



International Monetary Fund

February 2025

Financial Stability and Markets

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What does the IMF do?

Who does the IMF serve? Countries

HOW MANY COUNTRIES ARE IMF MEMBERS?

191

member countries

700 19th St NW,
Washington, DC
20431

WHERE IS THE HEADQUARTERS OF THE IMF?

HOW MUCH MONEY DOES THE IMF HAVE TO LEND?

About SDR 707 billion, or around US \$1 trillion

Most money comes from its members who contribute based on their size and economic position

WHERE DOES THE IMF GET ITS MONEY?

HOW MANY PEOPLE WORK AT THE IMF?

Approximately 3100 staff from 162 countries

The United States, Japan, France, Germany, Italy, and the United Kingdom

WHO CONTRIBUTES THE MOST TO THE IMF?

What are the IMF's goals?

What does the IMF do?

The IMF fosters international financial stability by offering:



POLICY ADVICE

Monitoring economic and financial developments and advising countries.

Bilateral surveillance: Article IV, Financial Sector Assessment Programs (FSAPs),

Multilateral surveillance: World Economic Outlook, Global Financial Stability Report, Fiscal Monitor, Regional Economic Outlook, etc.



FINANCIAL ASSISTANCE

Loans and other financial aid to member countries.

10 or so lending programs, depending on purpose and conditionality

Largest lending program is Extended Fund Facility, 20 countries with 70 billion SDRs.



CAPACITY DEVELOPMENT

Technical assistance and training to help governments to implement sound economic policies.

50 percent of the IMF's CD is spent on Low Income and Developing Countries, 25 percent on Fragile and Conflict-Affected States.

Assistance provided on Public Finance, Monetary and Financial Policies, Macro frameworks, Legal frameworks, Statistics, Climate action, etc.

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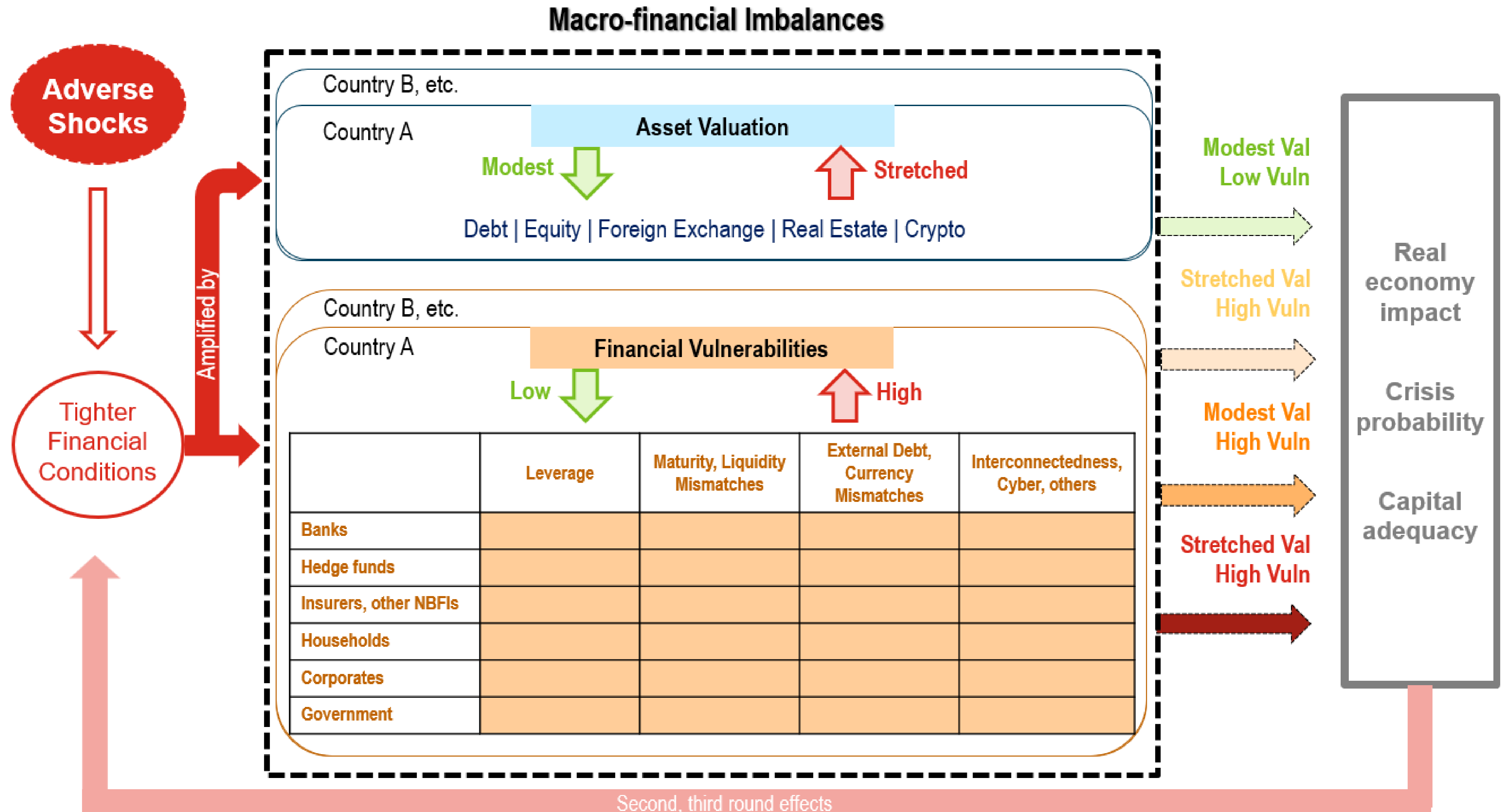
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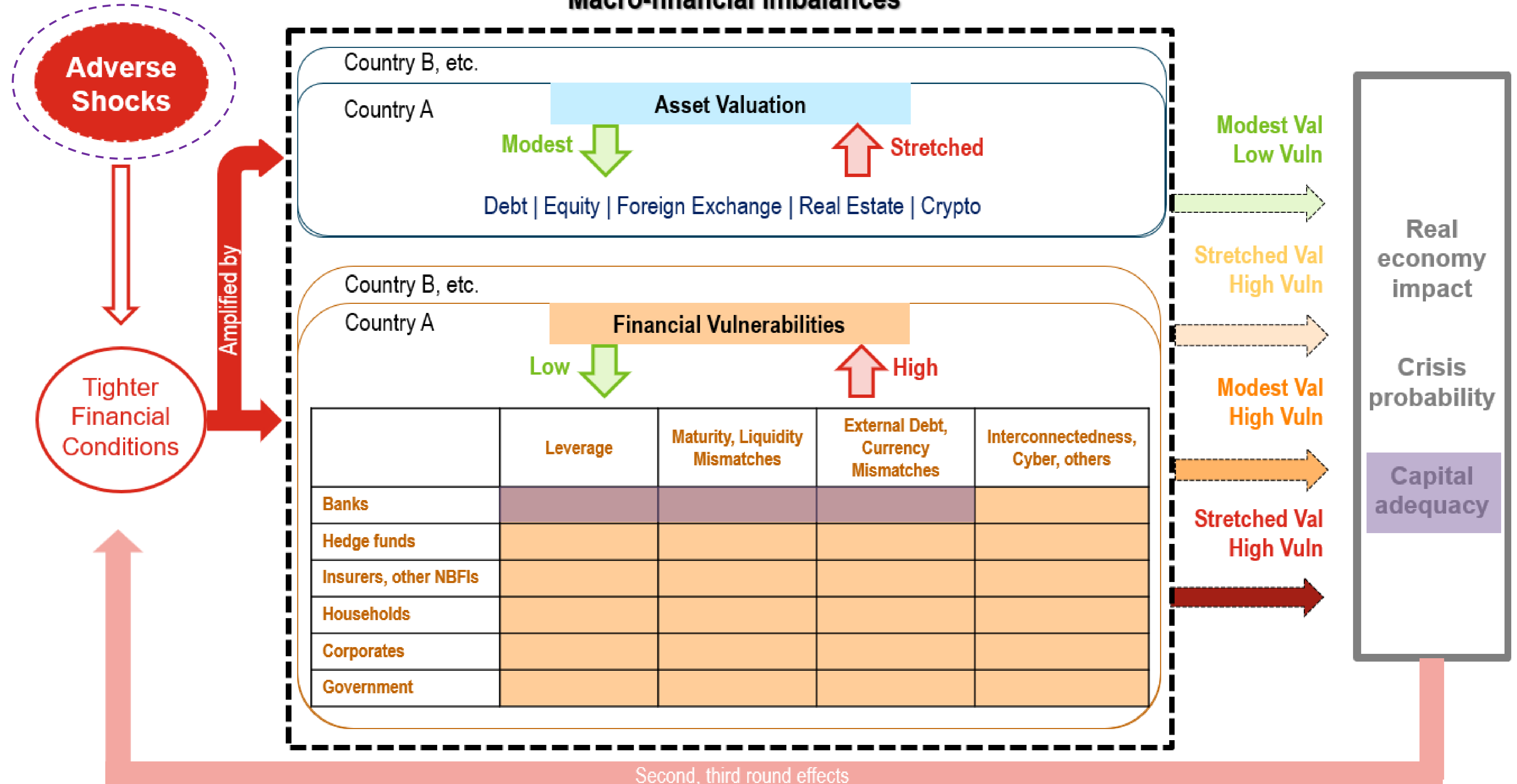
Financial stability framework

Financial stability monitoring framework



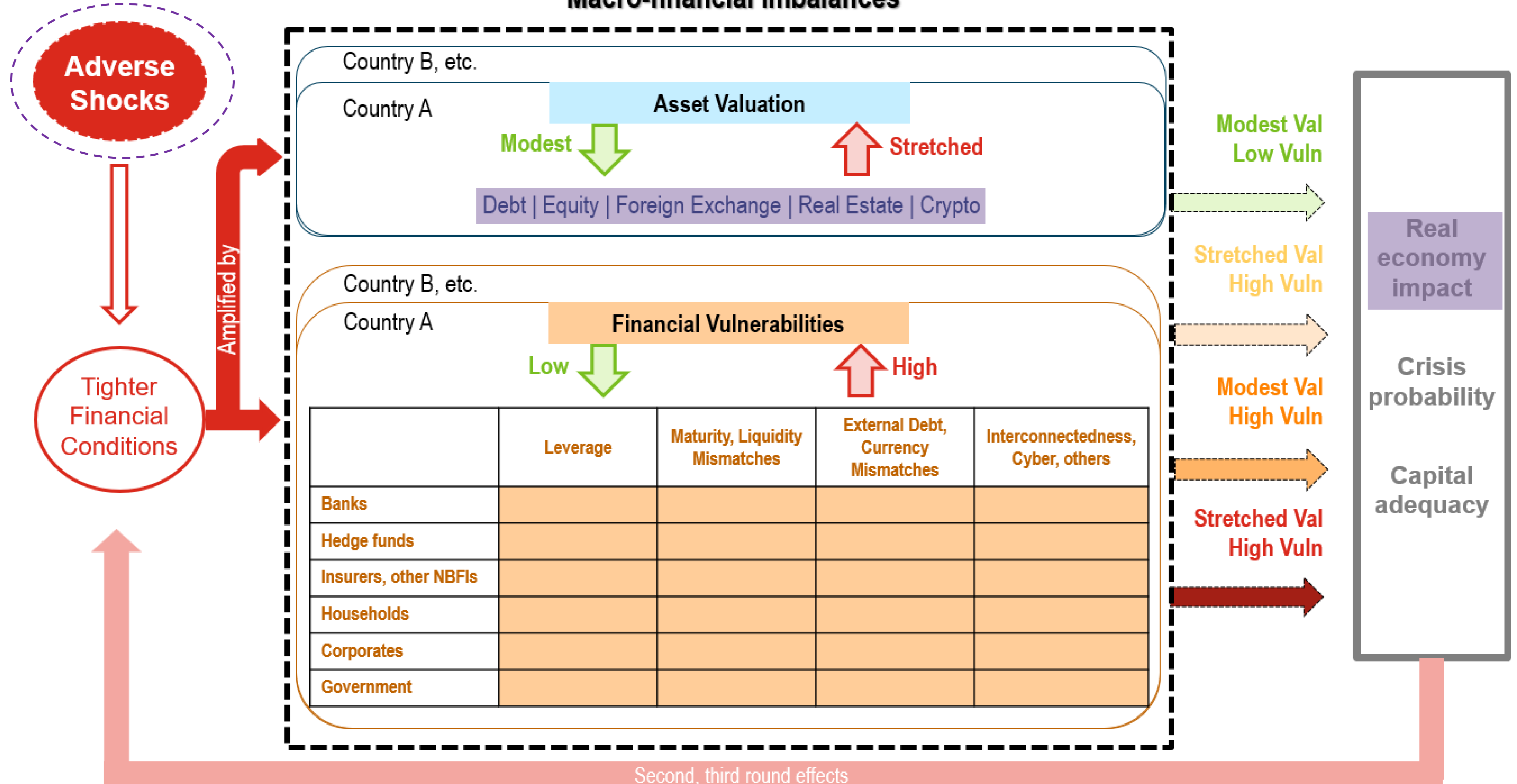
Banking sector solvency stress tests or scenario analysis

