**Figure 1.3. Brexit’s Impact on Financial Markets**

Global risk markets absorb Brexit shock and rebound.

1. **Asset Market Performance after Brexit**
   (Bar indicates asset performance after Brexit; dot indicates largest move since Jun. 23, 2016 = Brexit)

   - Equities (percent change)
     - United Kingdom
     - Euro area
     - United States
     - Japan
     - Emerging markets
   - Currencies (percent change against the U.S. dollar)
     - United Kingdom
     - Euro area
     - China
     - Australia
     - CEEMEA
     - Switzerland
     - Japan
   - Bonds (10-year, basis point change)
     - United Kingdom
     - France
     - Germany
     - United States
     - EU infl 5y5y
     - Switzerland
     - Japan
     - Spain
     - Italy
     - Portugal
     - Greece

Bank equities remain under pressure, especially in the euro area, extending year-to-date losses, reflecting underlying vulnerabilities, and weakening medium-term prospects.

2. **Bank Equities and CDS Spreads**
   (Year-to-date changes; basis points)

   - Before Brexit (left scale)
     - U.K. banks
     - European banks
     - Japanese banks
     - U.S. banks
   - After Brexit (left scale)
     - U.K. banks
     - European banks
     - Japanese banks
     - U.S. banks
   - Level of subordinated CDS (right scale)

Sources: Bloomberg L.P.; Federal Reserve; Haver Analytics; and IMF staff estimates.

Note: In Panel 2, the positive values are below the zero line for the right scale. Brexit = June 2016 U.K. referendum result in favor of leaving the European Union; CDS = credit default swap; CEEMEA = central and eastern Europe, Middle East, and Africa; EU infl 5y5y = euro area inflation-linked bond, five year, five year forward.

* Against the euro.