PRESS RELEASE

THE FINANCIAL MARKET STRESS INDICATOR RETURNS TO A LOW LEVEL AFTER THE TRANSITORY UPTURN IN FEBRUARY

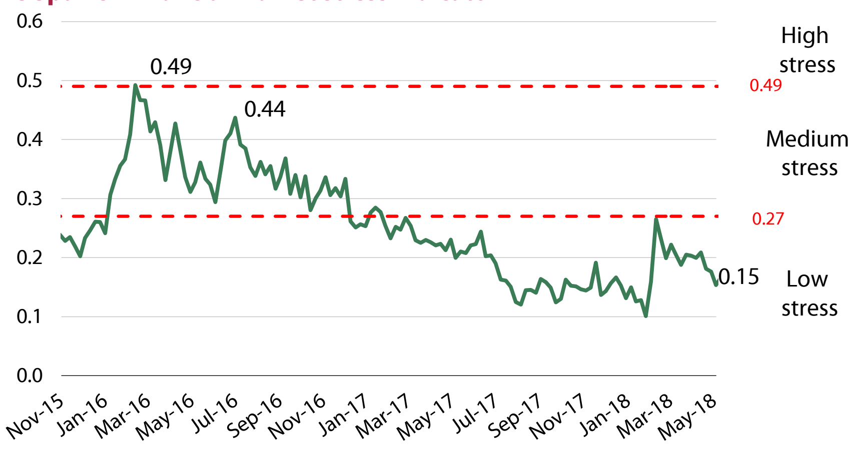
18 May 2018

- At the beginning of May, the stress indicator stood at a low level (0.15 points)
- CNMV's Note on Financial Stability 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 April 2018. The Note assesses the stress level in the Spanish financial markets, analyses the developments in the different financial risks and identifies the main sources of risk.

The Note, the sixth in the series published by CNMV, draws attention to the fact that the stress level of the Spanish financial markets remains at a low level despite the upswing witnessed in the first few days of February, which placed it at the limit that separates the low and medium stress levels (0.27 points: see graph). This short-lived increase was caused by the upturn in volatility that took place in the financial markets due to a change in expectations regarding US monetary policy, coupled with uncertainties about the scope of world trade restrictive measures.

The Spanish financial market stress indicator



In a positive macroeconomic environment for the Spanish economy, the Note highlights that the most relevant risks concerning financial markets continue to be market and liquidity risks, especially in certain fixed-income assets. Within market risk, worthy of note, in the case of Spain, is the significant revaluation of small-cap companies and, in the international financial markets, the recent rise in the price of oil and other commodities.

Finally, according to the document, renewed market instability cannot be ruled out in the future given the strong sensitivity of the markets to the publication of unforeseen data and the close correlation between them. This issue of the Note also makes special reference to the consequences that a potential rise in interest rates (or risk premiums), either sharper or more considerable than expected, could have on the most indebted participants and on financial market players.

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