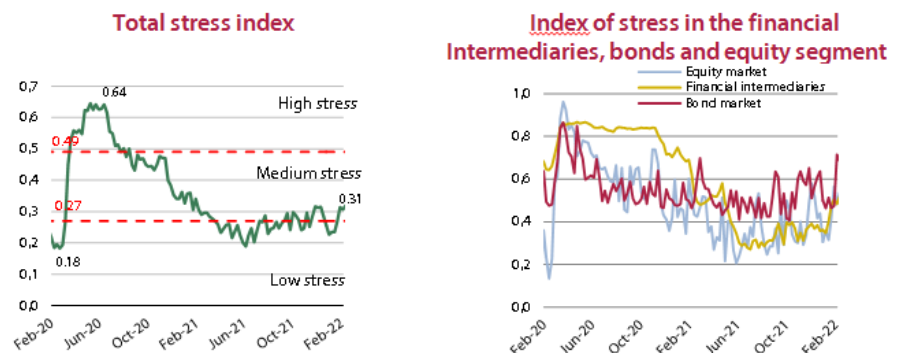


SLIGHT INCREASE IN THE STRESS LEVEL IN THE MARKETS

18 February 2022

- The Spanish financial markets stress indicator has been fluctuating around the threshold separating low and medium stress (0.27 points), standing at 0.31 points at the beginning of February.
- 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 [Financial Stability Note for January 2022](#), in which it highlights that the level of stress in the financial system has recently increased due to the intensification of some sources of important uncertainties, such as geopolitical and that related to inflation expectations. These have triggered an increase in the volatility indicators of various segments (equity, financial intermediaries, debt, etc.), which have also increased the overall stress indicator. Accordingly, the system's stress level stood at 0.31 points at the beginning of February (0.23 points at the end of 2021).



National financial markets have been affected by the intensification of the sources of uncertainties mentioned above, but less than other markets, especially in the equity area. Thus, the Ibex 35 fell by 1.2% in January, less than the losses recorded by most indices (ranging from 1.9% for the Mib 30 index and 9% for the Nasdaq). This could be due to the fact that the valuation of Spanish companies was probably less susceptible to adjustment, and that there is greater

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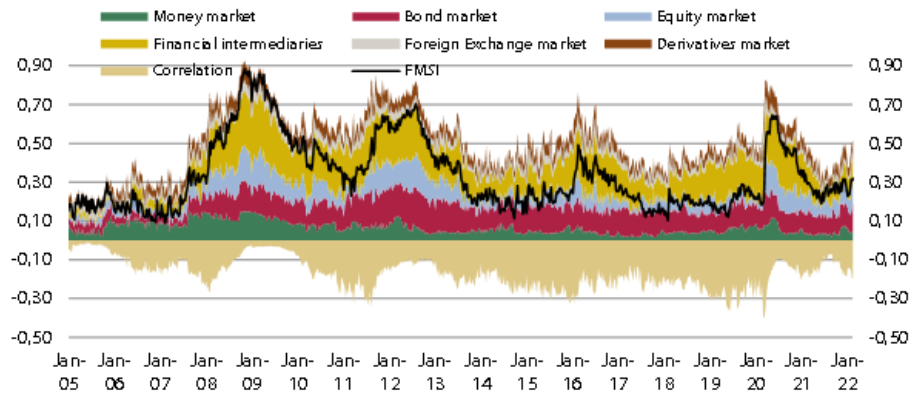
weight in the Spanish index of companies from some sectors which were boosted by elements such as the lifting of restrictions in Europe (transportation- and tourism-related companies), the improving outlook for Latin American economies (larger companies) and the potential increase in interest rates (banks).

The **most relevant sources of risk** identified in respect of financial stability are related to the escalating tensions surrounding the Ukraine conflict and the upturn in inflation, entailing a change in the monetary policy in the near future in the US, and which has already started in other countries, such as the United Kingdom. These sources of uncertainty, which have slightly overshadowed the evolution of the pandemic as a risk factor, have had a significant impact on financial market developments.

In this context, the most significant **financial risks** are liquidity risk and the risk of contagion, which are of greater relevance in situations of increased uncertainty. In equity markets, market risk has partially materialised with significant adjustments in prices, which had experienced stronger gains in recent periods. In Europe, and particularly in Spain, this risk is less relevant as prices are much more adjusted, but it could be important in fixed-income markets, in particular, under a scenario of an increase in interest rates which is higher and closer in time. This rise has a negative impact on holders of debt securities, with the possibility of triggering sales in the market, and on stakeholders requiring funding, due to its higher cost. Liquidity risk is also relevant in this context, especially in assets of lower credit quality.

*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, financial intermediaries, currency markets, derivatives, and the foreign exchange market. Heat maps allow us to visualise the changes witnessed in the various risk categories.*

Stress indicator of the Spanish financial markets



Full document: [Financial Stability Note No. 21 January 2022](#)