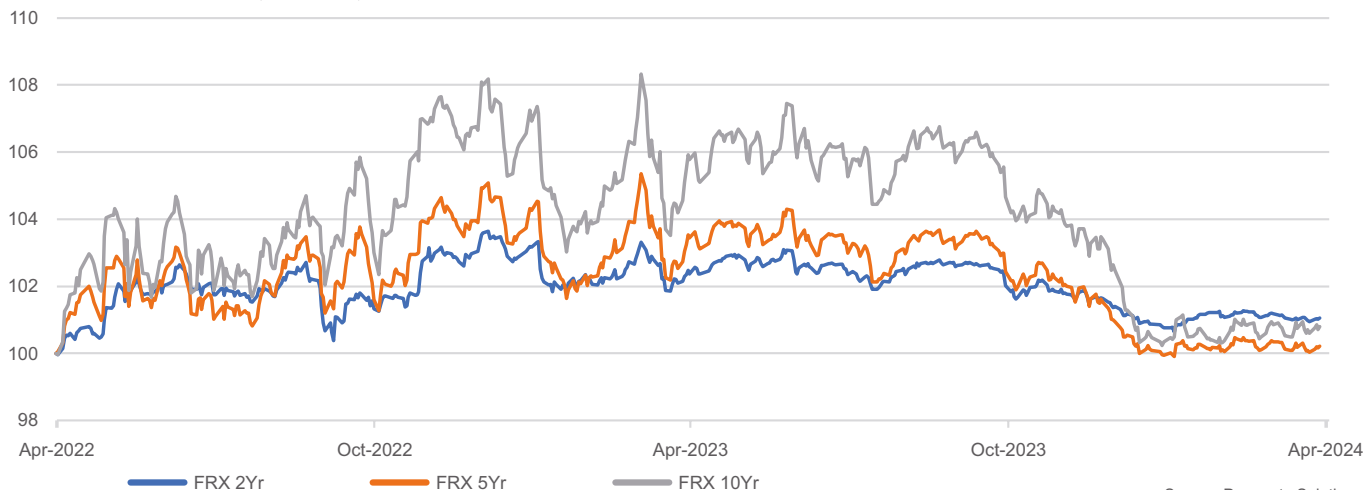
of a monthly rolling strategy investing in inflation swaps of different tenors linked to the French CPI ex-tobacco inflation index. Each index replicates the performance of the strategy for the specified index tenor. Each month-end, the strategy invests in an inflation swap of the specified tenor at the prevailing swap rate and holds the swap for a month. During the month the swap is marked to market and at the end of the month, the strategy unwinds the swap and institutes a new swap at the specified tenor. The FR BISM indices are excess return indices reflecting the performance of the swap only.

Index Objective and Key Features:

- The objective of each index is to provide a measure of the excess return of a monthly rolling strategy investing in an French CPI ex-tobacco linked breakeven inflation swap of a specified tenor.
- Breakeven inflation swaps provide exposure to market inflation expectations.
- BISM indices can be used as components in quant investment strategies and indices, custom liability indices and custom inflation swap overlays for real money investors.

Recent History of EUR 1Y10Y volatility index

FRX BISM ER Indices (rebased)



1. <https://bankunderground.co.uk/2023/09/06/decoding-the-market-for-inflation-risk/>



Index Statistics as of 31st March 2024

Index	FRX 2Yr BISM ER Index	FRX 5Yr BISM ER Index	FRX 10Yr BISM ER Index
Performance Statistics Since Inception			
Annualised Excess Return	1.0%	1.2%	1.3%
Annualised Risk	1.7%	3.0%	4.7%
Sharpe Ratio	0.6	0.4	0.3
Worst Monthly Excess Return	-1.6%	-2.6%	-3.1%
Best Monthly Excess Return	1.9%	3.2%	5.7%
Max Drawdown	3.7%	9.2%	17.4%
Performance Statistics Last 5 Years			
Annualised Excess Return	1.7%	2.3%	3.4%
Annualised Risk	2.0%	3.6%	5.6%
Sharpe Ratio	0.8	0.6	0.6
Worst Monthly Excess Return	-1.6%	-2.6%	-3.1%
Best Monthly Excess Return	1.9%	3.2%	5.7%
Selected Annual Excess Returns			
2021	4.1%	7.7%	13.0%
2022	7.9%	11.6%	16.4%
2023	-2.3%	-4.1%	-6.1%
Q1 2024 (Annualised)	1.2%	1.1%	1.9%

Source: Parameta Solutions

Indices Available:

Tenor	Index	Ticker
1Yr	PS 01Y FRX BISI ER	PSISF01E
2Yr	PS 02Y FRX BISI ER	PSISF02E
3Yr	PS 03Y FRX BISI ER	PSISF03E
4Yr	PS 04Y FRX BISI ER	PSISF04E
5Yr	PS 05Y FRX BISI ER	PSISF05E
6Yr	PS 06Y FRX BISI ER	PSISF06E
7Yr	PS 07Y FRX BISI ER	PSISF07E
8Yr	PS 08Y FRX BISI ER	PSISF08E
9Yr	PS 09Y FRX BISI ER	PSISF09E
10Yr	PS 10Y FRX BISI ER	PSISF10E
12Yr	PS 12Y FRX BISI ER	PSISF12E
15Yr	PS 15Y FRX BISI ER	PSISF15E
20Yr	PS 20Y FRX BISI ER	PSISF20E
25Yr	PS 25Y FRX BISI ER	PSISF25E
30Yr	PS 30Y FRX BISI ER	PSISF30E

Indices are available for the following swap tenors directly from Parameta Solution. Indices can also be viewed on Bloomberg using the tickers below or from page PMET.

Additional Information

- The price source for the FRX BISM indices is the ICAP EMEA Inflation Desk
- A business day for FRX BISM means a day on which banks are open in the EU and the ICAP Inflation Desk publishes prices; the indices are published at or around 5PM UK time based on closing prices as at 4.15PM
- FRX BISM inception date is 31st December, 2014; the indices have been rebased to 100 as of end November 2023.



Get in touch

For further information, please visit us at: www.parametasolutions.com

Sales: findoutmore@parametasolutions.com

Support: operations@parametasolutions.com

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