Specific shock or scenario



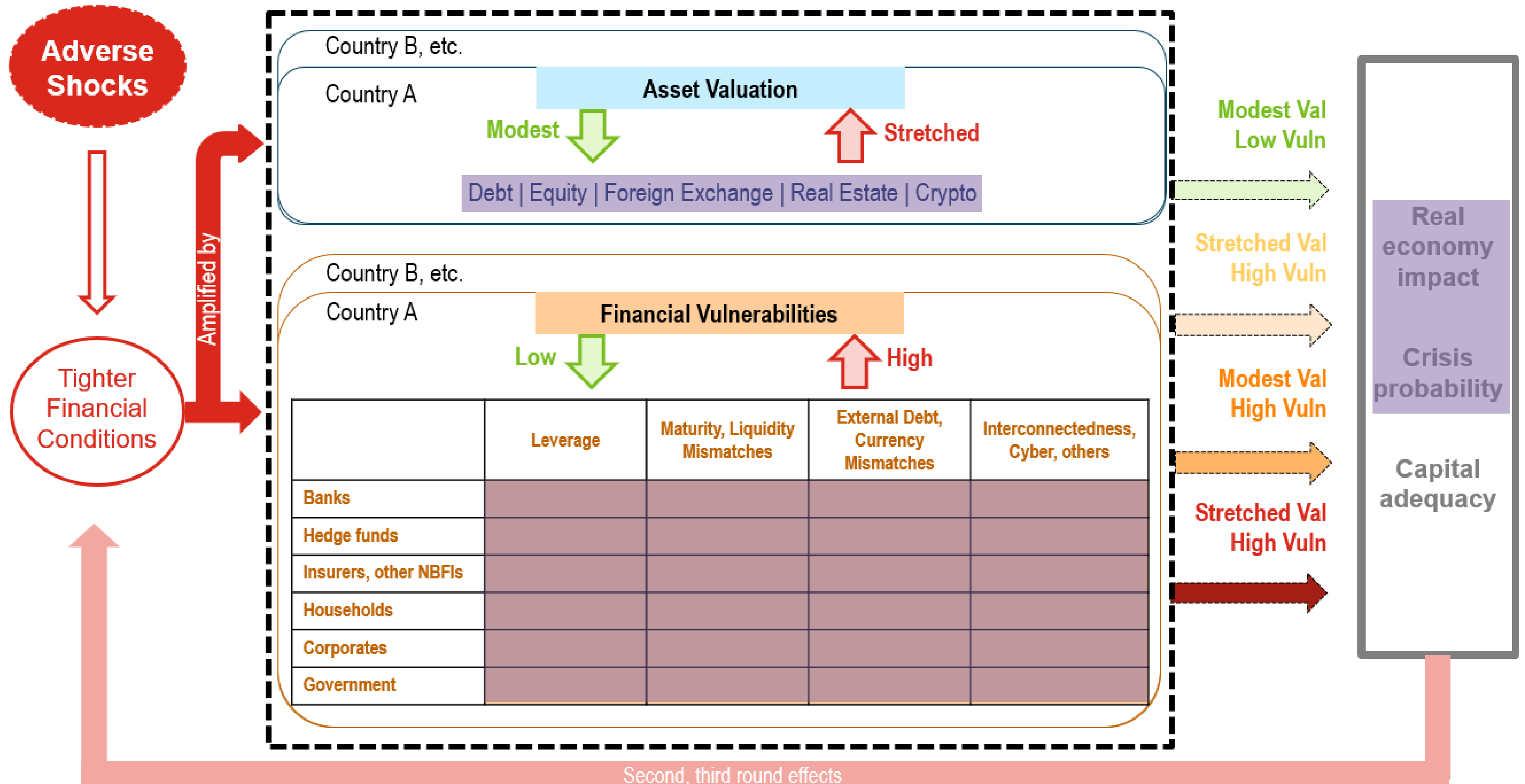
Investor risk surveys (e.g., Bank of America)

Many types of shocks



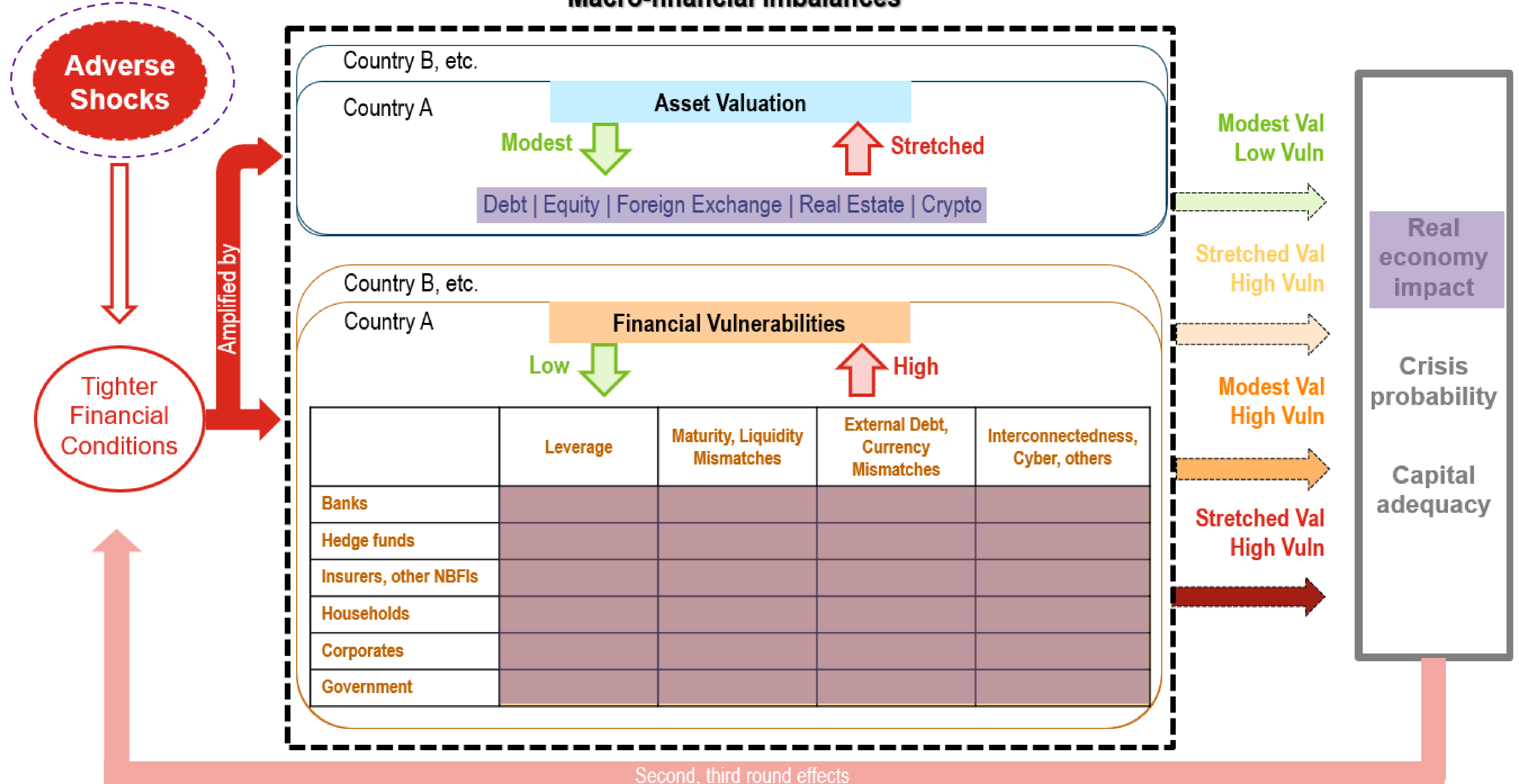
The GFSR, many central bank FSRs

Macro-financial Imbalances



Growth-at-Risk*

Looking across past shocks



*Incorporates asset valuations and vulnerabilities at an aggregated level

Challenges in assessing vulnerabilities

Assessment of data gaps for nonbank financial institutions (Chapter 2 of April 2023 GFSR)

Lack data needed to quantify certain vulnerabilities:

- Data gaps. See nonbank financial intermediation example →
- No access to confidential supervisory data e.g., cross-border bank exposures.

Data arrives with significant lag or too backward-looking.

- E.g., Credit-to-GDP data lagged by almost one-year.

Consistent data across countries often not available; resource constraints.

Table 2.2. Regulatory Data Gaps for NBFIs

NBFI (GFA)	Financial Leverage	Liquidity	Interconnectedness	Currency Mismatches
Investment funds (excluding money market funds and hedge funds) (\$58 trillion, 12% of GFA)				
Insurance companies (\$40 trillion, 9% of GFA)				
Pension funds (\$43 trillion, 9% of GFA)				
Money market funds (\$8.5 trillion, 2% of GFA)	N/A			N/A
Structured finance vehicles (\$6 trillion, 1% of GFA)				
Hedge funds (\$6 trillion, 1% of GFA)				
Central counterparties (\$0.7 trillion, 0.1% of GFA)	N/A			N/A

Source: IMF staff elaborations.

Note: This table is to be read jointly with Table 2.1 on NBFI vulnerabilities. Red denotes no/very little data in areas with high or medium/high vulnerabilities; orange denotes no/very little data in areas with low/medium vulnerabilities; yellow denotes some data in select jurisdictions in areas with high or medium/high vulnerabilities; light green denotes some data in select jurisdictions in areas with low or medium vulnerabilities; dark green denotes broadly adequate data irrespective of level of vulnerabilities. GFA = global financial assets; N/A = not applicable; NBFI = nonbank financial intermediary.

Market intelligence helps “pick and choose battles”

Market Intelligence

Analyst Reports
Market Data

Market
Outreach

Most topical
conjunctural issues

Global Markets Monitor and Special Features

Surveillance Meetings

Most relevant
vulnerabilities

Global Financial Stability Report
Presentation to governors and ministers

Most relevant vulnerabilities

Vulnerabilities identified via market intelligence:

- Private credit (June 2023)
- Lop-sided yen positioning (March 2024)

Fragilities missed:

- UK LDI episode (October 2022)
- US regional bank failures (March 2023)

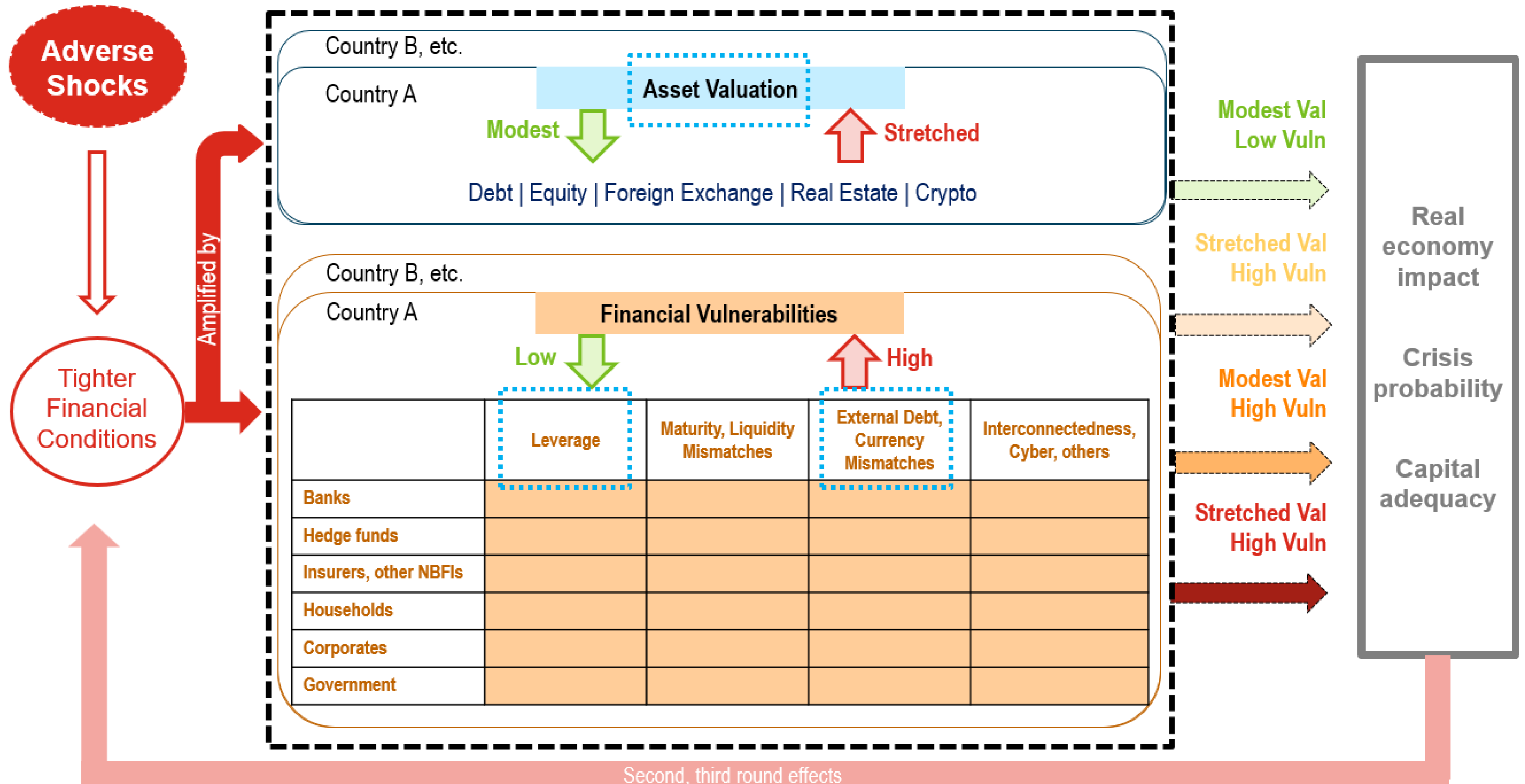
Overcoming data challenges:

- No supervisory banking data—Key Risk Indicators using analyst forecasts (Oct 2023),
- No data on office CRE exposures—textual analysis on 10-Qs (Oct 2024).

FSAPs help identify vulnerability at the country level.

