

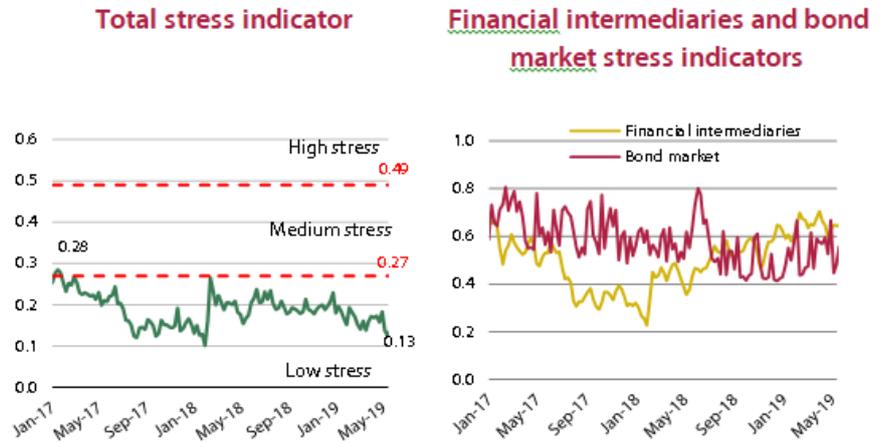
## THE CNMV'S MARKETS STRESS INDICATOR REMAINS AT A LOW LEVEL EXCEPT IN THE BANK AND FIXED-INCOME SEGMENTS

27 May 2019

- As in previous months, the overall stress indicator remains at a low level, below 0.20, but a notable level of stress is observed in the financial intermediaries and debt segments.
- The 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 [April 2019 Financial Stability Note](#), according to which the stress level of the Spanish financial markets remains below 0.20 points, a value that implies a low level of stress and around which it has fluctuated practically since the beginning of 2018.

At the beginning of May, the stress indicator in Spanish financial markets stood at 0.13. This level of the indicator - which is partly due to the low correlation of the stress level between the segments covered - is compatible with higher records in some of these segments. This is the case of the level of stress identified for financial intermediaries as a whole, which is produced by the fall in bank share prices, and also for the debt market, due to the deterioration of liquidity and, on an ad hoc basis, to resurgence in volatility.



The note highlights the slowdown in international macroeconomic growth, on which several elements of uncertainty weigh, including restrictions on world trade. In the case of Spain, the slowdown in activity is less intense. The IMF expects the GDP of the Spanish economy to increase by 2.1% this year and by 1.9% next year, eight and four basis points, respectively, more than in the euro zone. Despite this better relative performance, the Spanish economy continues to face relevant challenges such as those stemming from the high unemployment rate, the financial vulnerability of some highly indebted sectors, the ageing of the population and some sources of political uncertainty.

The performance of the Spanish financial markets has continued to be relatively stable since the publication of the last *Stability Note* and after the turbulence at the end of last year, although the presence of several uncertainties is preventing more intense revaluations in stock prices. Thus, the Ibex 35 accumulated a rise of 6.8% until May 10, which represents notable progress but is less than that of most of the markets in neighbouring economies, which recorded growth of more than 10%.

In debt markets, the ECB's decision to delay rate hikes is keeping debt yields at low levels (Spanish government debt is negative up to a period of four years) and allows credit risk premiums to fall (the sovereign risk premium was close to 100 basis points at the beginning of May). Market and liquidity risks remain the most relevant, especially in some debt assets.

For further information:

[CNMV](#) Communications Department

Tel.: 91 5851530 - [comunicacion@cnmv.es](mailto:comunicacion@cnmv.es)

The most relevant factors of uncertainty regarding the international and national macroeconomic and financial environment are related to the prolongation of the restrictions on world trade, which have already had negative consequences on the activity of many major economies and, at European level, with the final resolution of Brexit, an issue still shrouded in doubt. In a context of a clear economic slowdown, the decision by the central banks of the US and the euro area to postpone interest rate hikes maintains the incentives for some stakeholders to borrow and invest in risky assets (search for yield) and prolongs the banking sector's difficulties in raising its profitability, although it also reduces the expectations of an increase in the financial costs of the most indebted stakeholders and, therefore, the possibility of an increase in default rates.

*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: equity, fixed-income instruments, financial intermediaries, currency markets, derivatives and the foreign exchange market. From 2002 until the onset of the crisis in 2008 the index ranged from 0.09 to 0.37, reached historical highs in 2008 (0.88) and in 2012 (0.71) and then declined again with minor upturns in 2016 (0.49) due to Brexit, subsequently falling again to the current levels. Heat maps allow us to visualise the changes witnessed in the various risk categories.*

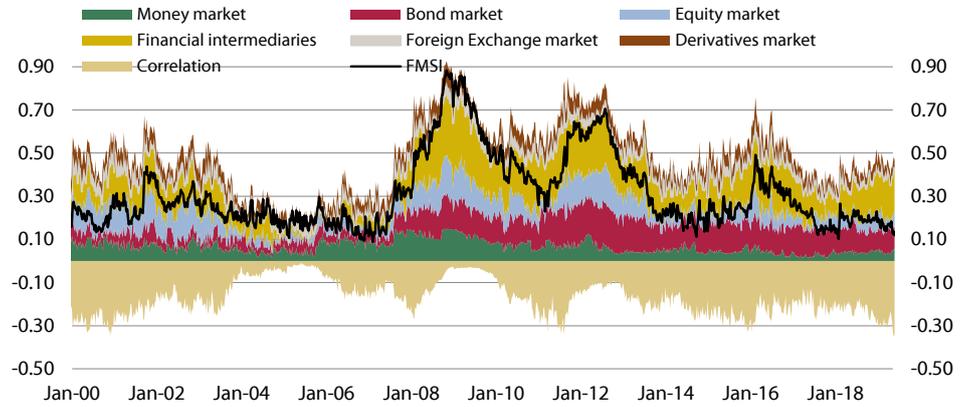
For further information:

[CNMV](#) Communications Department

Tel.: 91 5851530 - [comunicacion@cnmv.es](mailto:comunicacion@cnmv.es)



### Spanish financial market stress indicator



Full document: [Financial Stability Note No.10 April 2019](#)