



EUROPEAN CENTRAL BANK

EUROSYSTEM

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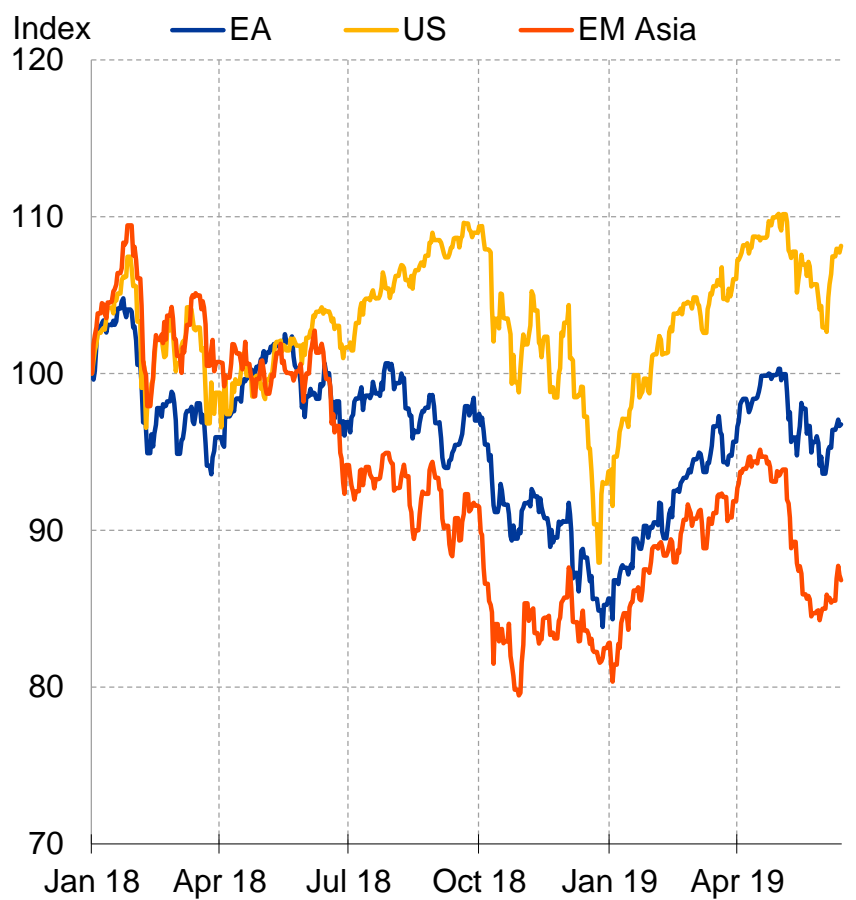
Market developments and outlook

ECB Foreign Exchange Contact Group
Frankfurt am Main, 18 June 2019

The views and opinions expressed in this presentation are solely those of the author and do not necessarily represent the views of the ECB

Global equity markets sell off on heightened trade tensions

Global equity market developments



Sources: Bloomberg and ECB calculations.
Note: Indices shown are Eurostoxx 50 (EA), S&P500 (US), MSCI EM Asia (EM Asia). Indices 100 = 2 Jan 2018.
Last observation: 13/06/2019.

