The Global Financial Stability Report (GFSR) assesses key risks facing the global financial system. In normal
times, the report seeks to play a role in preventing crises by highlighting policies that may mitigate systemic
risks, thereby contributing to global financial stability and the sustained economic growth of the IMF's mem-
cber countries. Risks to financial stability have declined since the October 2012 GFSR, providing support to
the economy and prompting a rally in risk assets. These favorable conditions reflect a combination of deeper
policy commitments, renewed monetary stimulus, and continued liquidity support. The current report ana-
lyzes the key challenges facing financial and nonfinancial firms as they continue to repair their balance sheets
and unwind debt overhangs. The report also takes a closer look at the sovereign credit default swaps market
to determine its usefulness and its susceptibility to speculative excesses. Lastly, the report examines the issue
of unconventional monetary policy (“MP-plus”) and its potential side effects, and suggests the use of macropru-
dential policies, as needed, to lessen vulnerabilities, allowing country authorities to continue using MP-plus to
support growth while protecting financial stability.

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