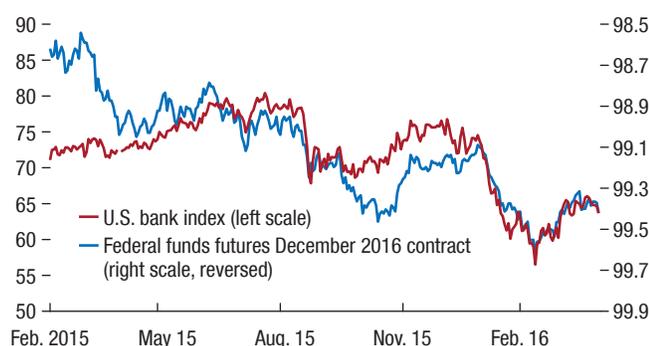


Figure 1.20. Falling Bank Valuations Reflect Weakening Outlook

Fears of stalled normalization led to declines in bank equity prices in the United States.

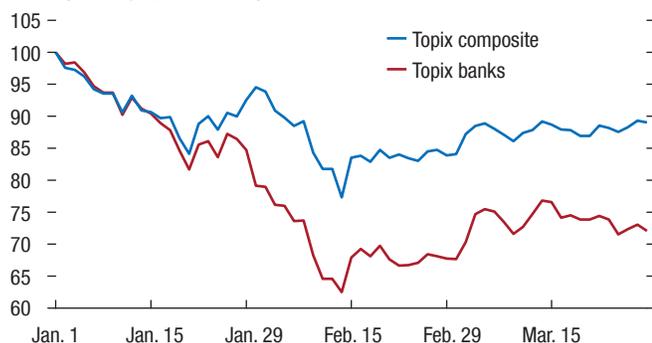
1. U.S. Bank Equity Prices and Federal Funds December 2016 Contract



Source: Bloomberg, L.P.

... and Japanese banks came under pressure as the Bank of Japan went to negative rates.

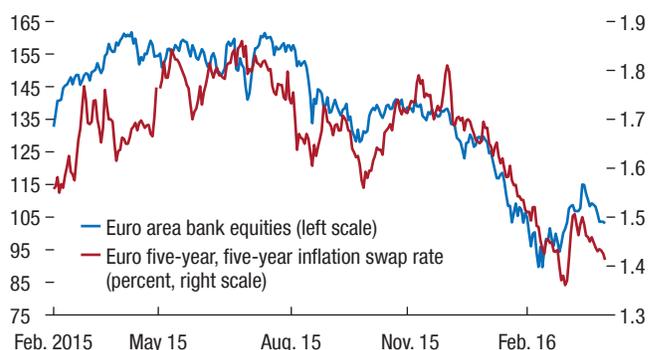
3. Japanese Equities (January 1, 2016 = 100)



Source: Bloomberg, L.P.

European bank equities fell in line with the worsening inflation outlook ...

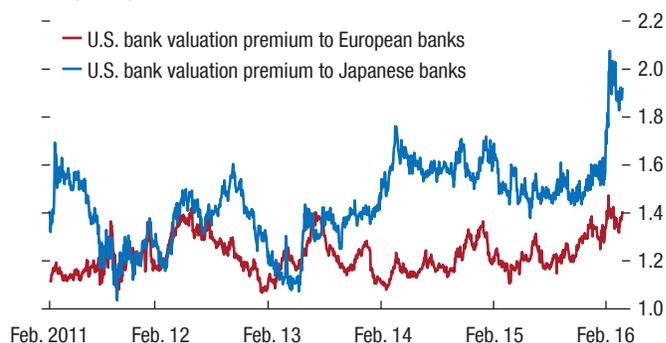
2. European Bank Equity Prices and Five-Year, Five-Year Inflation Forwards



Source: Bloomberg, L.P.

Valuations on European and Japanese banks fell to a deep discount to U.S. banks.

4. Relative Bank Valuations (Times)



Sources: Bloomberg, L.P.; and IMF staff estimates.

Note: The valuation premium is defined as the price-to-book ratio of the KBW index (U.S. banks) divided by that of the Stoxx 600 banks index (for European banks) or Topix banks index (for Japanese banks).