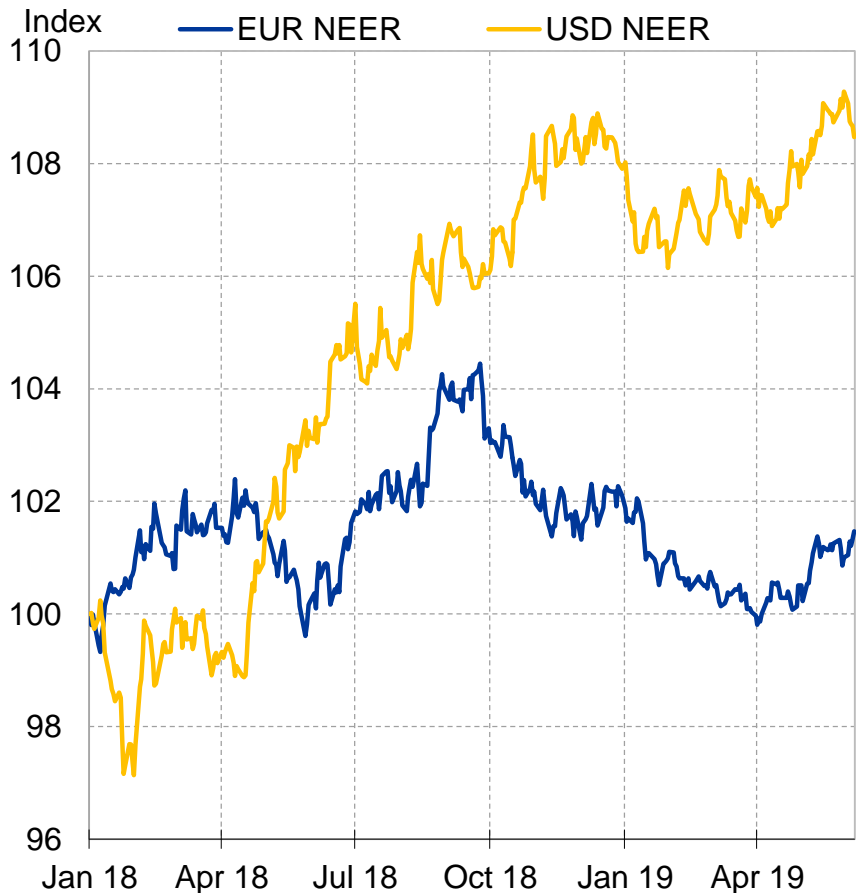
US stock market and sub-index of firms with high exposure to China



Sources: Bloomberg and ECB staff calculations.
Notes: China exposure index is constructed by weighting S&P 500 stocks by their revenues originating from China (including only stocks with a China revenue share above 10%).
Indices 100 = 1 Oct 2018. Last observation: 13/06/2019.

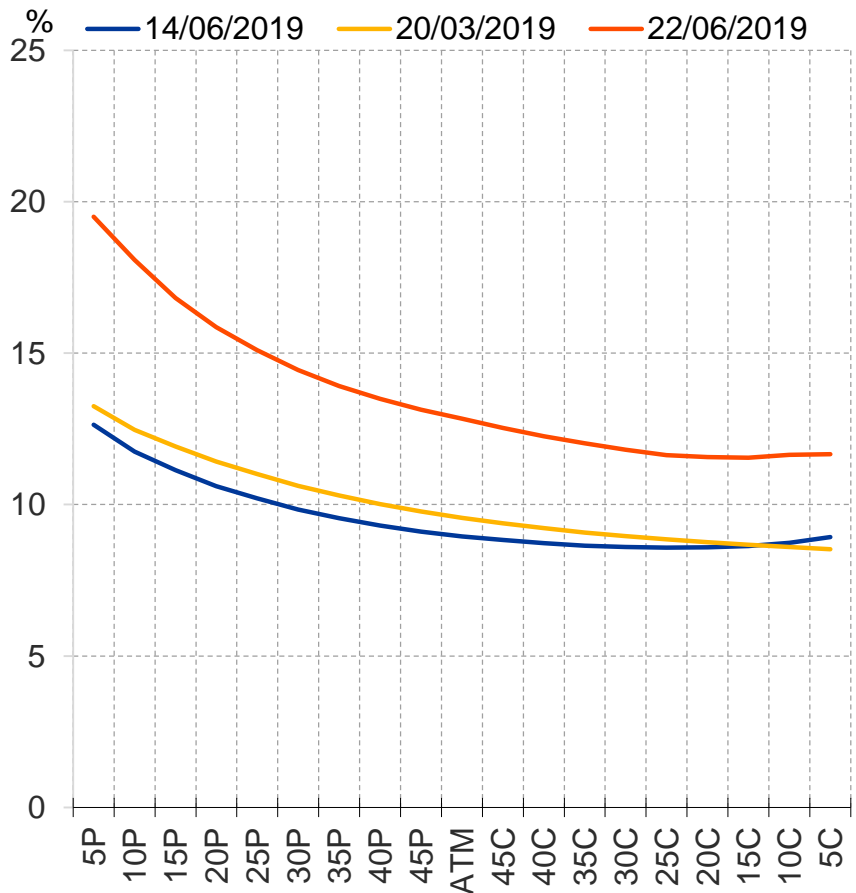
Euro and US dollar stronger in the FX market and a persistent volatility skew in the British pound

Developments in effective exchange rates



Sources: Bloomberg.
 Note: Euro nominal effective exchange rate against currencies of 41 trading partners and trade weighted US dollar index. indices: 02/01/2018 = 100.
 Last observation: 07/06/2019.