Today's focus

Macro-financial Imbalances





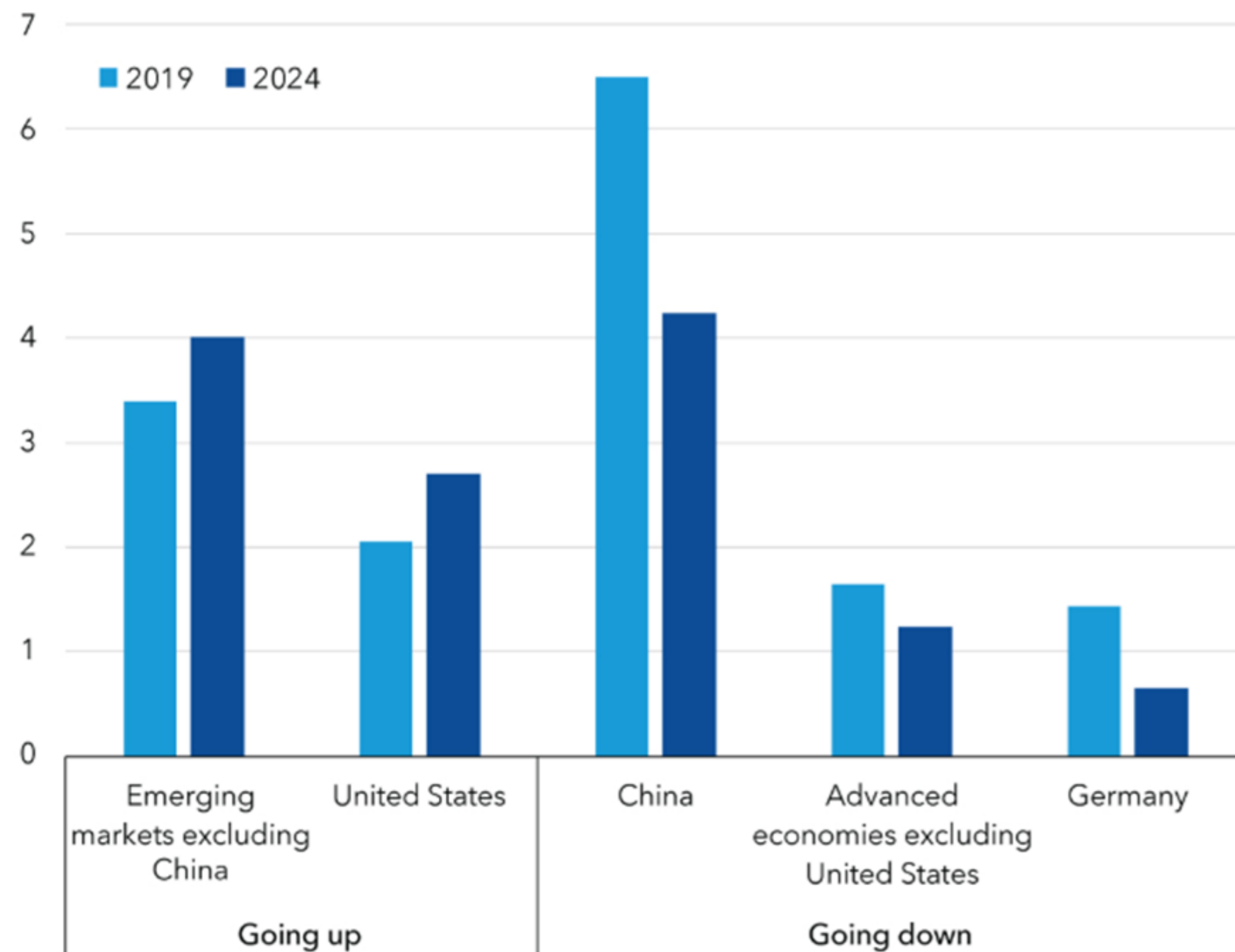
Backdrop



Global Economic and Financial Market Divergence

Potential growth is diverging across economies

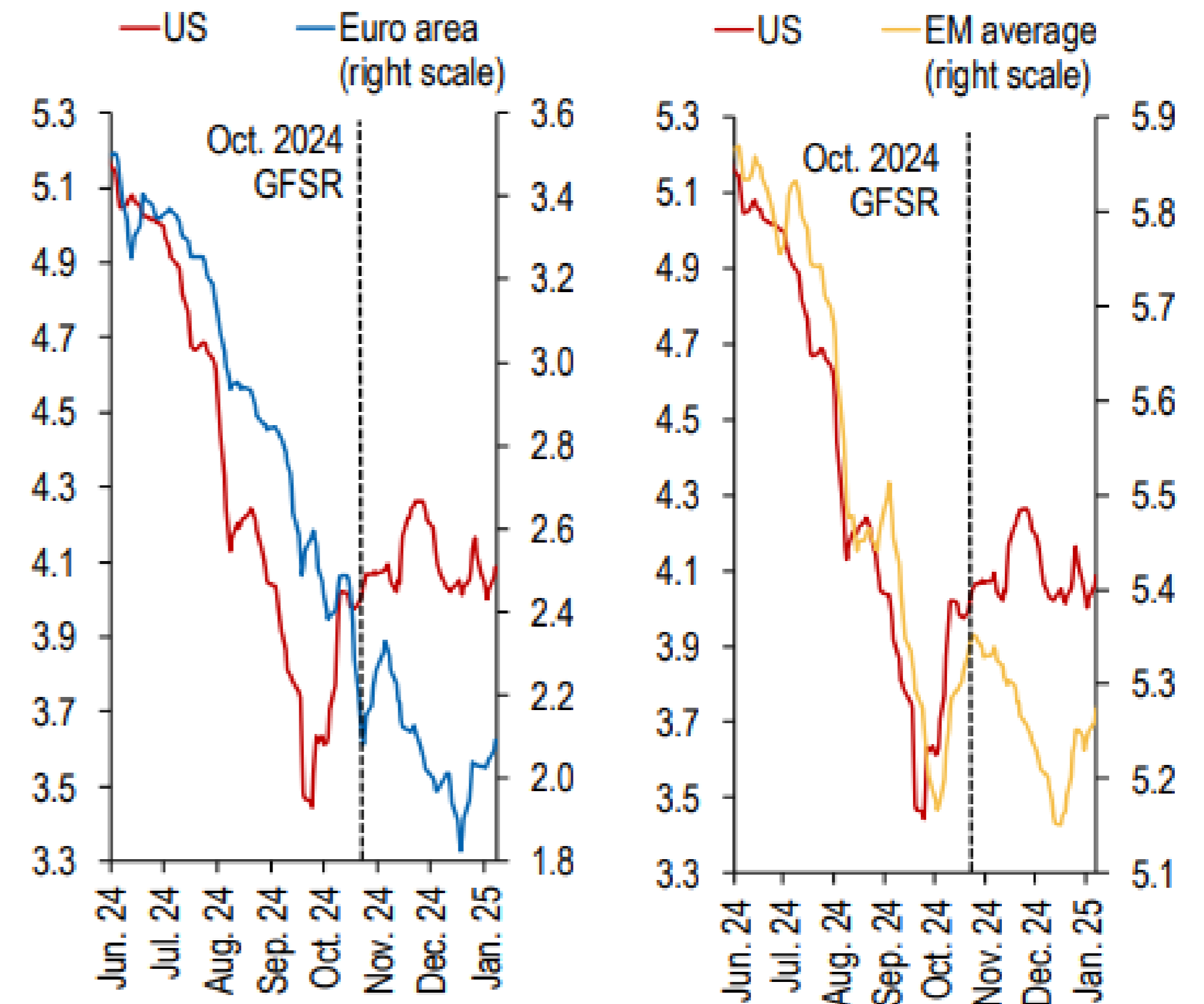
Real potential GDP, annual percent change



Sources: IMF, World Economic Outlook; and IMF staff calculations.



Market-Implied Six Month-Ahead Policy Rates (Percentage points)

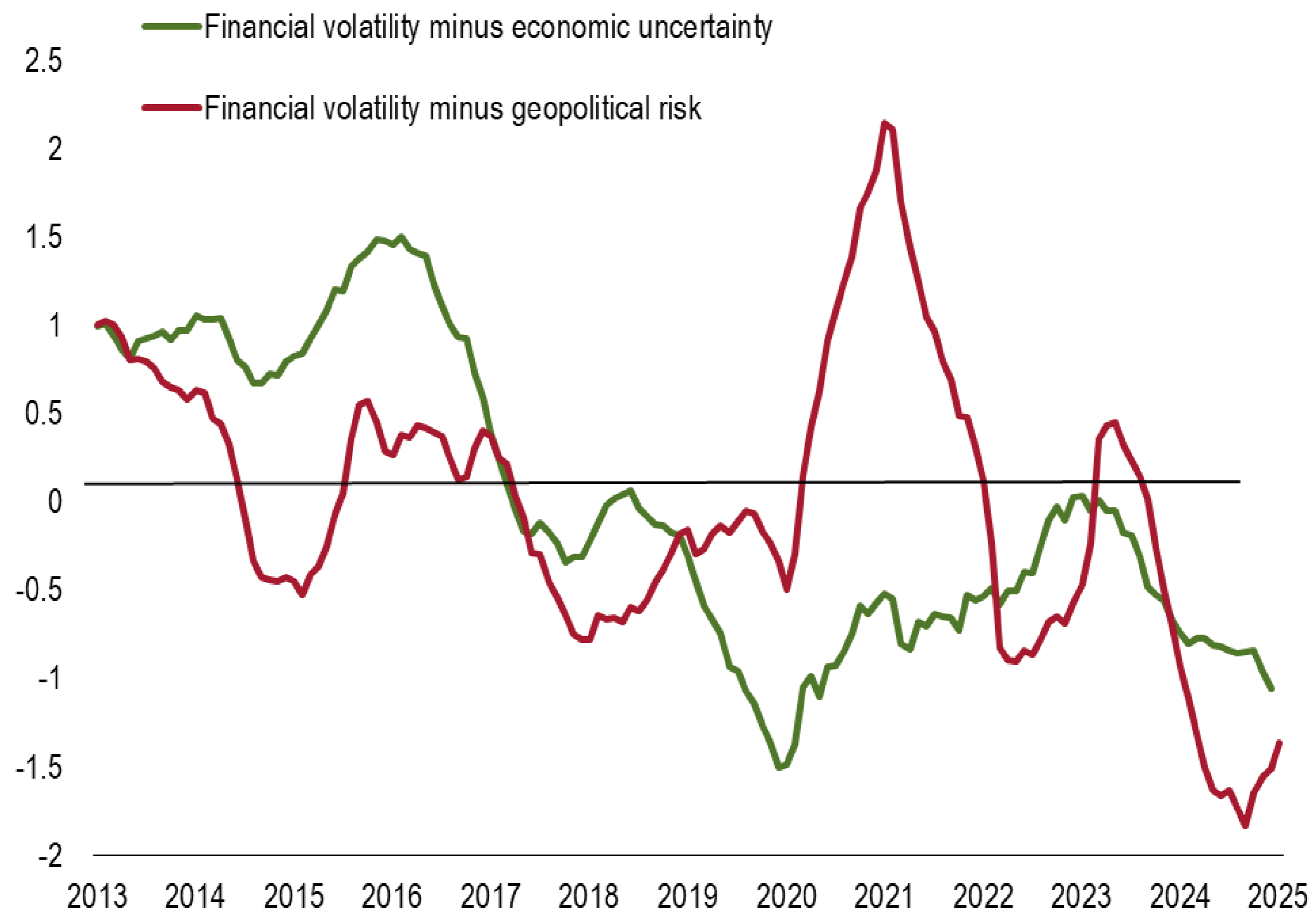


Sources: Bloomberg Finance L.P.; and IMF staff calculations.

Note: The EM group comprises Chile, China, Colombia, India, Malaysia, Mexico, Poland, South Africa, and Thailand; EM = emerging markets. GFSR = Global Financial Stability Report.

Markets Underpricing Uncertainty

Gap between financial volatility, economic uncertainty and geopolitical risk
(Difference between historical z-scores)

