

## THE MARKET STRESS INDICATOR STANDS AT THE MEDIUM TO LOW RISK ZONE WITH A DECREASING TREND FROM THE START OF THE YEAR

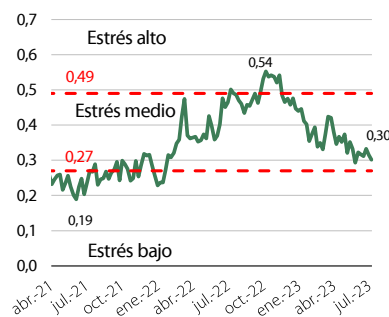
27 July 2023

- The index has fallen to 0.30, in line with a greater stability observed in the financial markets.
- The CNMV's Financial Stability Note analyses the risks affecting Spanish markets.
- The Note includes an article researching into the existence of greenium in the Spanish debt issuance between 2017 and 2022.

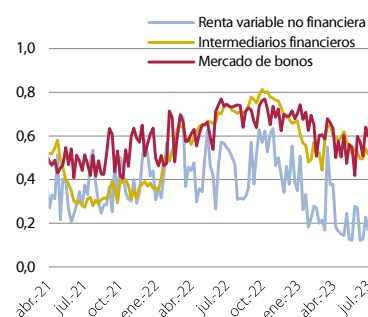
The Spanish National Securities Market Commission (CNMV) has published the [Financial Stability Note corresponding to June 2023](#), which reflects the fall in the stress indicator down to 0.30 (medium to low risk) from 0.44 at the start of the semester. During the first semester the decreasing trend was only interrupted temporarily in March (0.42) due to the turmoil caused by the bankruptcy of several banks in the US and of one in Europe.

In general, the stress level of the most relevant segments has decreased progressively, highlighting the case of non-financial securities. The highest stress levels continue to be found in the segments related to fixed income (monetary and bonds, at 0.56 and 0.60 respectively), as they are affected more by the monetary policy decisions together with the variations in the expectations regarding this, and in the financial intermediaries – 0.53 – which shows a relatively low price level and slightly higher risk premia.

**Total stress indicator**



**Indicators in the segment of bonds, financial intermediaries and equity**



The macroeconomic scenario indicates that the slowdown in activity is not as intense as expected a few months ago, at least in Spain, although there is still a high degree of uncertainty. Monetary policy continued

For further information:

[CNMV](#) Communications Department

Tel.: 91 5851530 - [comunicacion@cnmv.es](mailto:comunicacion@cnmv.es)

tightening in the first half of the year, although the frequency and levels of the official interest rate increases have been lower. The general inflation rates have fallen in the first semester, this not being the case for underlying inflation rates (at least not to the same extent), indicating a more prolonged growth of inflationary pressures and a lower probability of interest rate reductions in the short term.

**Equity markets showed important revaluations in the first half of the year despite the turmoil observed in March due to events in the banking sector.** The biannual figures showed a 16.6% increase of the Ibex 35, in line with the best behaving European indices, positioning this at its highest level since January 2020. However, this was not enough to close the breach generated in the past few years regarding these same indices. Liquidity was favourable, even though trading volumes fell and activity in the primary market was also very scarce.

**Relevant and heterogeneous sources of uncertainty looming over the financial system.** To be highlighted are those associated with the strong rise in interest rates, which could affect the most indebted and financially vulnerable stakeholders (credit risk), apart from involving a substantial rise in the cost of financing those requiring resources. In contrast, the market risk associated with the rise in interest rates has slightly reduced its relevance since, although the returns of fixed income assets may continue increasing in the short term, in principle this will not be as intense as in the previous quarters. On the other hand, it should be mentioned that the geopolitical uncertainties continue to be high. The relevance of cyber-risks is also maintained as there has been an important growth in the number of cyberattacks and of those regarding crypto-assets.