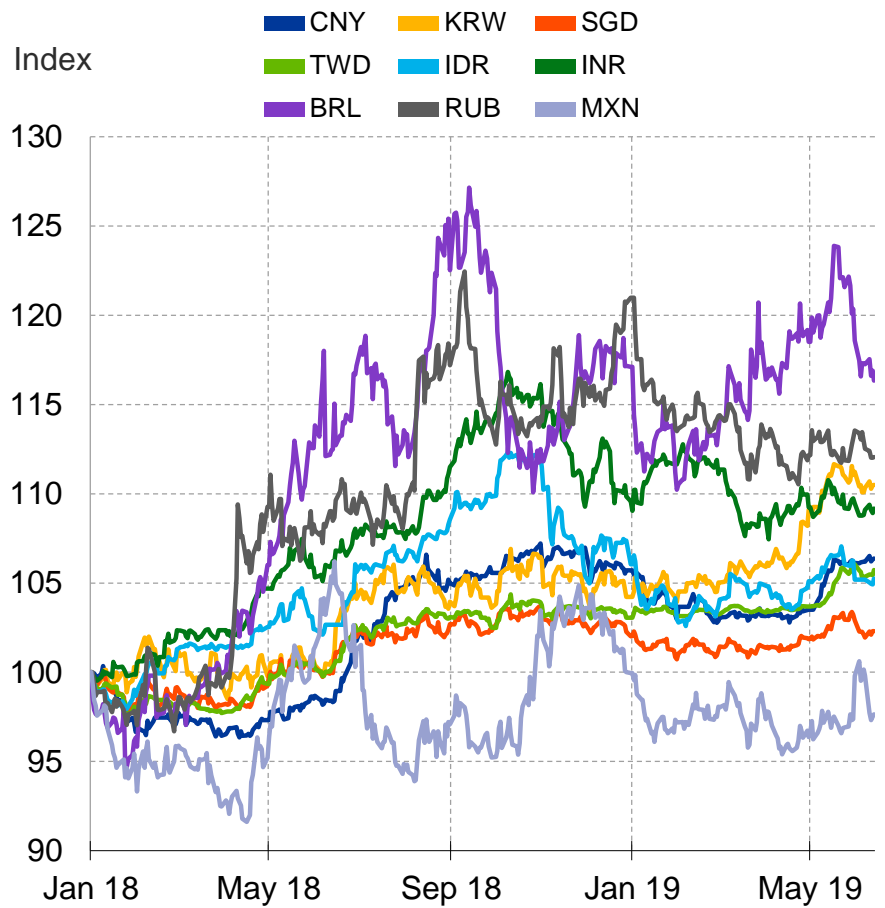
GBP/USD 6-month implied volatility smiles



Source: Bloomberg.
 Note: FX Volatility GBP Call/Put delta.
 Last observation: 14/06/2019.

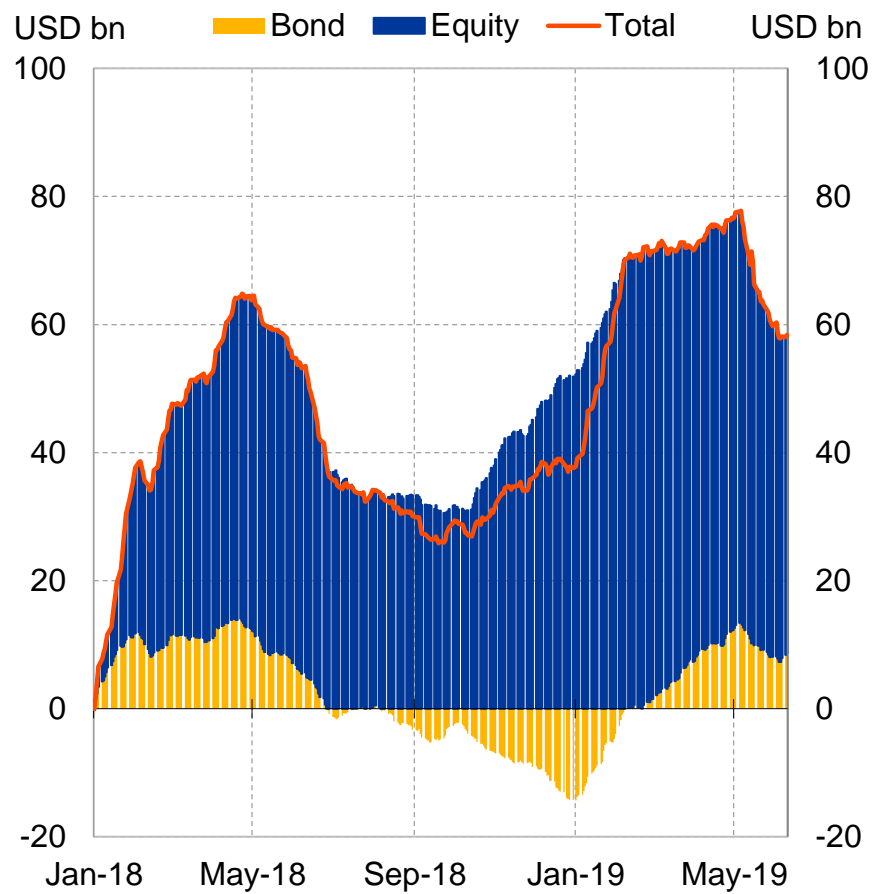
Emerging market currency depreciation and investor fund outflows