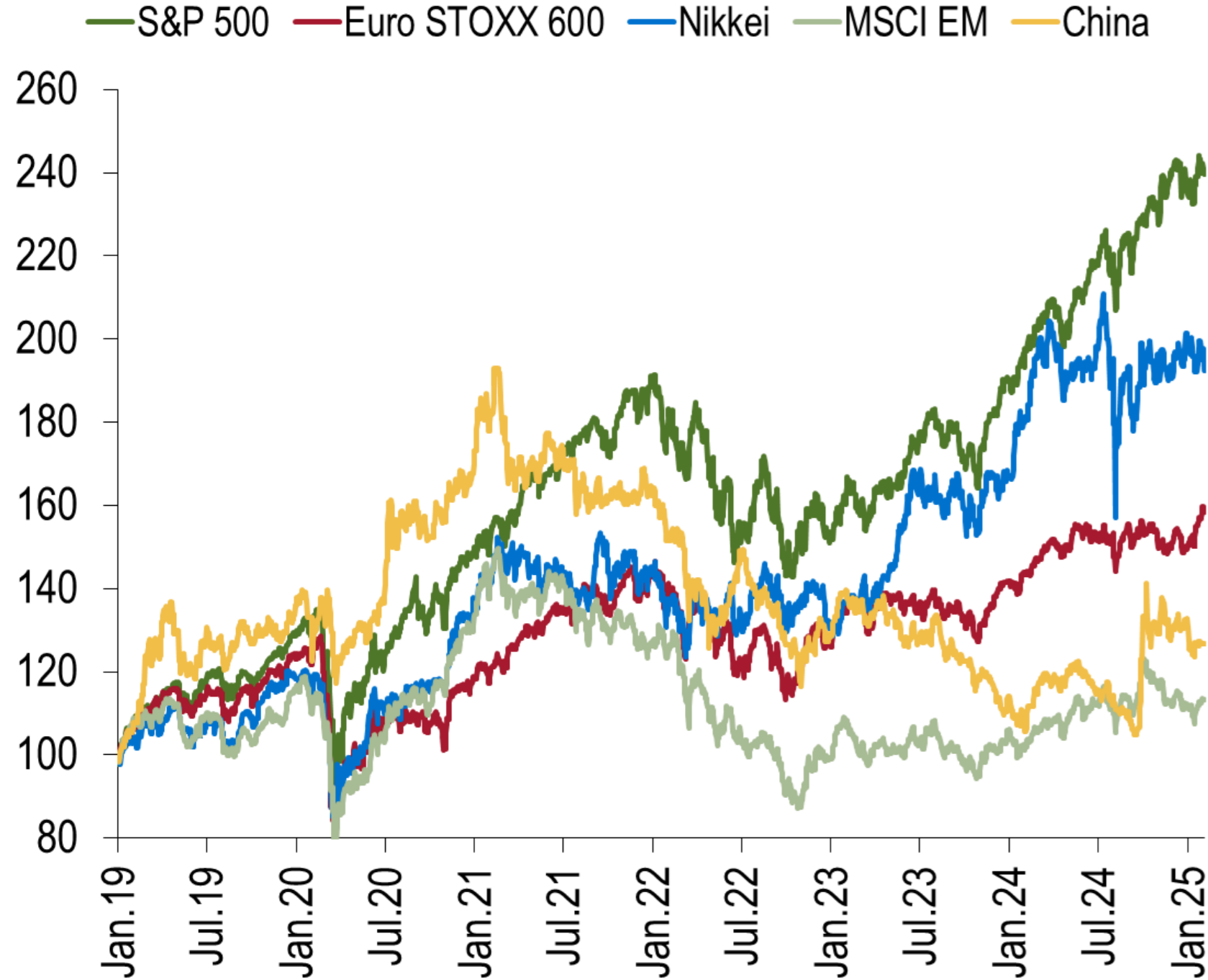




Asset valuation is lofty in major markets

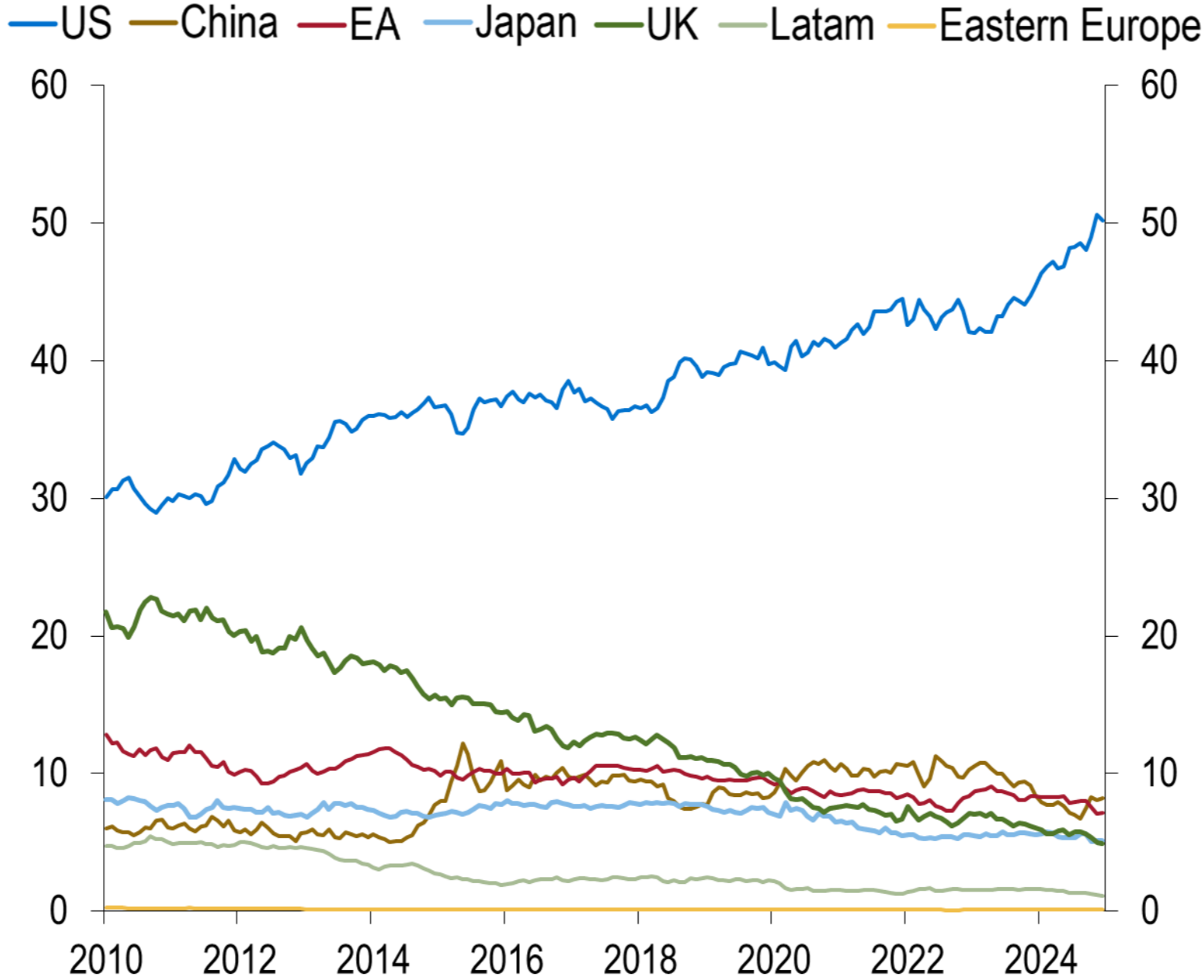
Equities “Priced to Perfection” But Not Everywhere

Performance of Selected Indices
(Cumulative growth indexed on December 31, 2018)



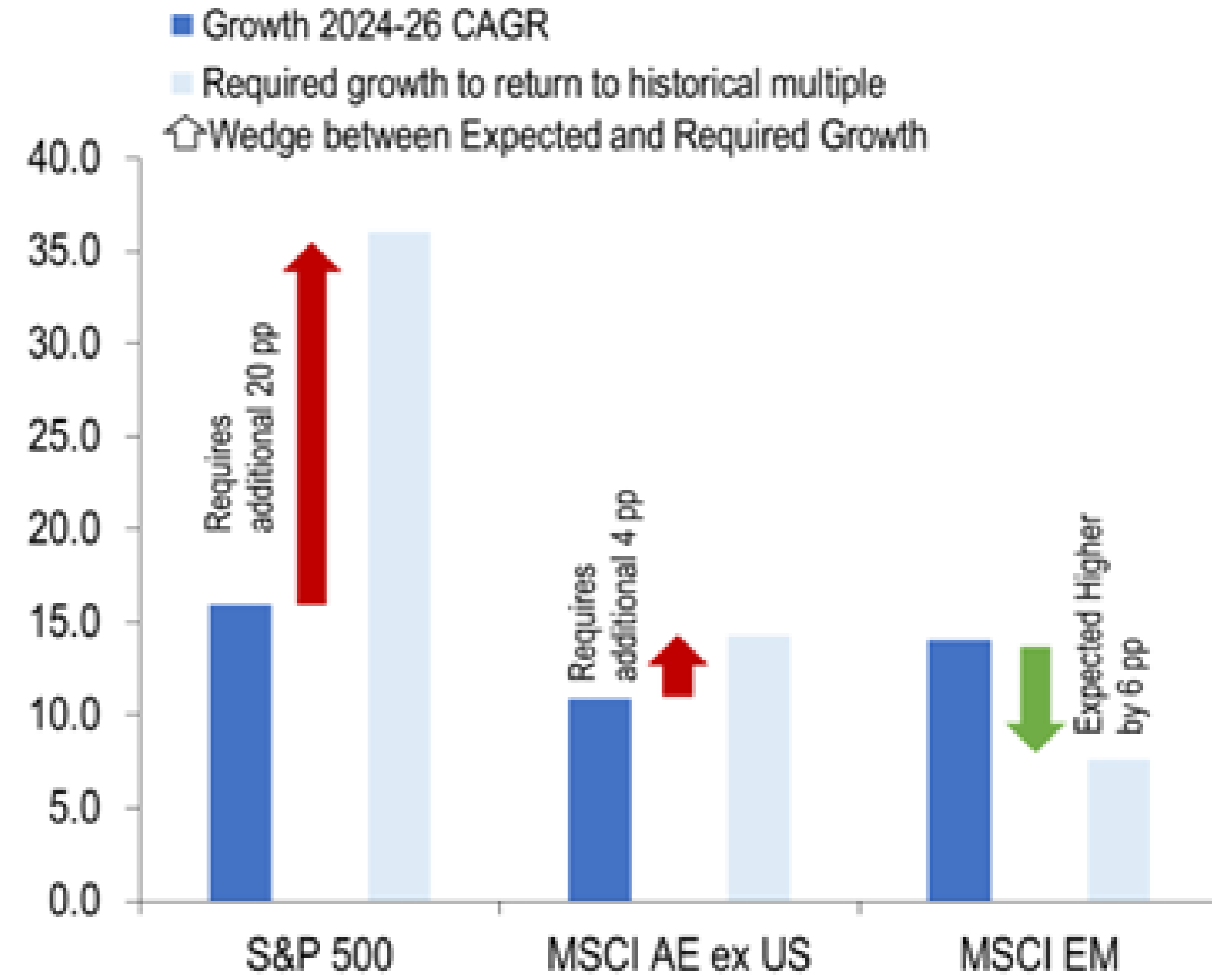
Sources: Bloomberg Finance L.P.; and IMF staff calculations.

Share of World Equity Market Cap
(Percent)



Sources: Bloomberg Finance L.P.; and IMF staff calculations.

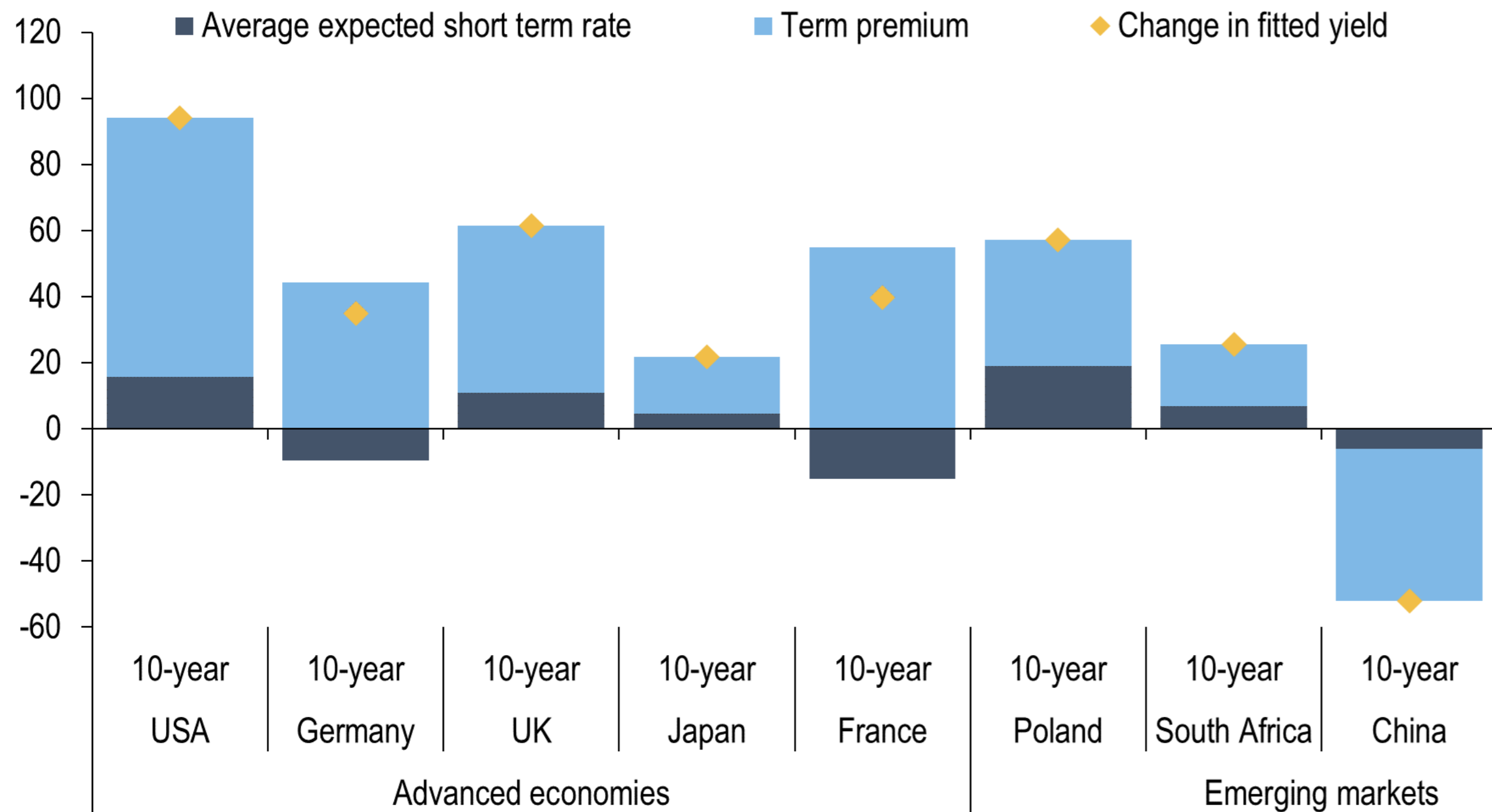
Required Earnings Growth to Return Existing Valuation to Historical Average Multiple
(Percent)



Sources: Bloomberg Finance L.P.; and IMF staff calculations.

Do Bond Yields Adequately Reflect Fiscal Concerns?

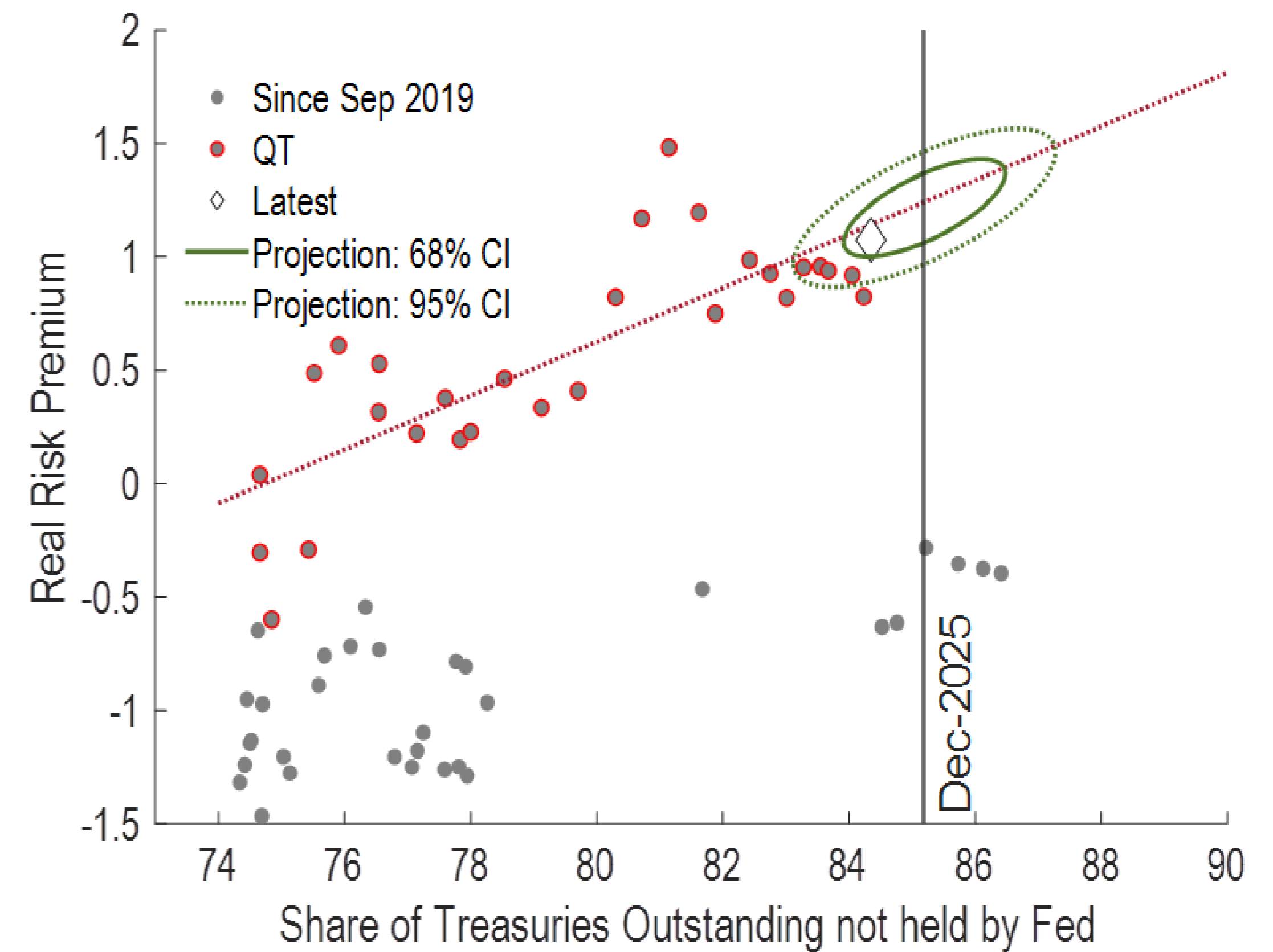
Decomposition of the Change in 10-Year Government Bond Yields Since the Last GFSR
(Basis points)



Sources: Bloomberg Finance L.P.; and IMF staff calculations.

