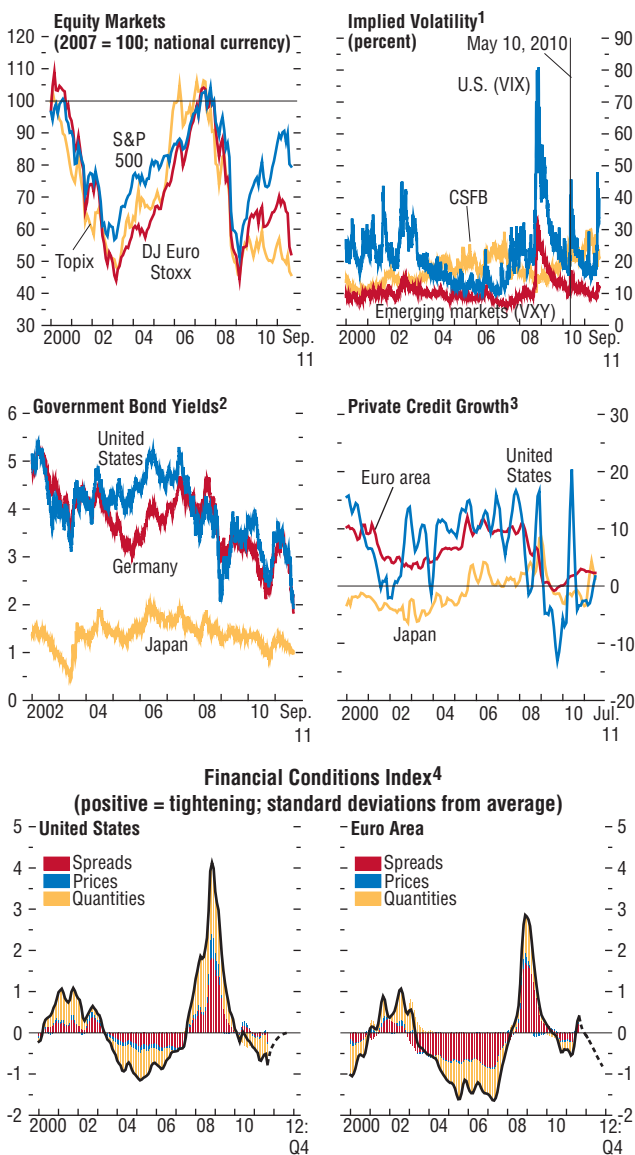


Figure 1.3. Recent Financial Market Developments

Equity markets have retreated, and volatility has been on the rise. Investors have taken flight in government bonds of perceived “safe-haven” countries. There were signs that credit was bottoming until recently. Financial conditions indices have tightened lately, but projections assume gradual easing.



Sources: Bank of America/Merrill Lynch; Bank of Japan; Bloomberg Financial Markets; European Central Bank; Federal Reserve; Haver Analytics; Thomson Datastream; and IMF staff calculations.

¹VIX = Chicago Board Options Exchange Market Volatility Index; VXY = JPMorgan Emerging Market Volatility Index; CSFB = Credit Suisse Fear Barometer.

²Ten-year government bonds.

³Annualized percent change of three-month moving average over previous three-month moving average. After January 2009, loans adjusted for sales and securitization are used for the euro area. Spike for the United States in late 2010 is due to securitized credit card assets that banks owned, which were brought onto their balance sheets in 2010.

⁴Historical data are monthly, and forecasts (dashed lines) are quarterly.