Developments in emerging market currencies



Sources: Bloomberg.
 Note: All currencies are bilateral to the US dollar and indexed to 100= 1 Jan 2018. An increase indicate depreciation of the specific currency against the US dollar.
 Last observation: 13/06/2019.

Fund flows to emerging market economies



Sources: EPFR, ECB calculations.
 Last observation: 11/06/2019.

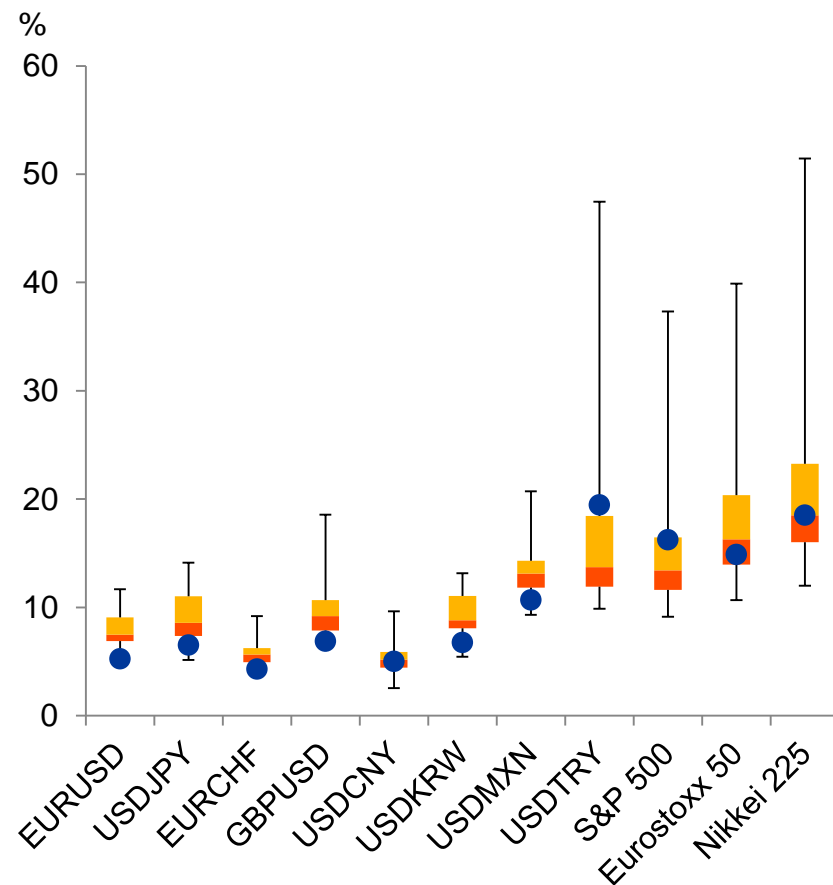
FX implied volatility has remained contained amid heightened trade tensions and softer global growth outlook

Implied volatility index of major FX currency pairs



Sources: Bloomberg, Deutsche Bank.
Note: The index is an arithmetic average of the 3-month level of implied volatility for the ten most liquid FX crosses as measured by the BIS triennial survey 2004. Last observation: 06/06/2019.