Note: Expected policy rates shown here are based on interest rate futures or swaps. Information conveyed by these markets may deviate periodically from other measures of policy rate expectations, such as those obtained from surveys of professional forecasters.

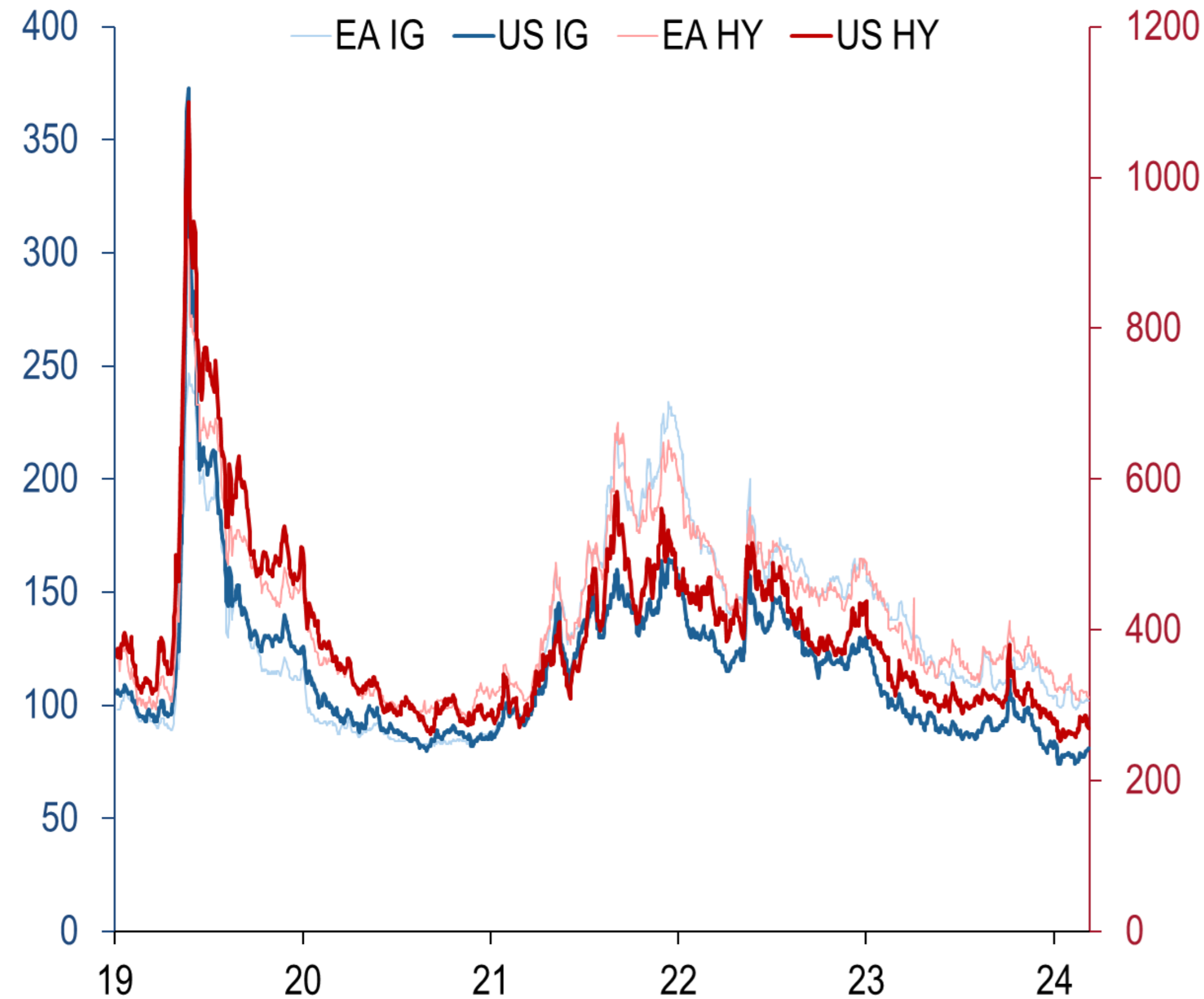
Real risk premia vs. non-Fed holdings of 10-year bonds
(Percent)



Dec-2025

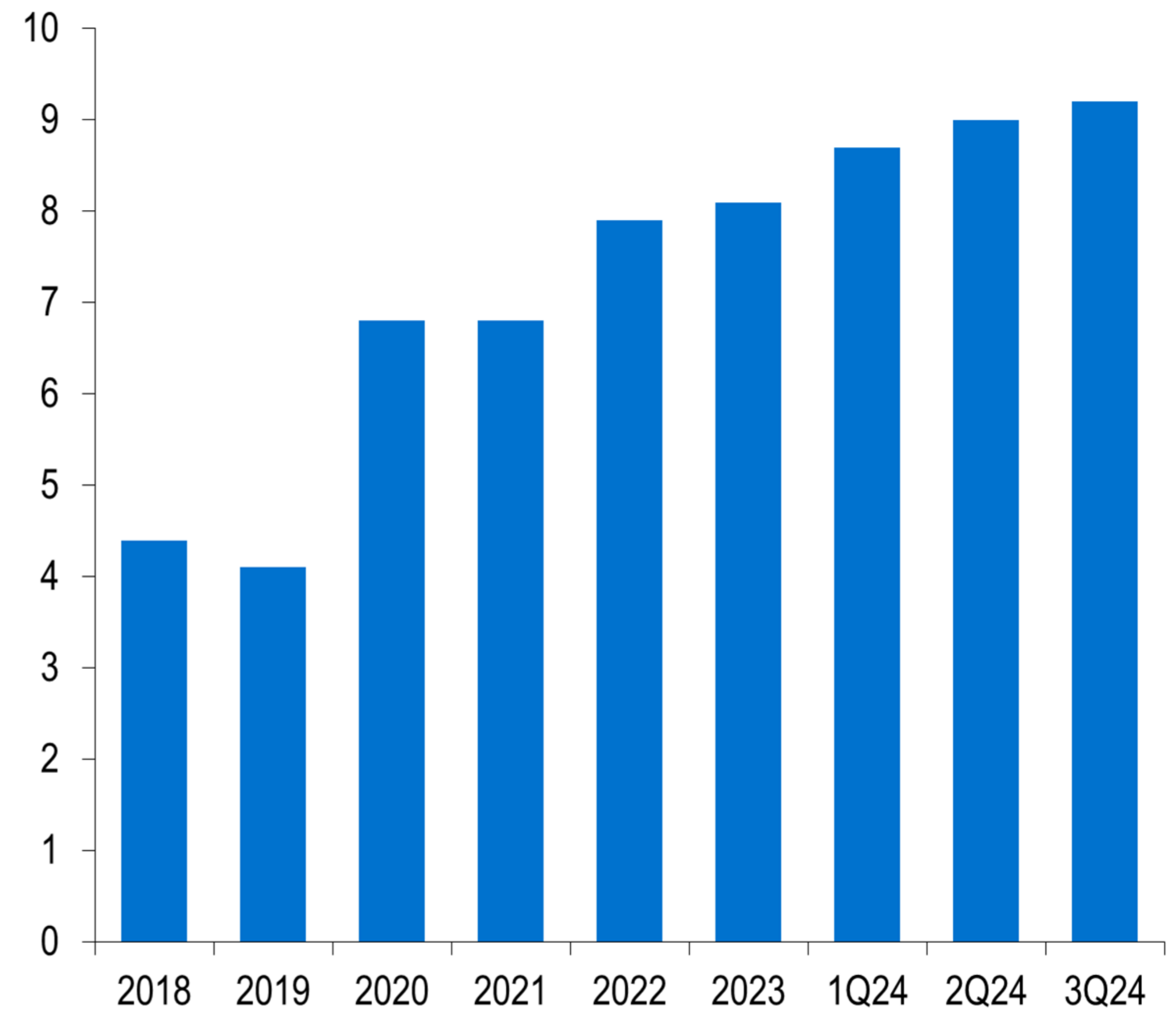
Corporates Credit Spreads Historically Tight Despite High-for-Long

High Yield and Investment Grade average option adjusted spreads (Basis points)



Sources: Bloomberg Finance L.P.; and IMF staff calculations.

Payment-In-Kind as Share of Interest and Dividend Income of US Private Credit (Percent; Business Development Companies)



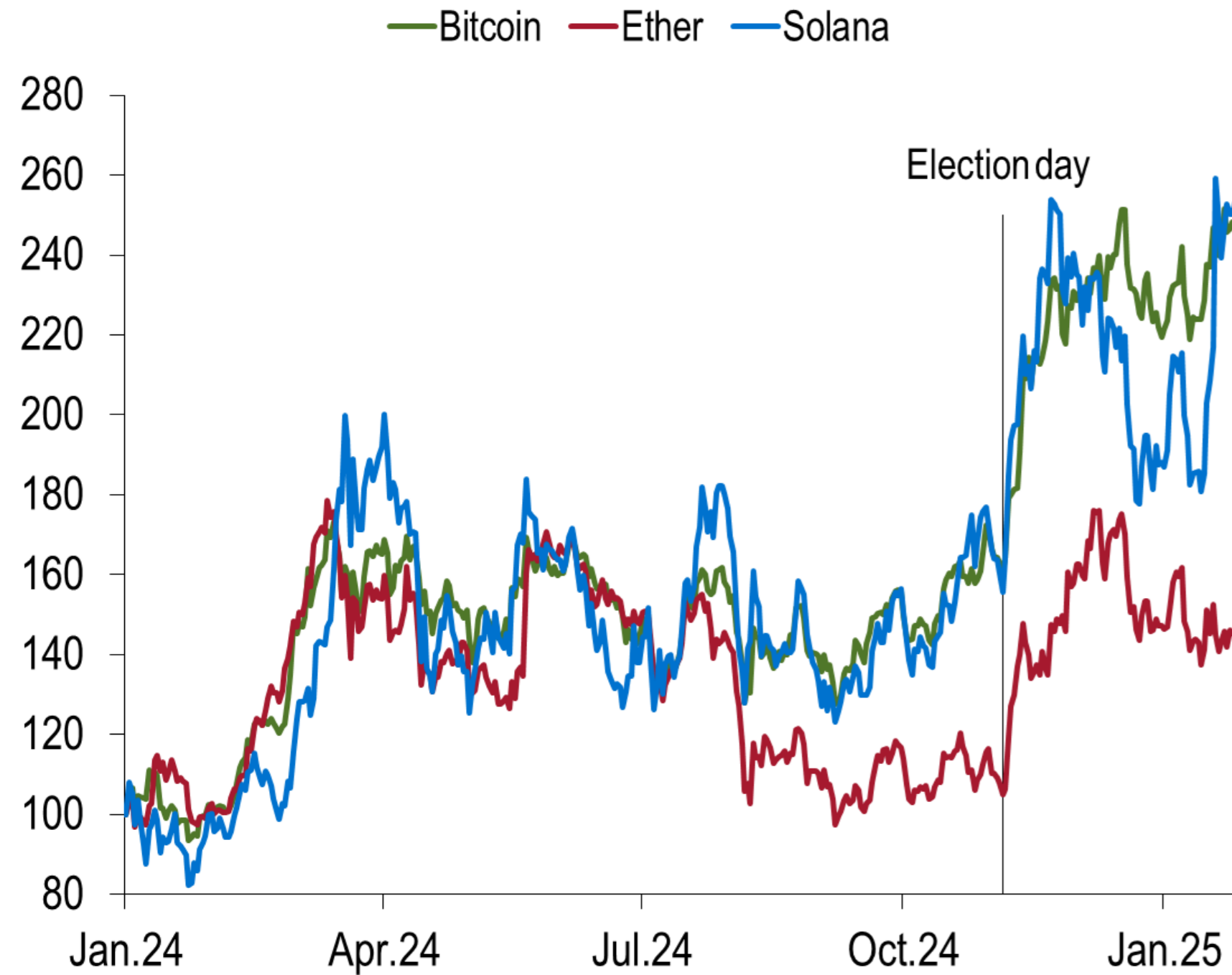
Sources: BDCs disclosures; Fitch Ratings; and IMF staff calculations.

