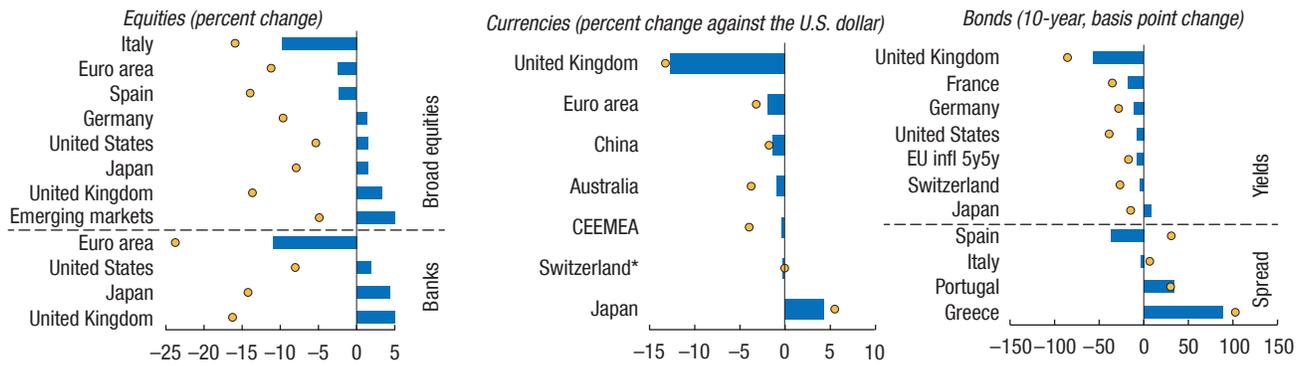


**Figure 1.3. Brexit's Impact on Financial Markets**

Global risk markets absorb Brexit shock and rebound.

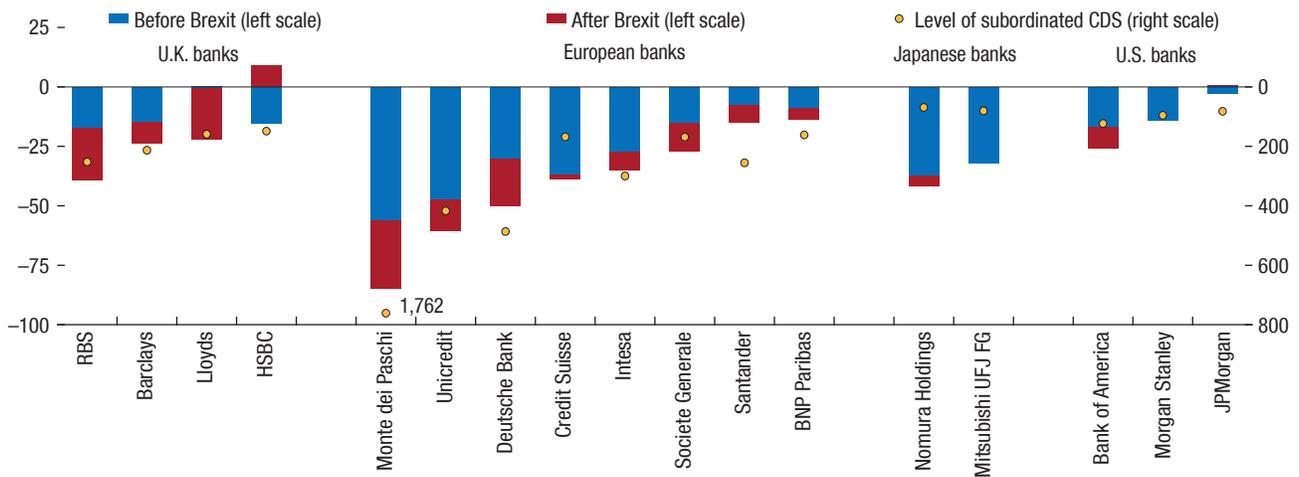
**1. Asset Market Performance after Brexit**

(Bar indicates asset performance after Brexit; dot indicates largest move since Jun. 23, 2016 = Brexit)



Bank equities remain under pressure, especially in the euro area, extending year-to-date losses, reflecting underlying vulnerabilities, and weakening medium-term prospects.

**2. Bank Equities and CDS Spreads (Year-to-date changes; basis points)**



Sources: Bloomberg L.P.; Federal Reserve; Haver Analytics; and IMF staff estimates.

Note: In Panel 2, the positive values are below the zero line for the right scale. Brexit = June 2016 U.K. referendum result in favor of leaving the European Union; CDS = credit default swap; CEEMEA = central and eastern Europe, Middle East, and Africa; EU infl 5y5y = euro area inflation-linked bond, five year, five year forward.

\* Against the euro.