Implied volatility FX and equity markets



Sources: Bloomberg, ECB calculations.
Note: The histogram indicates high, low and first and third quartile of daily implied volatility between 1 Jan 2016 and 14 Jun 2019. www.ecb.europa.eu Last observation: 14/06/2019.

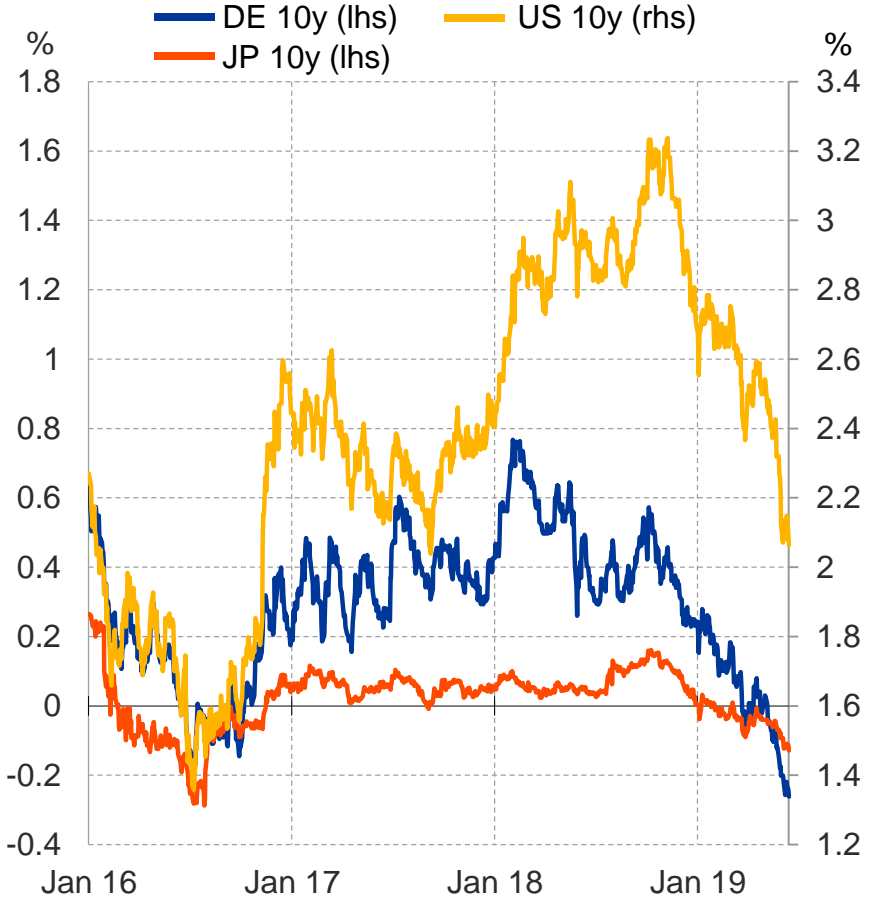
Lower long-term inflation expectations weighing on core international government bond yields

Euro area and US inflation forward swap rates



Source: Bloomberg and ECB calculations. Last observation: 13/06/2019.

