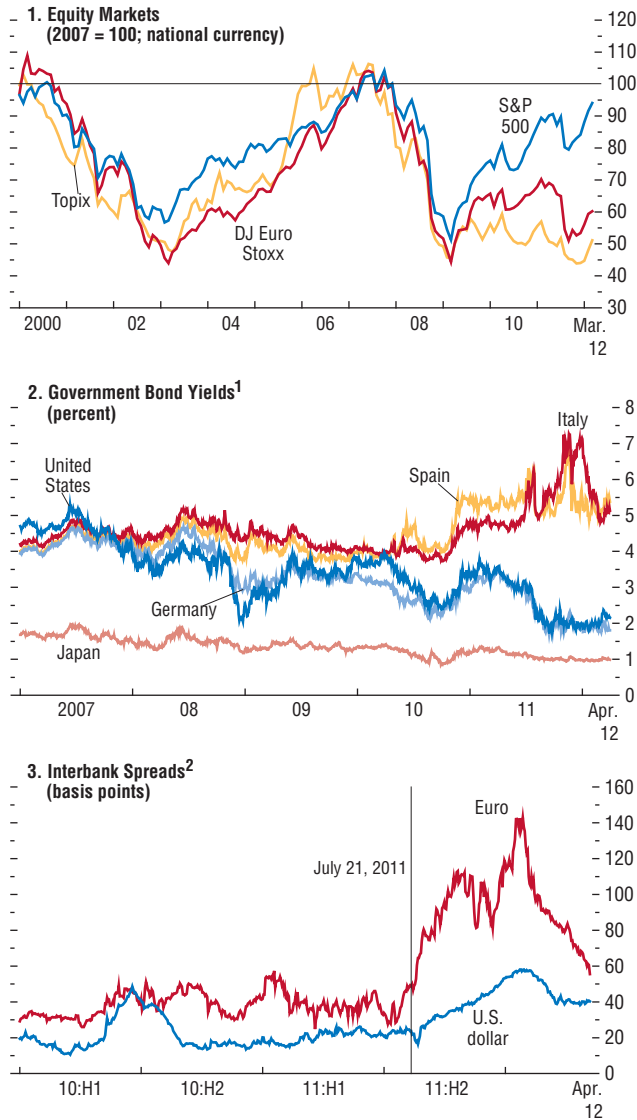


Figure 1.2. Recent Financial Market Developments

Financial conditions worsened appreciably in the fall of 2011 but have since improved. Economic data have surprised on the upside, most notably in the United States, and policy actions have brought down sovereign and bank risk premiums in the euro area.



Sources: Bank of America/Merrill Lynch; Bloomberg Financial Markets; Citigroup; and IMF staff calculations.

¹Ten-year government bonds.

²Three-month London interbank offered rate minus three-month government bill rate.