

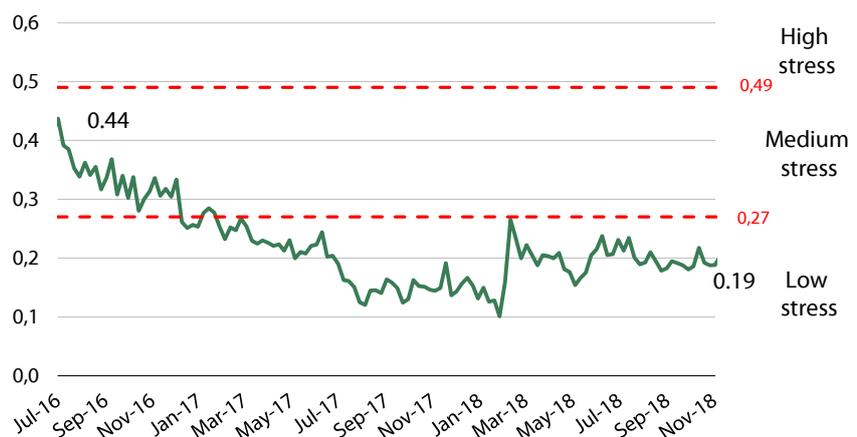
THE SPANISH FINANCIAL MARKET STRESS INDICATOR REMAINS AT LOW LEVELS

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- At the end of October, the financial market stress indicator prepared by CNMV stood at close to 0.20 points, thus remaining at low levels
- CNMV's Financial Stability Note analyses the risks that affect Spanish markets on a quarterly basis

The Spanish National Securities Market Commission (CNMV) has published the [October 2018 Financial Stability Note](#), which shows that at the end of October the stress level of the Spanish financial markets remained close to 0.20 points, within what is considered a low stress level. This must be analysed in the context of the financial year 2018, during which slight upturns have been observed, such as that witnessed in February (up to 0.27 points), due to the turbulence caused by the US stock markets and, more recently, those experienced in June and October (up to 0.24 and 0.22 points, respectively), which are clearly related to doubts regarding public finances in Italy and, to a lesser extent, to other sources of uncertainty (the termed "trade war", tensions in emerging economies, and regulatory uncertainty, etc.). By segment, the highest levels of stress were in the debt market and in the financial intermediaries market, the latter being affected by falls in bank share prices.

Spanish financial market stress indicator



The Note describes the recent trends in the Spanish economy, which continue to be positive, with GDP growth remaining at 2.5%. However, a slowdown in activity has been witnessed, which is somewhat less intense than in the euro area, and has resulted in the growth differential increasing to eight tenths of a percentage point.

The sources of uncertainty surrounding the Spanish economy are widely varied. The most significant ones derive from the consequences of the restrictions on world trade, the difficulties being experienced in some emerging economies and, consequently, their repercussion on the business of Spanish companies with interests in these economies, as well as the current political situation. Emphasis must also be placed on the need to make headway in the economy's fiscal consolidation process, especially given that changes to monetary policy may occur in the near future.

This context of manifold uncertainties has been reflected in the trends in Spanish financial markets in recent months. In the case of equities, the Ibex 35 has experienced a decline this year (up to 31 October) similar to that of the more unfavourable European indices (Ibex 35: -11.5%; Dax 30: -11.4%; Eib: -12.8%). However, it can be observed that investors are more discerning when investing in companies, depending on their expectations and risks, and, consequently, the falls have not affected all sectors. Thus, companies in the oil, energy, technology and pharmaceuticals sectors have been revalued, while the share prices of banks (which have been affected by economic-financial, political and regulatory uncertainties), real estate companies and those in the consumer goods and services sectors have fallen.

In fixed-income markets, short-term interest rates have remained at very low levels, in line with the tone of the monetary policy adopted by the ECB, and long-term rates, which declined in the first few months of the year as a result of the upgrade of the credit rating of Spanish sovereign debt, have recorded slight and transitory upturns associated with the debt crisis in Italy. In relation to the last episode of uncertainty of this crisis, which occurred in October, the contagion effect on the risk premium of Spanish debt has been very limited. Market and liquidity risks continue to be relevant in some segments of this market.



The Financial Stability Note presents a broad set of indicators, including most notably the Spanish financial market stress indicator and what are known as colour maps (also known as heat maps). The first one provides a real-time measurement of systemic risk in the Spanish financial system, ranging from 0 to 1, which is obtained by weighted aggregation of the stress levels estimated in the following six segments: variable income, fixed income, financial intermediaries, currency markets, derivatives and the foreign exchange market. Stress variables correspond, in general terms, to volatilities, risk premiums, liquidity indicators and sharp falls in value. Heat maps allow us to visualise the changes witnessed in the various risk categories.

Complete document: [Financial Stability Note No. 8. October 2018](#)

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