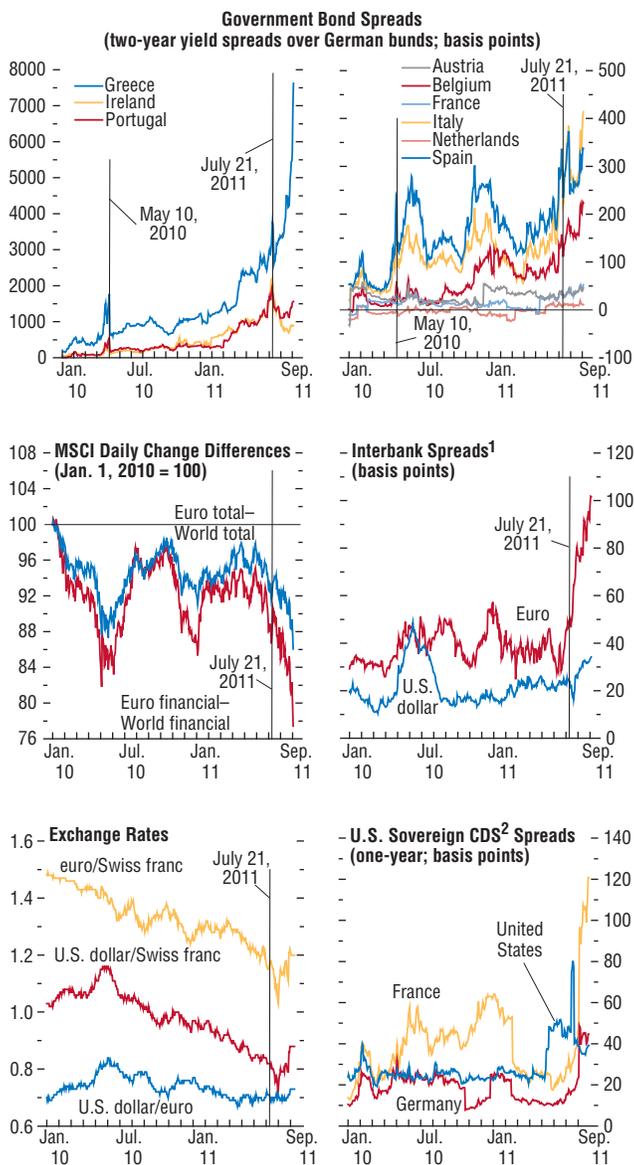


## Figure 1.2. Financial Strains in Europe and the United States

The crisis in the euro area has deepened and broadened. Spreads on sovereign bonds of economies in the periphery have reached new highs. Concurrently, spreads of several other economies have also widened to varying degrees. Stock prices have suffered sharp corrections, dragged down by concerns about weak activity and financial sectors in advanced economies. Strains have resurfaced in interbank markets. At the same time, credit default swap (CDS) spreads on U.S. government bonds have moved up. This contrasts with the decline in U.S. bond rates. Both the euro and U.S. dollar depreciated against the Swiss franc until recently.



Sources: Bloomberg Financial Markets; and IMF staff calculations.

<sup>1</sup> Three-month London interbank offered rate minus three-month government bill rate.

<sup>2</sup> CDS = credit default swap.