#### **Greenium in the debt assets of Spanish issuers**

María Isabel Cambón's article "Is there proof of greenium in the debt assets of Spanish issuers?" examines the possibility of bonds qualified as "green", issued by Spanish debt issuers, being quoted at a higher price than equivalent conventional bonds, that is to say, having an associated premium known as greenium, this having been the object of numerous analyses over the past few years and providing heterogeneous results. Information on all issuances of plain vanilla bonds in euros by these issuers between 2017 and June 2022, independently from the market in which the issue was carried out, was collected for this study. In total there are 391 bond issuances, of which 77 correspond to green bonds. The analysis, to a large extent following that proposed by Kapraun et al. (2021), has a triple aim: seeking proof of greenium in the primary market, in the secondary market and, finally, on specific pairs of bonds,

For further information:

[CNMV](#) Communications Department

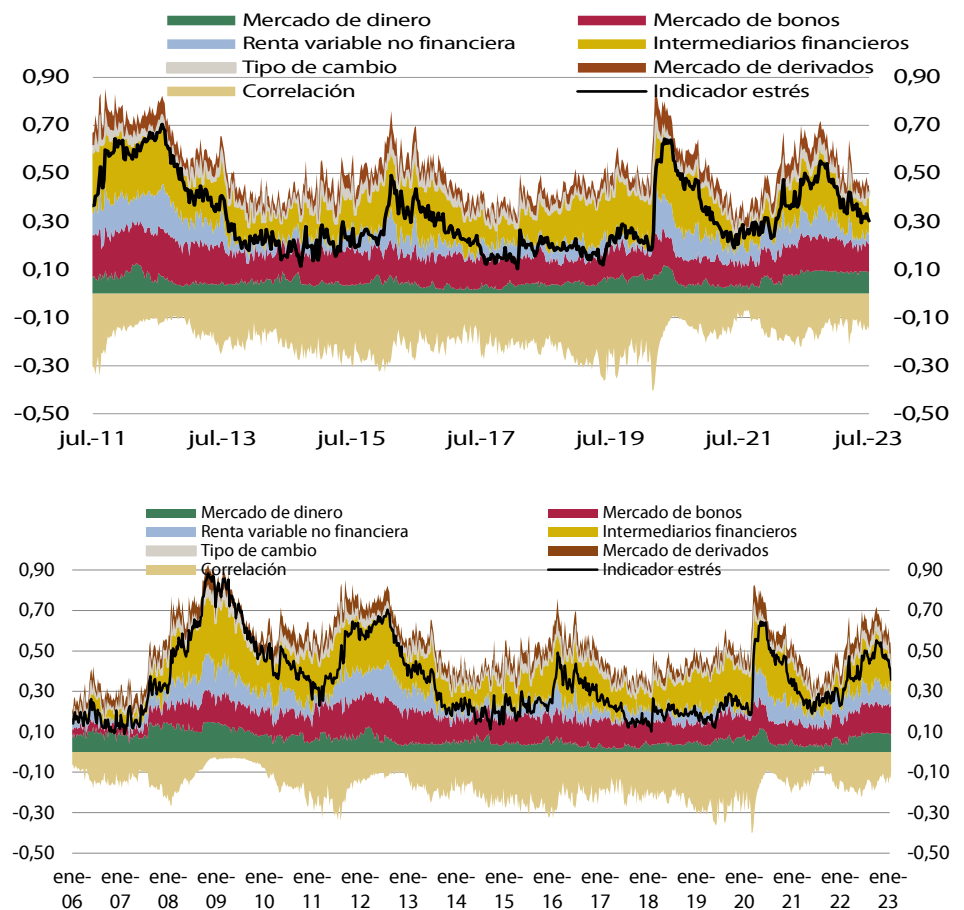
Tel.: 91 5851530 - [comunicacion@cnmv.es](mailto:comunicacion@cnmv.es)



formed by a green bond and a conventional one with very similar characteristics. The results deliver proof of greenium in the primary market in green bonds with Climate Bonds Initiative (CBI) certification. Instead, this does not appear in the secondary market and only partially in the analysis of pairs of bonds.

*The Financial Stability Note presents a broad set of indicators, most notably including 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: equity, fixed income, financial intermediaries, currency markets, derivatives and the foreign exchange market. Heat maps allow us to visualise the changes undergone by the various risk categories.*

### Spanish financial market stress indicator



Full document: [Financial Stability Note No. 24 June 2023](#)