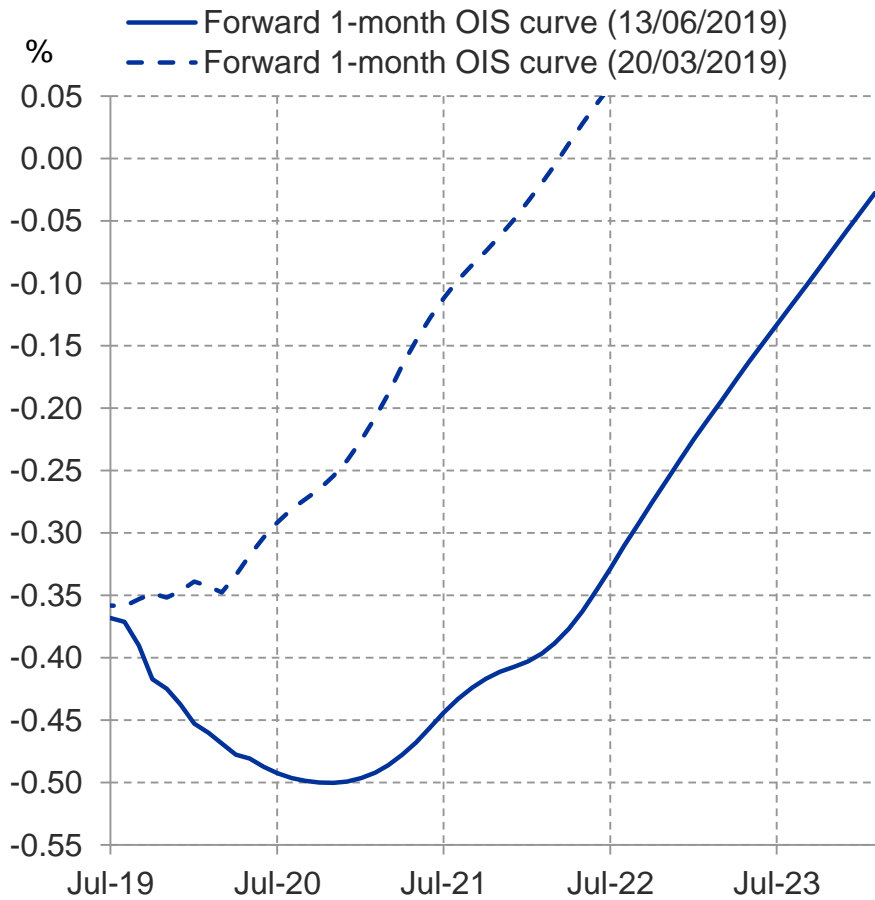
10-year yields of German, US and Japanese government bonds



Source: Bloomberg and ECB calculations. Last observation: 13/06/2019.

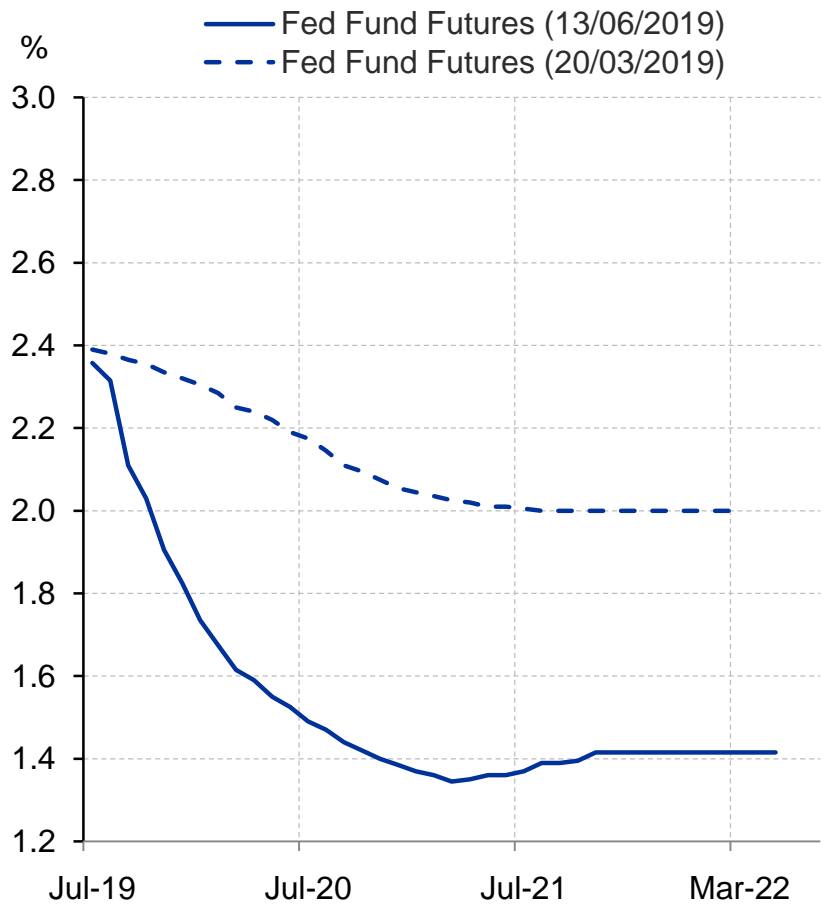
Lower implied market rates for ECB and FOMC policy rates

ECB policy rate expectations



Source: Bloomberg.

FOMC policy rate expectations



Source: Bloomberg.

Thank you for your attention