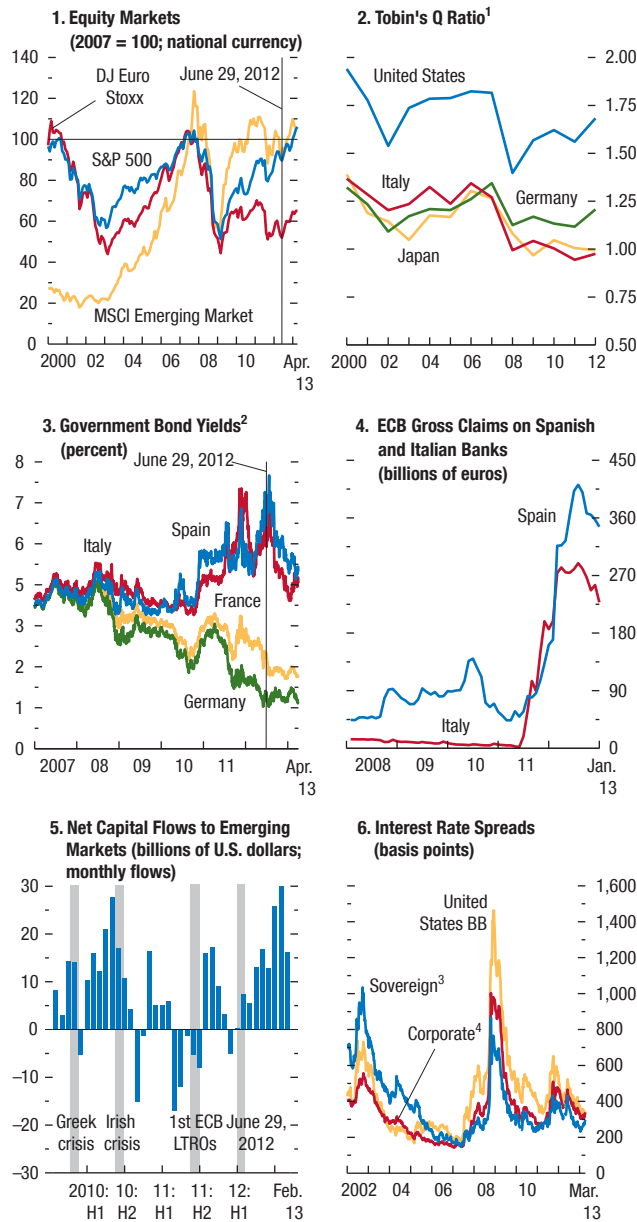


Figure 1.3. Financial Market Conditions

Stronger policies in the major advanced economies have triggered a broad rally in financial markets. Since summer 2012, equity prices are up some 15 percent. Euro area periphery risk spreads are down more than expected, and Target 2 liabilities of Italy and Spain have decreased. Capital flows to emerging market economies have resumed, pushing down their risk spreads.



Sources: Bloomberg, L.P.; Capital Data; EPFR Global/Haver Analytics; national central banks; Worldscope; and IMF staff calculations.

Note: ECB = European Central Bank; LTROs = longer-term refinancing operations.

¹Tobin (1969).

²Ten-year government bonds.

³JPMorgan EMBI Global Index spread.

⁴JPMorgan CEMBI Broad Index spread.