Note: When interest is paid in kind, no cash flow occurs. Instead, the interest coupon is added—usually at an extra cost—to the loan's principal. BDC = business development company

Mainstreaming of Digital Assets

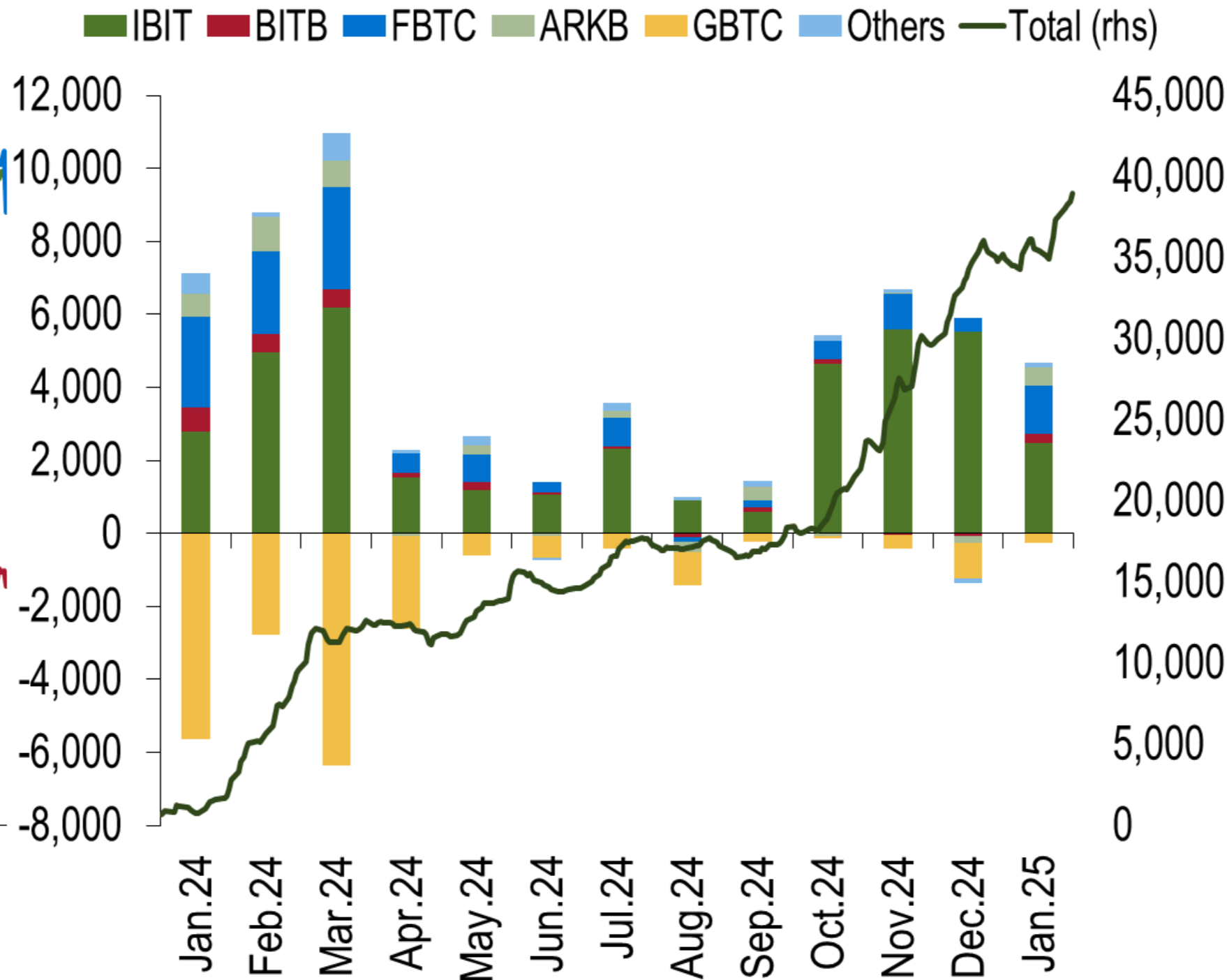
Prices of Crypto-Assets

(Index, Jan 1st 2024 = 100)



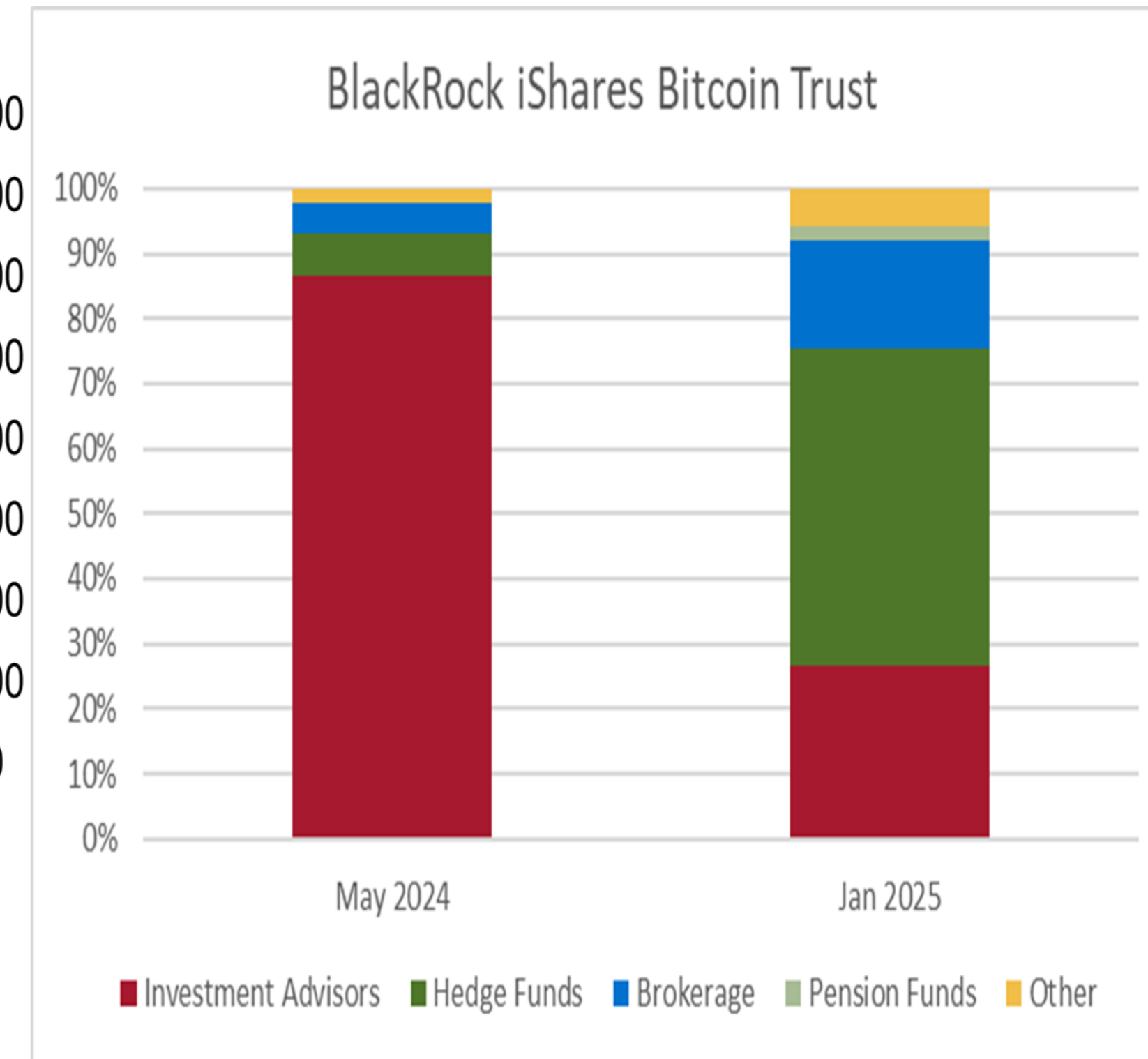
Main Bitcoin ETPs Monthly Inflows

(US\$ million)



Ownership of Spot Bitcoin ETP

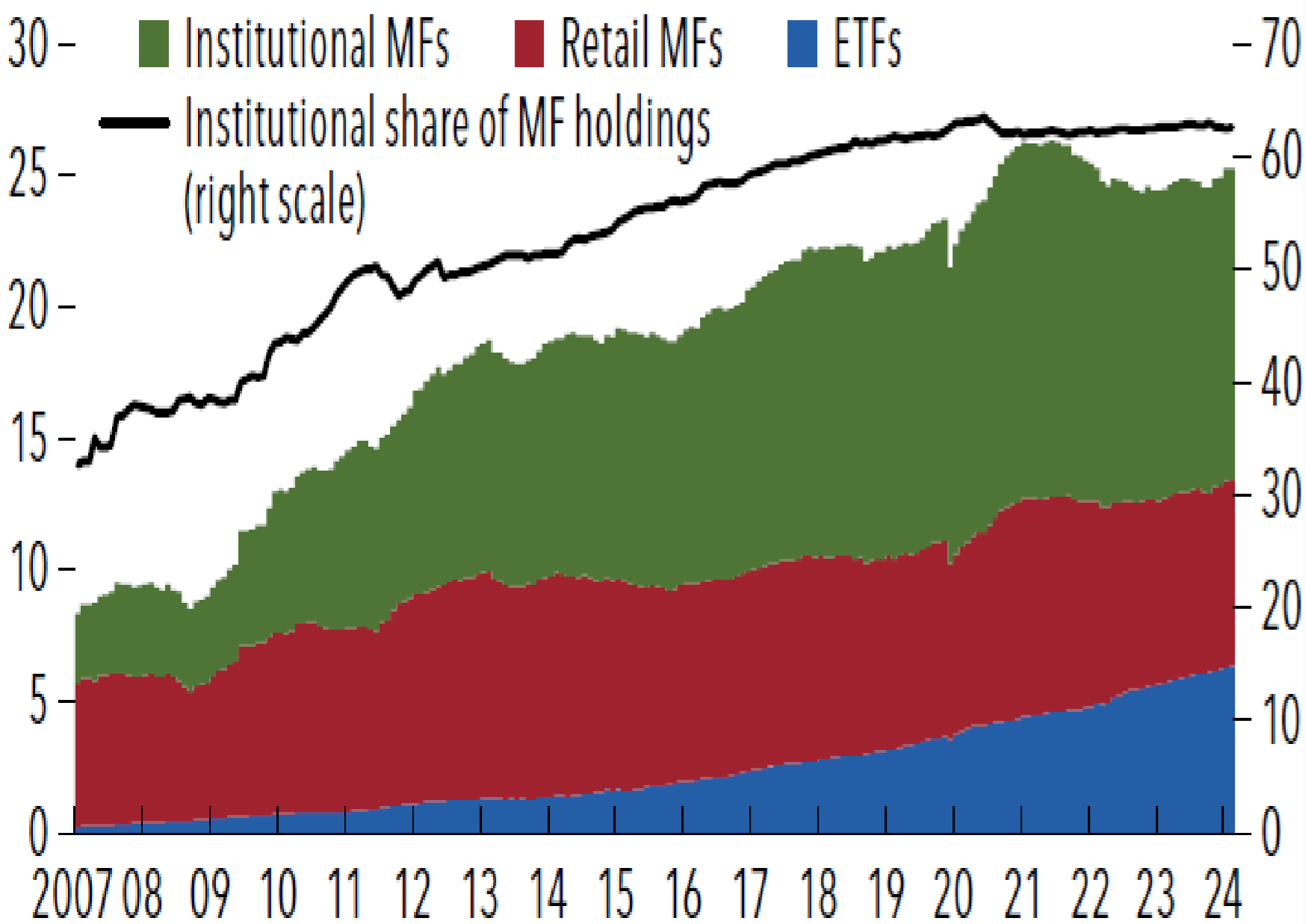
(Percent)



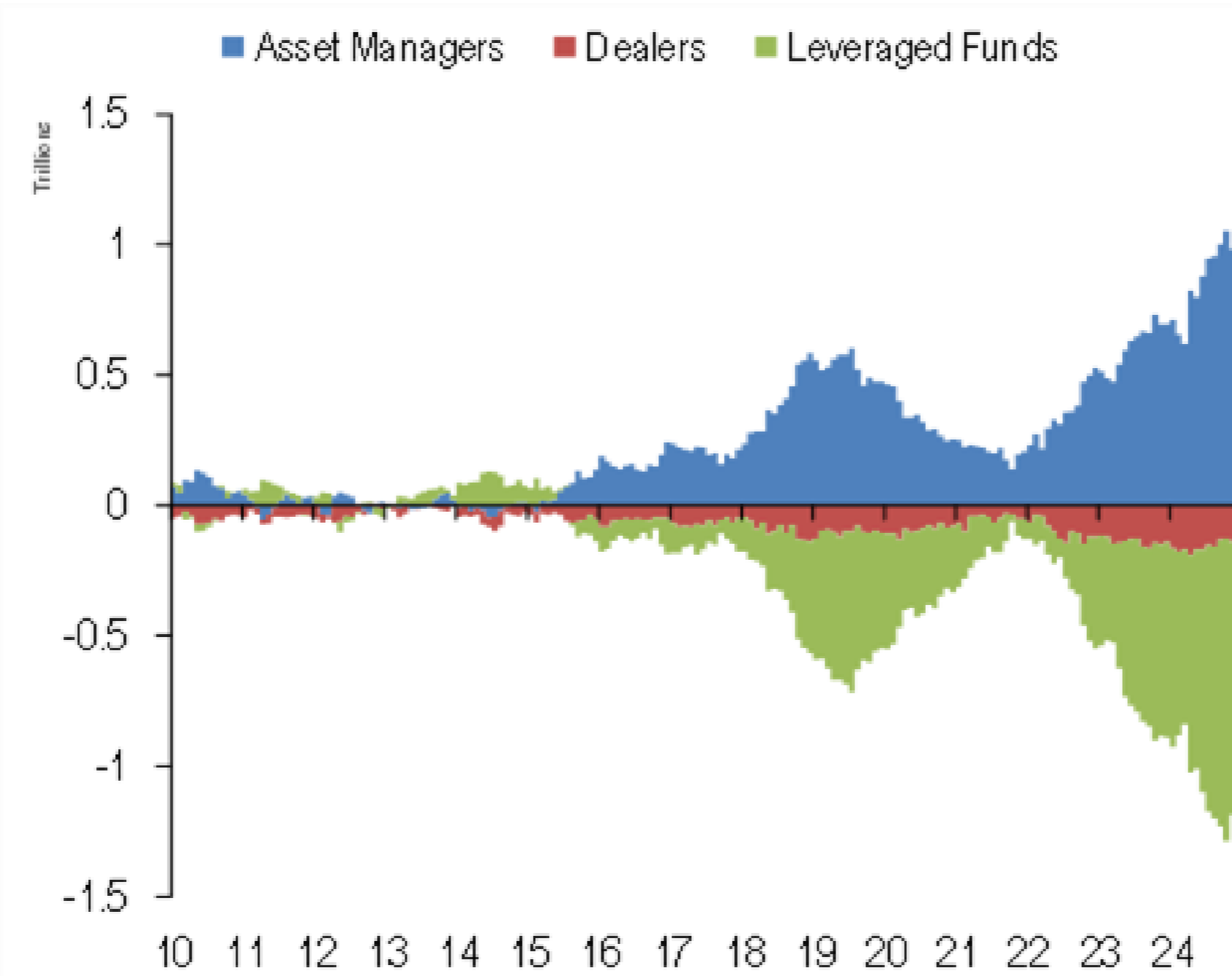
Leverage is growing, especially among nonbanks

