Figure 1.20. Effect of a Global Asset Market Disruption

The global asset market disruption scenario entails rapid decompression of risk premiums in bonds...

1. Long-Term Government Bond Yield, 2016:Q4

The scenario generates moderate to large output losses worldwide...

3. Output, 2017

Banking sector capitalization suffers...

5. Bank Capital Ratio, 2018

...and equities.

2. Equity Price Index, 2016:Q4

...and delays or stalls monetary policy normalization in advanced economies.

4. Policy Interest Rate

...as does government debt sustainability.

6. Gross Government Debt, 2018

Source: IMF staff calculations.
Note: For the methodology, see Annex 1.2. Open emerging markets = Argentina, Brazil, Colombia, India, Indonesia, Mexico, Philippines, Poland, Russia, South Africa, Thailand, and Turkey.