

THE CNMV'S MARKET STRESS INDICATOR REMAINS AT LOW RISK FOR THE FIRST QUARTER

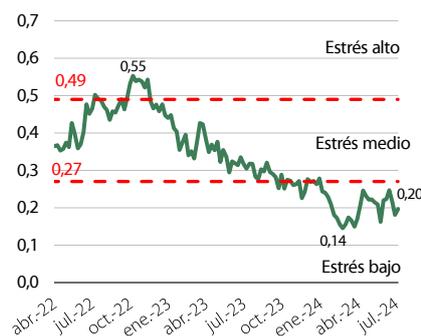
31 July 2024

- By the end of June, the stress indicator stood at 0.20, which involves low risk.

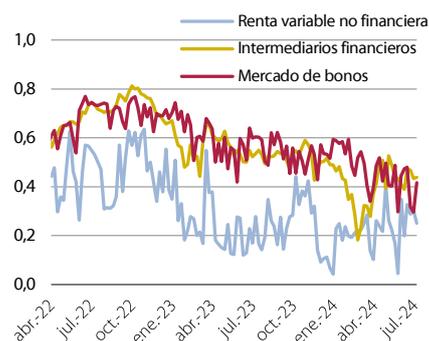
The Spanish National Securities Market Commission (CNMV) has published the [Financial Stability Note corresponding to June 2024](#), that states the stress indicator stood under the value of 0.27 (the divide between low and average stress level) for the entire first quarter,. A difference between the first quarter, in which the downward trend in the stress level was predominant (going from 0.28 to an annual low of 0.15 in March), and the second quarter can be seen, with more irregular developments due to depreciations and a slight increase in market volatility.

The indicator stood at 0.20 in the beginning of July. The highest stress levels were found in money and bond markets, as a result of higher interest rate volatility, as well as the extension of certain risk premiums, and volatility in financial intermediaries (banks). The latter has been affected by Spanish and European uncertainties. The degree of correlation of the system remains at average to high levels.

Total stress indicator



Indicators in the segment of bonds, financial intermediaries and equity



The main sources of risk described in the Note are related to the ongoing high levels of geopolitical risk at international level, as well as prolonged high interest rates in comparison to previous years, despite the predictions of cutbacks. Due to the dynamism of leading indicators, as proven by the upward revisions for growth forecasts published by benchmark institutions, the uncertainty related to the evolution of the domestic economy has been reduced. In any case, there are still doubts regarding the sustainability of growth in some sectors and vulnerabilities associated with public sector finances. **The**

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development of the sector for new technologies and the associated risks remains high. Said risks, such as those related to cyber and cybersecurity risks, as well as those arising from the use of generative and other artificial intelligence applied to finance, should also continue to be monitored. **Regarding crypto-assets**, the approval in the US of the first bitcoin ETFs can be highlighted, which may enhance the interconnection between this area and the traditional financial system, although the risk remains at a low level.

Financial equity markets, which started the year off with significant gains, varied their trend in subsequent months after realising that the expected interest rate cuts would be smaller and later than initially expected, as well as due to the continuation of various geopolitical uncertainties. Nonetheless, the Ibex 35 accumulated a revaluation of 8.3% in the first half of this year, placing it in the high range of variations among the European indices. There is also a rise in contracting for the period, as well as developments in the issue of securities in primary markets. In regards to debt markets, yields on assets with longer terms have increased as a result of the shift described in interest rate expectations, as well as seeing an increase in risk premiums, albeit to a lower degree and in the focus weeks of the year, due to some political and fiscal uncertainties.

In terms of asset management and investors, the increase in household savings continues, significantly narrowing the gap with the average savings in the euro area, and the preference for assets associated to interest rates: term deposits, sovereign debt and fixed income investment funds. In said area of collective investment, further expansion of the sector's assets can be highlighted, driven by net subscriptions of unitholders and portfolio appreciation. The participation of retail investors in the equity markets (in particular in the trading of Ibex 35 shares) also continues to grow, accounting for 7.9% of total purchases and 9.7% of total sales in the first half of this year.

The assessment of financial risks determines that the most important risks are currently the market risk, especially in equities (in fixed income they have been mitigated), and credit risk, as a result of relatively high interest rates. The risk of contagion also continues to be important. At the NBFIs level, the assessment of liquidity and leverage risk does not reveal any relevant vulnerabilities in terms of financial stability.

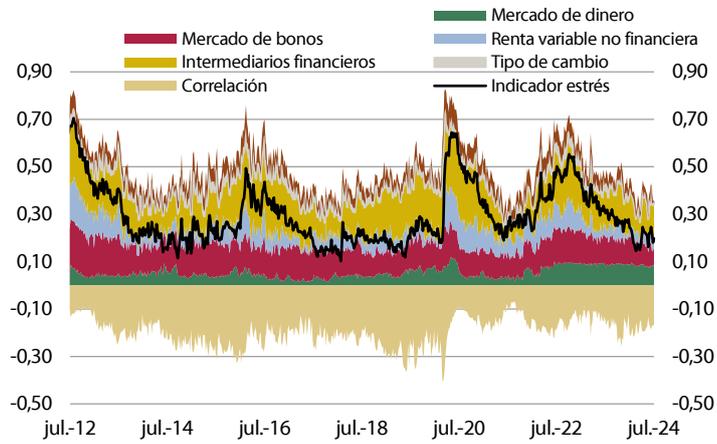
*The **Financial Stability Note** presents a broad set of indicators, including most notably the Spanish financial market stress indicator and what are known as colour maps (also known as heat maps). The first one provides a real-time measurement of systemic risk in the Spanish financial system, ranging 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 undergone by the various risk categories.*

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Spanish financial market stress indicator



Heat map

		2021				2022				2023				2024				Nivel de riesgo											
		j	a	s	o	n	d	e	f	m	a	m	j	j	a	s	o	n	d	e	f	m	a	m	j				
MERCADOS	Renta variable																										IFNB	Liquidez	
	Renta fija																											Apalancamiento	
	Sector bancario																											Crédito	
	Otros (petróleo, oro, aversión al riesgo)																											Interconexiones	
CATEGORÍAS DE RIESGO	Riesgo macroeconómico																										MEDIO Y LARGO PLAZO	Sostenibilidad	
	Riesgo de mercado																											Criptoactivos	
	Riesgo de crédito																											Crisis Cibernético	
	Riesgo de liquidez, financiación y fragmentación																											Nuevas tecnologías	

Full document: [Financial Stability Note No. 26, June 2024](#)