Leverage is Rising Among Nonbanks

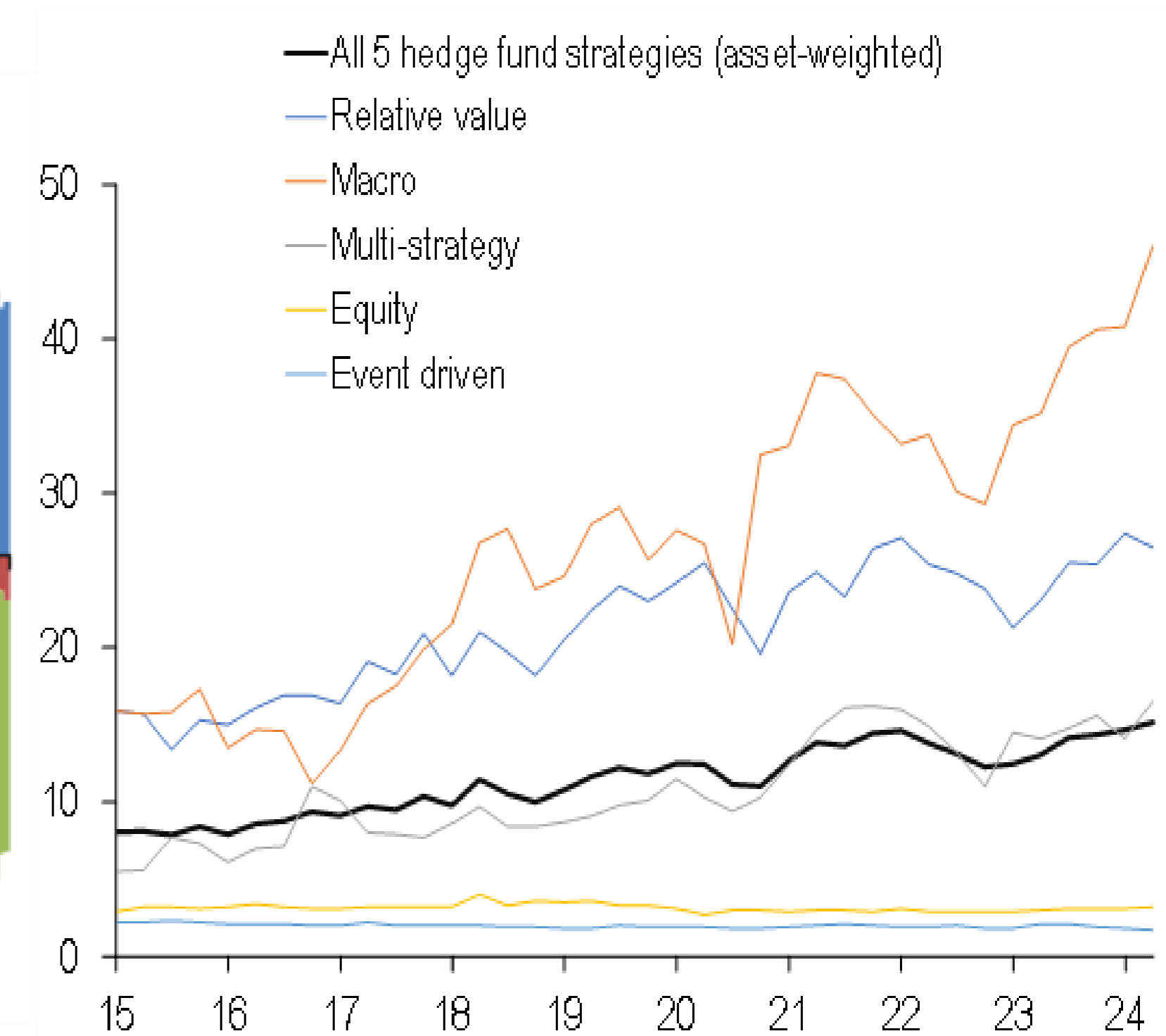
US bond fund holdings as share of outstanding (Percent)



Treasury Futures Notional (Trillions)

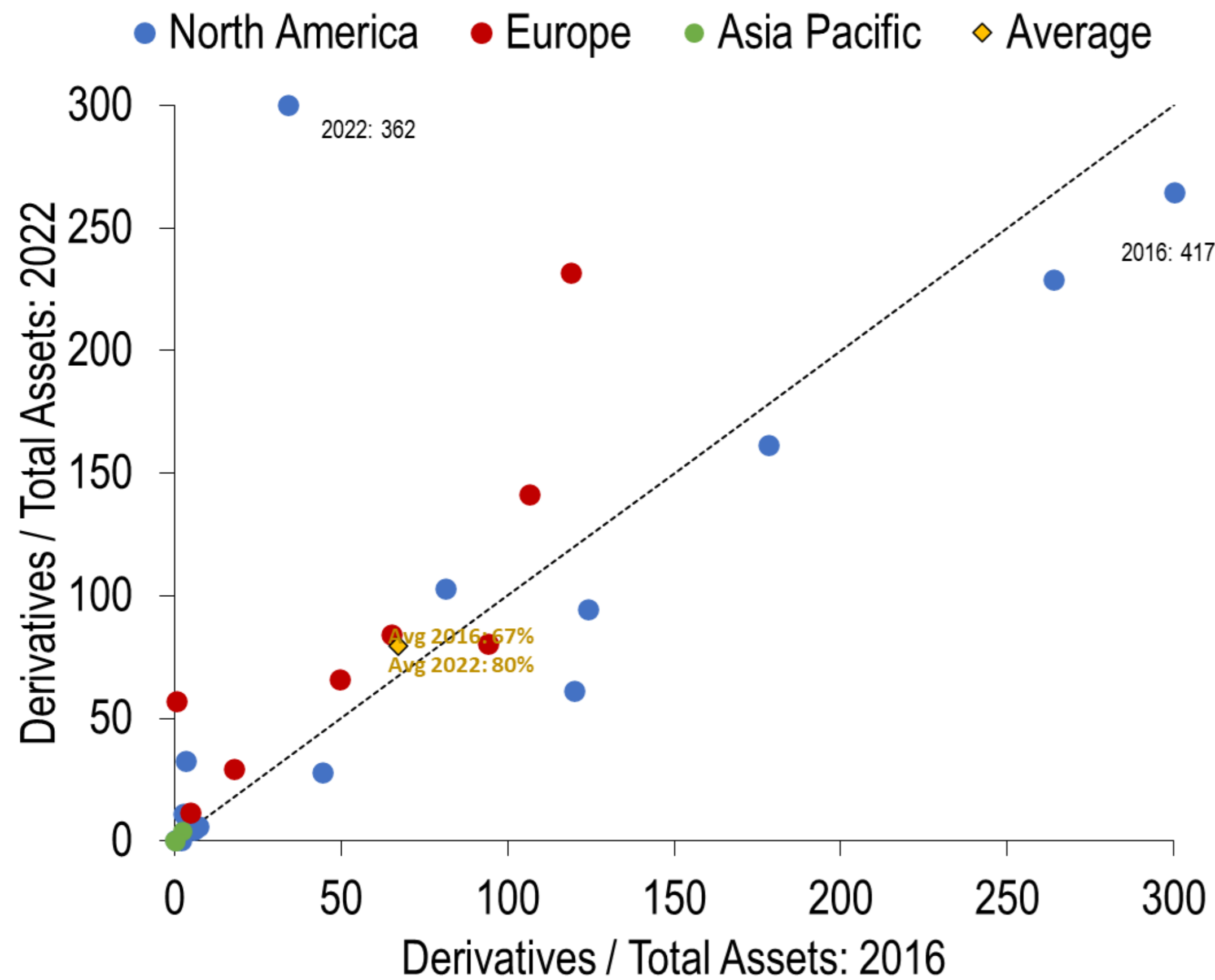


Hedge Fund Gross Notional Exposure to Net Asset Value (Ratio)

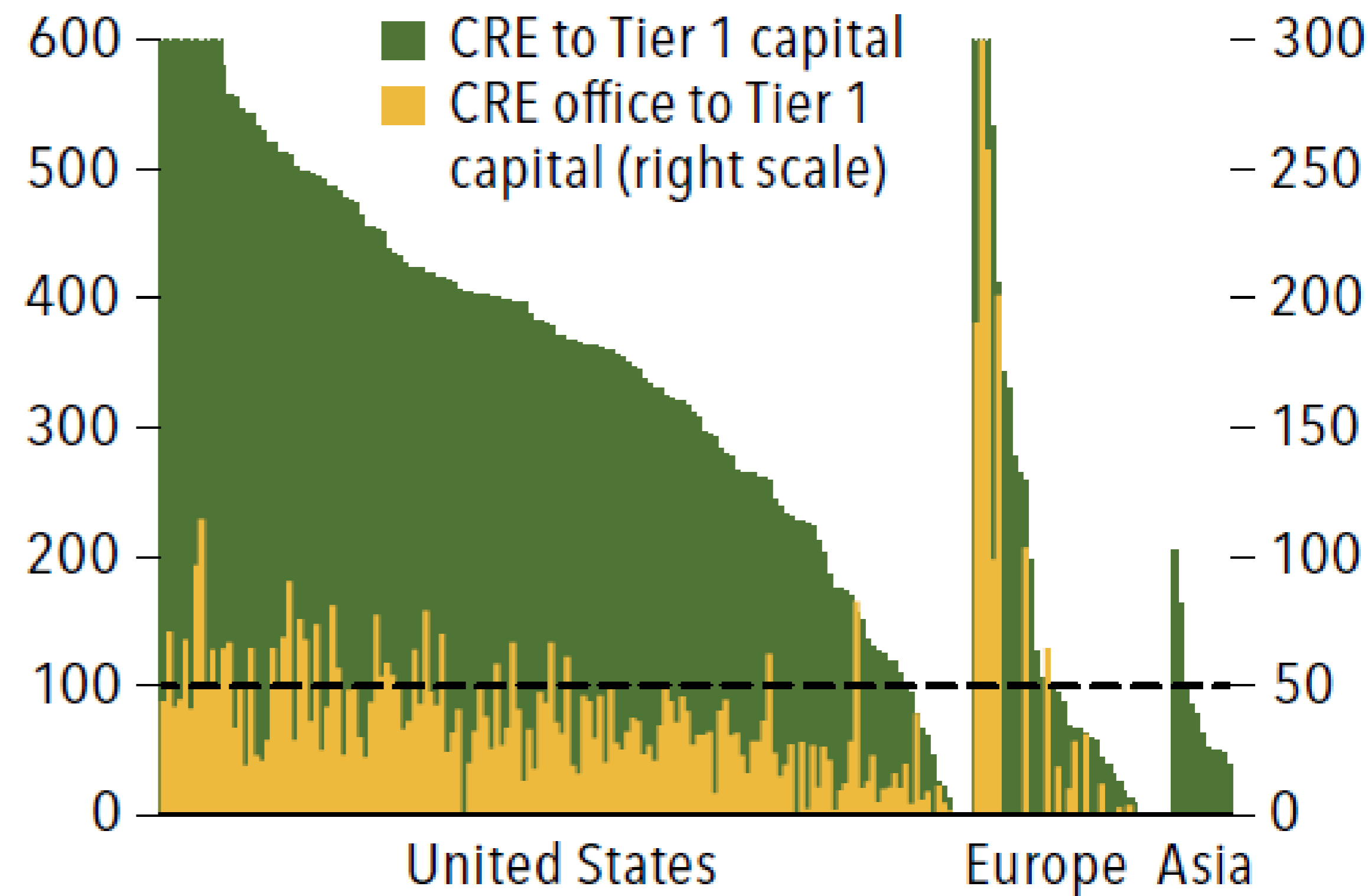


...Even for Some Longer-Term Investors

Gross Notional of Derivatives used by pension funds (Percent of total assets)

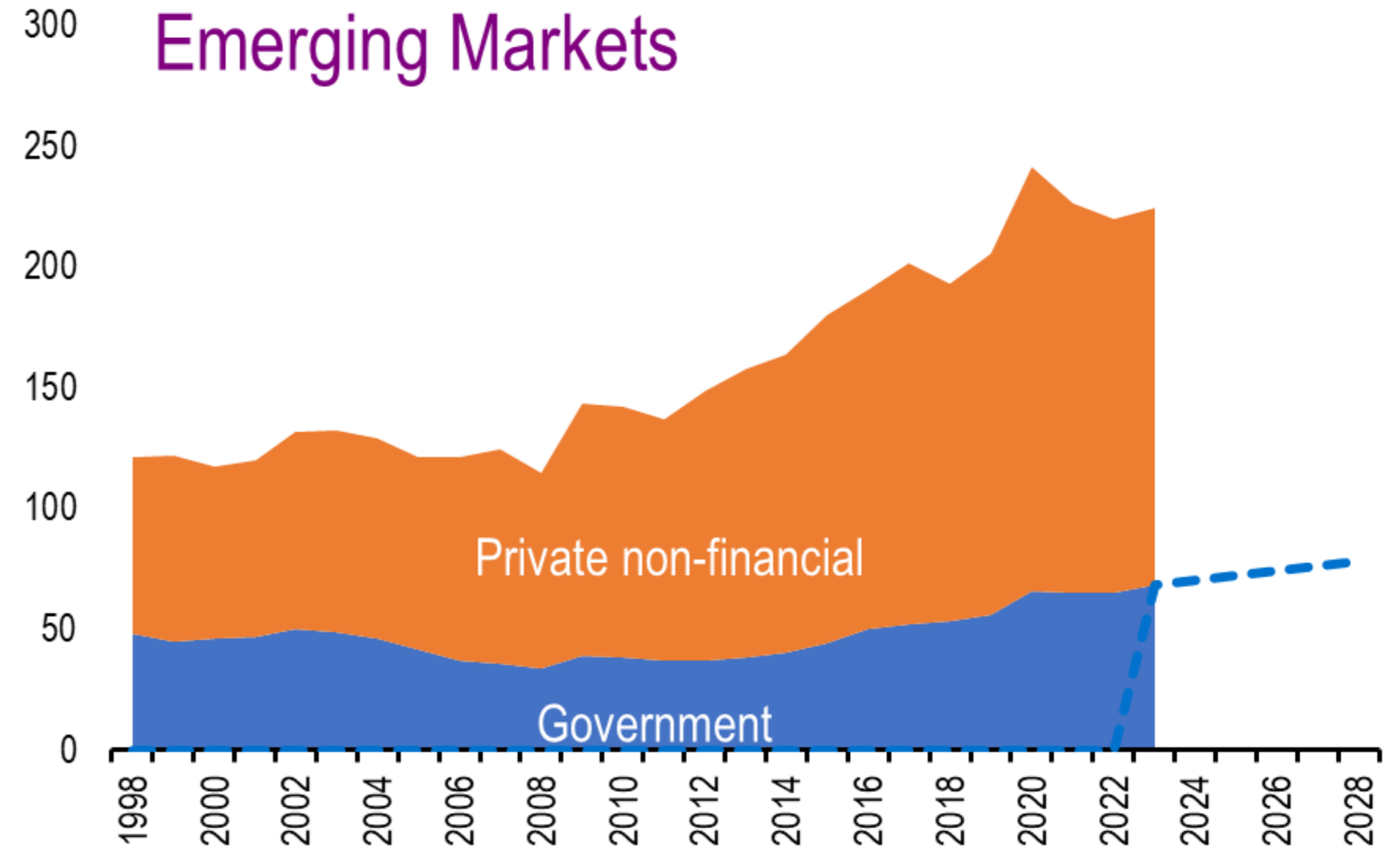
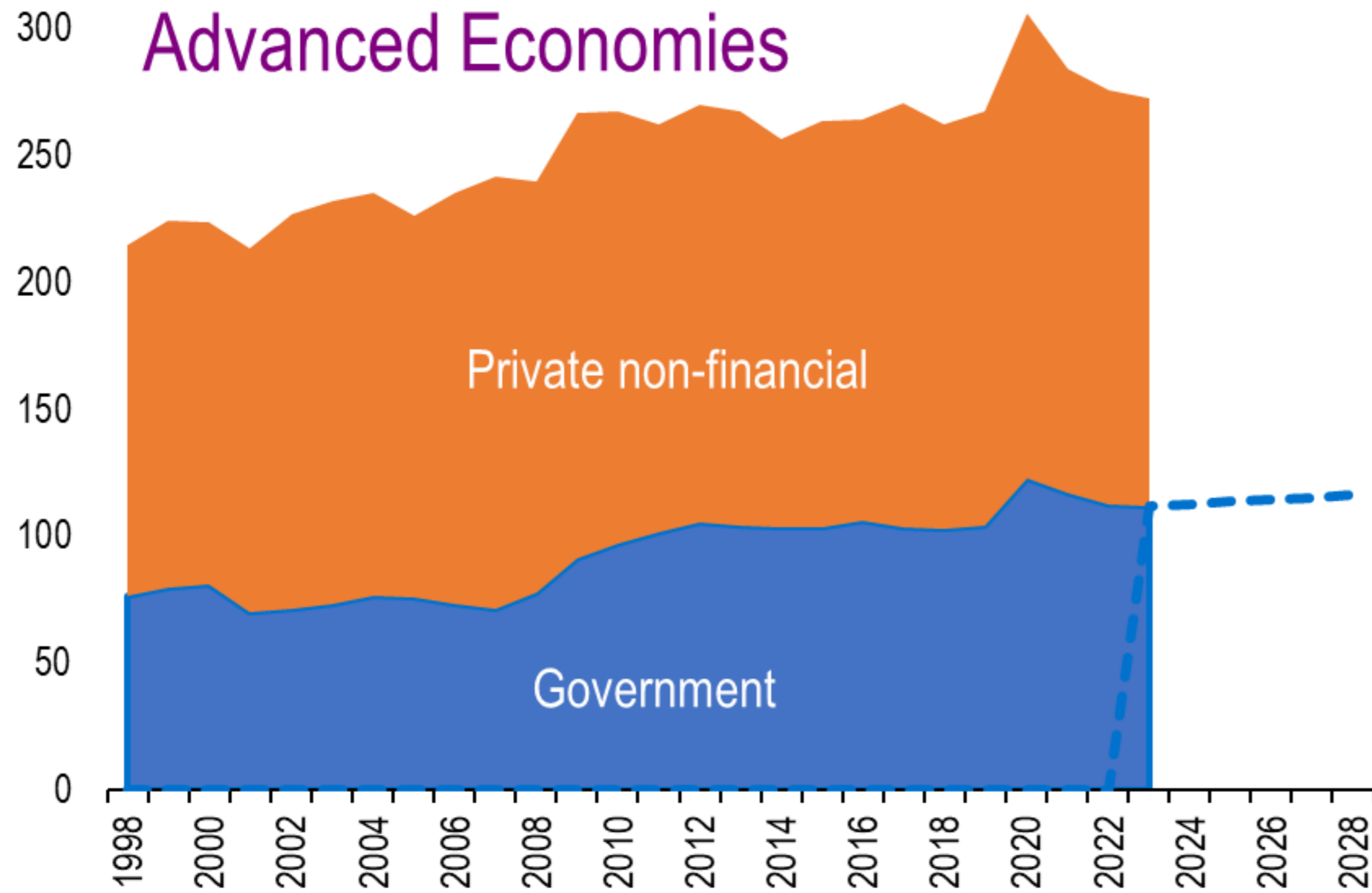


