Financial market volatility spiked in August following an increase in global risk aversion triggered by concerns about China’s growth outlook and emerging market prospects more broadly. But financial conditions have remained favorable in advanced economies. Slightly higher yields on longer-term bonds primarily reflect improving activity and the bottoming out of headline inflation.

Figure 1.4. Financial Conditions in Advanced Economies
(Percent, unless noted otherwise)

Financial market volatility spiked in August following an increase in global risk aversion triggered by concerns about China’s growth outlook and emerging market prospects more broadly. But financial conditions have remained favorable in advanced economies. Slightly higher yields on longer-term bonds primarily reflect improving activity and the bottoming out of headline inflation.

Sources: Bank of Spain; Bloomberg, L.P.; Haver Analytics; Thomson Reuters Datastream; and IMF staff calculations.

Note: DJ = Dow Jones; ECB = European Central Bank; MSCI = Morgan Stanley Capital International; S&P = Standard & Poor’s; TOPIX = Tokyo Stock Price Index.

1 Expectations are based on the federal funds rate futures for the United States.
2 Interest rates are 10-year government bond yields, unless noted otherwise. Data are through September 11, 2015.
3 Changes are calculated from the beginning of 2015 to September 15, 2015.
4 Data are through September 14, 2015.