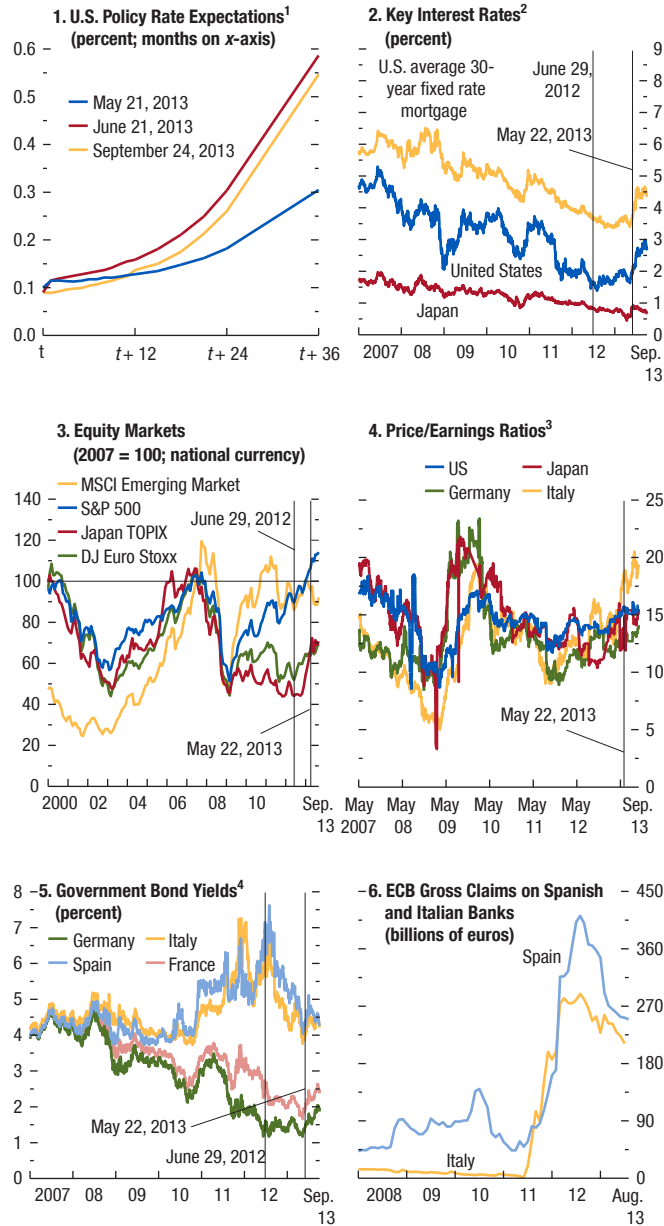


Figure 1.8. Financial Market Conditions

Financial conditions have become more volatile again, as expectations about U.S. monetary policy tightening have been pulled forward. Equity markets have been buoyant. Long-term U.S. bond yields are up, but those in Japan and core Europe have increased to a much lesser extent. Spreads on euro area periphery sovereign bonds have moved up modestly; periphery banks have continued to repay ECB loans.



Sources: Bloomberg, L.P.; Capital Data; *Financial Times*; Haver Analytics; national central banks; Thomson Reuters Datastream; and IMF staff calculations.

Note: ECB = European Central Bank; US = United States.

¹Expectations are based on the federal funds rate for the United States; updated September 24, 2013.

²Interest rates are 10-year government bond yields unless noted otherwise.

³Some observations for Japan are interpolated because of missing data.

⁴Ten-year government bond yields.