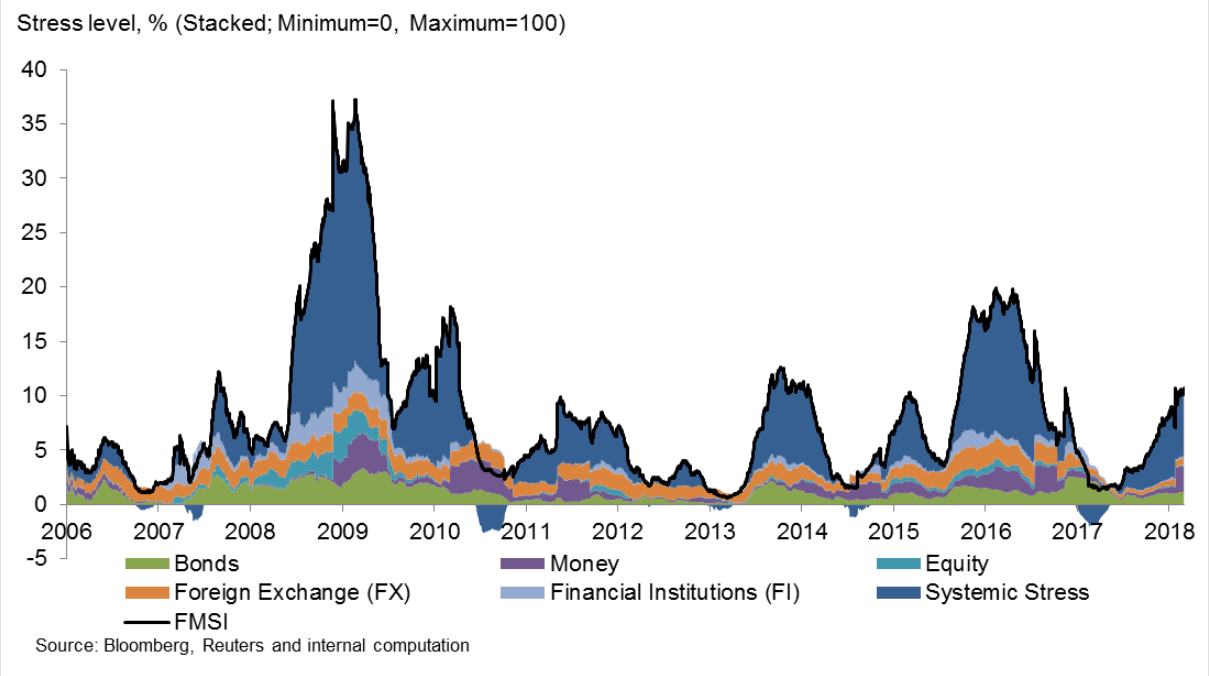
Financial Market Stress Index



The Financial Market Stress Index (FMSI) was developed in 2013[1] as a risk monitoring tool for the financial market. It measures current conditions in the domestic financial markets and allows different financial stress events to be compared over time. The FMSI captures financial stress in five domestic asset classes - the foreign exchange (FX), equity, bond, money markets and financial institutions (FIs). The indicators selected for the construction of the index take into account aspects relating to volatility, credit spreads, liquidity and valuation losses in different asset classes. The FMSI also captures a systemic stress component, which measures cross-correlations among the different markets. An increase in systemic stress indicates that markets are moving together in a synchronised manner (higher asset cross-correlation).

How to Interpret the Index:

The index ranges from 0 to 100%. Values near zero denote normal financial market conditions while values closer to 100% denote a period of extreme financial market stress. For reference, during the Global Financial Crisis, the FMSI recorded a value of 37.2% compared to the current level of 10.7% as at end-February 2018.

[1] It was developed based on the European Central Bank's (ECB's) Composite Indicator of Systemic Stress (CISS) Index.