

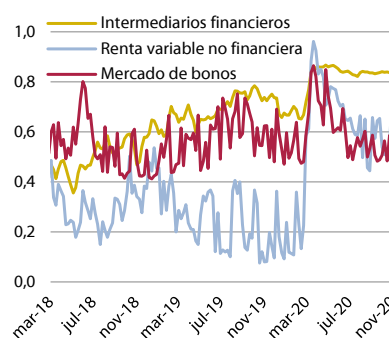
## THE CNMV PUBLISHES A NEW FINANCIAL STABILITY NOTE

23 November 2020

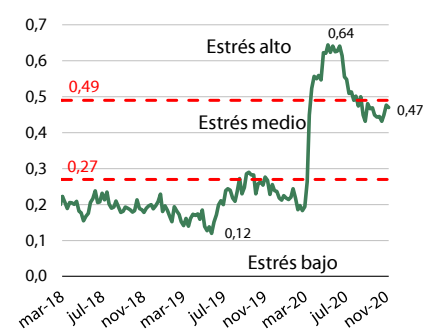
- It analyses the risks that affect Spanish markets on a quarterly basis.
- The stress level of the financial system, which peaked at 0.65 points at the outset of the crisis, a level not seen since 2012, has decreased slightly, stabilising in the 0.45-0.49 range. This range is just below the threshold between the medium and high stress levels.

The Spanish National Securities Market Commission (CNMV) has today published the [October 2020 Financial Stability Note](#), showing a slight decrease in the stress level of the financial system, which has remained stable for some weeks in the 0.45-0.49 range, just below the threshold between the medium and high stress levels. The segments of the financial system that continue showing the highest stress level are: financial intermediaries (banks) and non-financial securities, all of this within a context of high correlation in the system.

### Stress indicators in the financial intermediary and bond segments



### Total stress indicator



The macroeconomic situation in Spain has deteriorated since the outset of the crisis, as indicated by key employment and activity indicators. Even though GDP surged by 16.7% in the third quarter compared with the previous quarter, the year-on-year rate remains negative (-8.7%), to a larger extent than that of the euro zone (-4.3%).

Activity forecasts for the Spanish economy, which are subject to a high degree of uncertainty, issued by various institutions and bodies, indicate that GDP will fall this year at rates close to or above 12% (approximately 8% for the euro zone), whereas the rate could increase to between 4% and 7% next year. It should be noted that, if the availability of a high-efficacy vaccine is confirmed in the next few months, the recovery could be stronger and come earlier than expected. In the medium term, the crisis reveals two vulnerabilities related to the potential increase in the unemployment rate and with the need to ensure sustainability of public debt, which this year could exceed 120% of Spanish GDP.

The deterioration in national economic activity continued to be reflected in stock prices between July and October, a period in which the Spanish market experienced a bearish trend, in general, and underperformed compared with other European stock markets. The situation appears to have reversed in the first few days of November with sharp rises in stock markets, which in the case of Spain was one of the highest among European stock exchanges (15.6% between 1 and 9 November). The recent rise has been higher in companies and sectors hardest hit by the crisis in previous months such as tourism and hospitality, which would benefit to a greater extent from an earlier economic recovery. In the year to date, the Ibex-35 has fallen by 21.9%, which is higher than that recorded by other European stock market indices. No significant developments have been observed in the fixed income market since the last note was published. “Flight to quality” (in public debt assets) and “search for yield” (in corporate debt assets) strategies, also play an important role.

The most relevant risks of financial nature, which are still being detected, are related to market risks in certain asset categories, such as high yield corporate debt or subordinated debt which, in the current context of deterioration in activity, could trigger an increase in their risk premiums.

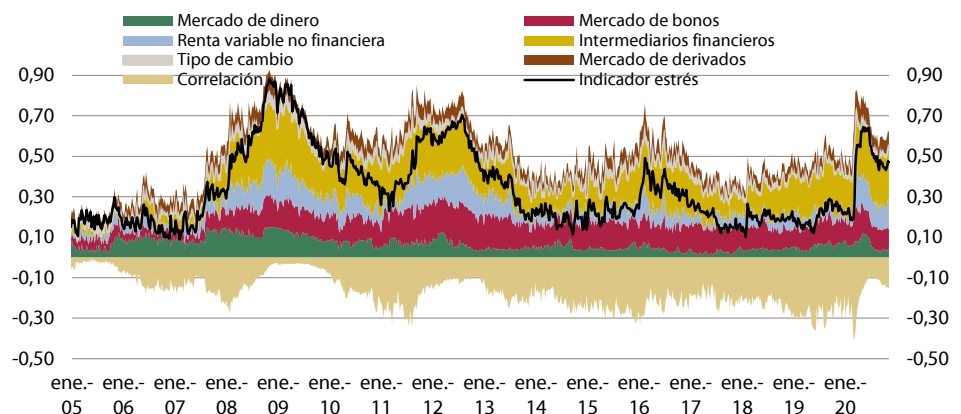
With regard to credit risk of issuers, at present no substantial deterioration can be observed in such risks in light of the evolution of issuers’ credit ratings. In this regard, the CNMV reviews the ratings of Spanish issuers’ debt on a quarterly basis, having observed a slight deterioration between March and June, which did not continue in subsequent months.

Sources of risks that could become relevant in terms of financial stability have developed in various ways during the past few months.

Those related to the increase in off-site activities, the generalisation of remote work and relationships via telematic channels remain at high levels. Therefore, enhancing cybersecurity has become increasingly important. Conversely, sources of risk of a political nature remain unchanged in Europe, particularly the Brexit process and the national scenario of parliamentary fragmentation. Whereas abroad the scenario has improved, in particular, after learning of the foreseeable change in the US Administration.

*The Financial Stability Note presents a broad set of indicators, including most notably the Spanish financial market stress indicator and what are known as colour maps (also known as heat maps). The first one provides a real-time measurement of systemic risk in the Spanish financial system, ranging from 0 to 1, which is obtained by weighted aggregation of the stress levels estimated in the following six segments: variable income, fixed income, financial intermediaries, currency markets, derivatives and the foreign exchange market. Heat maps allow us to visualise the changes witnessed in the various risk categories.*

### The Spanish financial markets stress indicator



Complete document: [Financial Stability Note no.º16, October 2020](#)