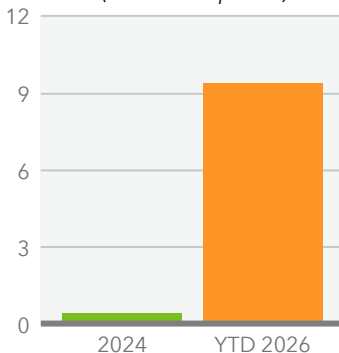


CHAPTER 1. Beneath the Resilience: Rising Risks, Unresolved Vulnerabilities

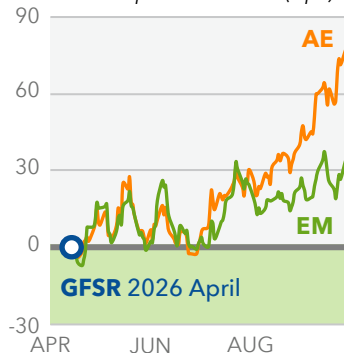
Resilient markets mask risks amid underlying vulnerabilities

Risks that could catalyze market turmoil

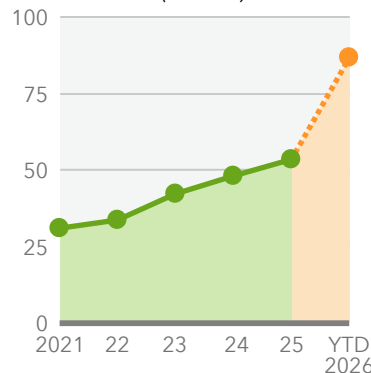
Growing AI-related risks
Hyperscalers' bond issuances
(% of IG Corporate)



Rising sovereign yields
Avg. 10-year yield change
since April 2026 GFSR (bps)



Mounting cyber threats
Zero-day rate
(Percent)



Sources: Bloomberg Finance L.P.; Dealogic; Zero Day Clock; and IMF staff calculations.

POLICIES

- Contain excessive AI-related leverage, where excessive
- Ensure debt sustainability while strengthening bond market infrastructure and liquidity backstops
- Enhance cyber resilience to safeguard continuity of critical services
- EMs to rebuild external buffers and allowing flexible exchange rates adjustments to absorb shocks
- Implement international banking standards and strengthen oversight on nonbank financial intermediaries

Vulnerabilities that could amplify risks



- EM buffer erosion and alternative financing
- Liquidity mismatches of institutional investors
- Weak banks in a stress scenario
- Leveraged and liquidity risks in private credit
- Household debt burden under rising interest rates