Bank exposure of CRE (Percent)



Leverage is Also Rising in the Non-Financial Sector

Government and Private Non-Financial Sector Credit
(Percent of PPP-adjusted GDP)

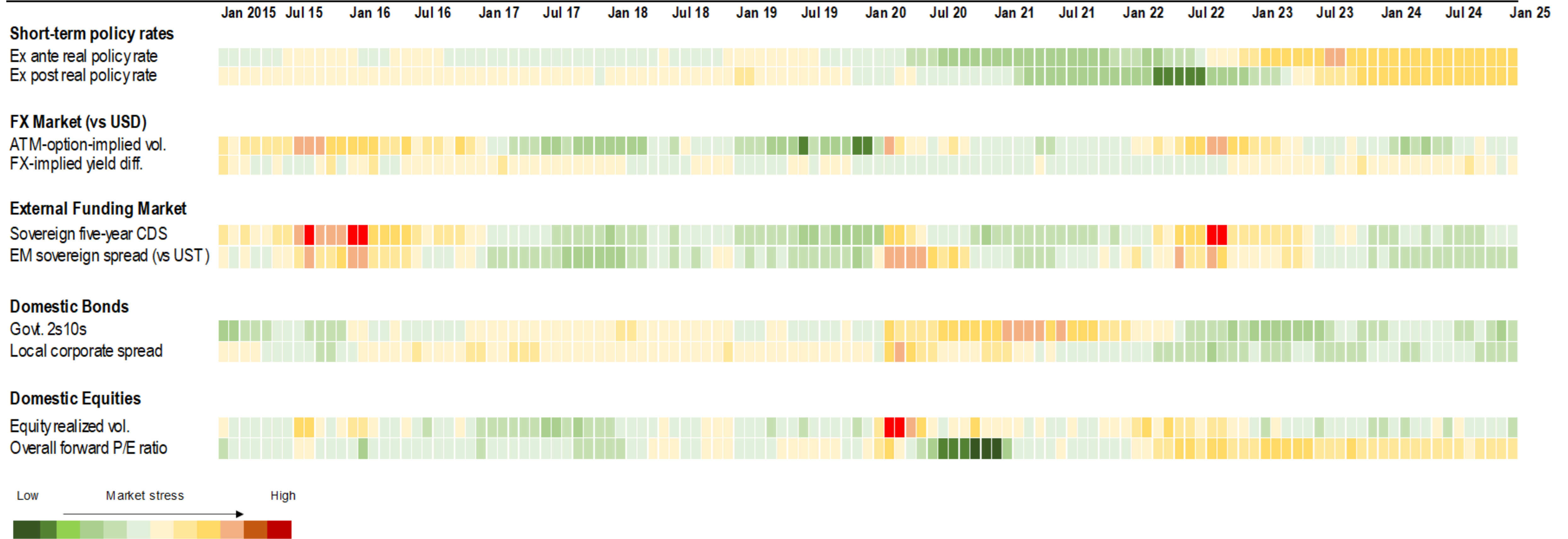




External vulnerabilities facing Emerging Markets

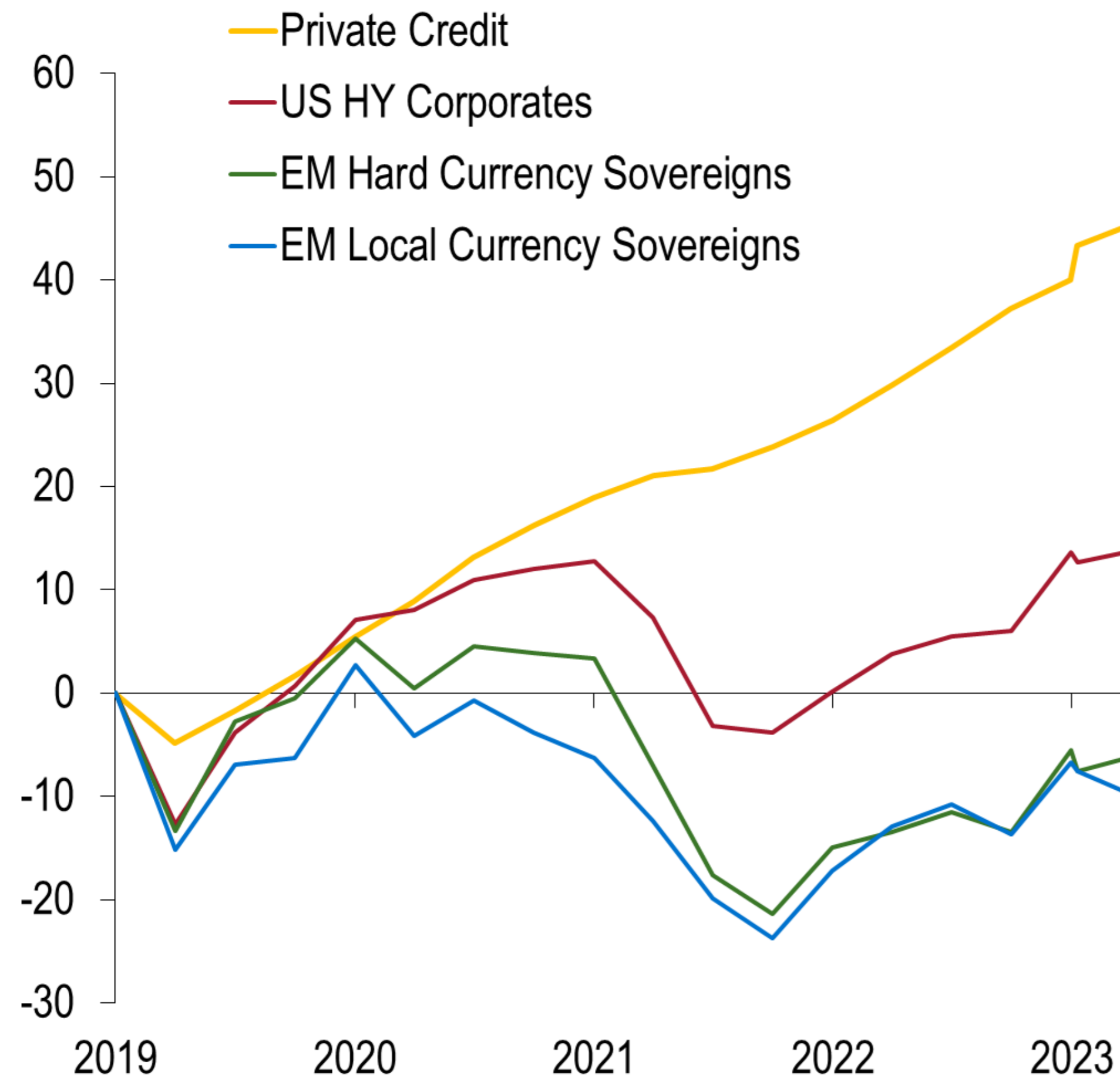
Major emerging markets have been resilient...

EM Financial Market Stress Heatmap



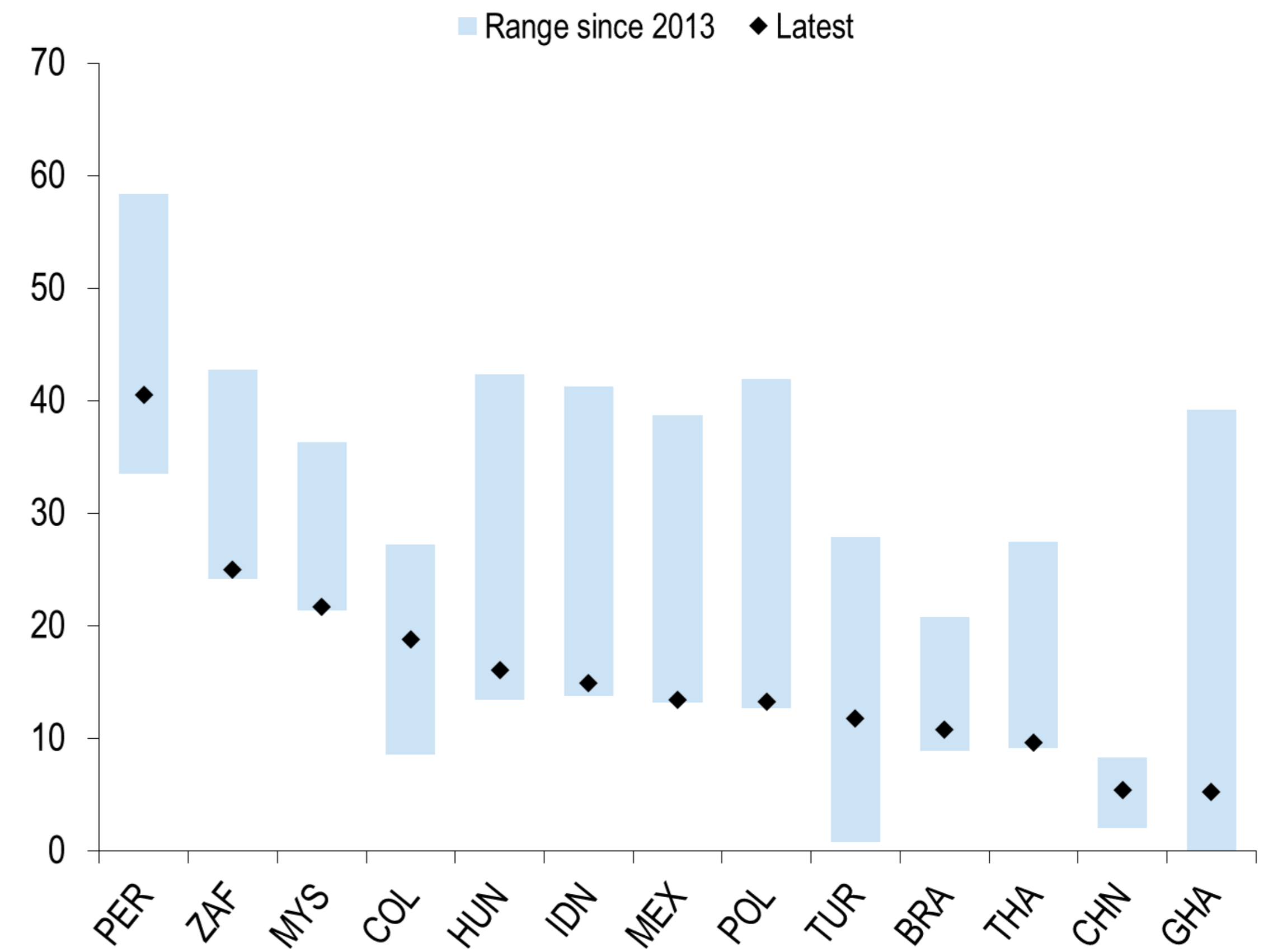
...Although External Environment is Challenging

EMDE Sovereign Bond Returns Compared to alternatives
(Percent)



Sources: Bloomberg Finance L.P.; and IMF staff calculations.

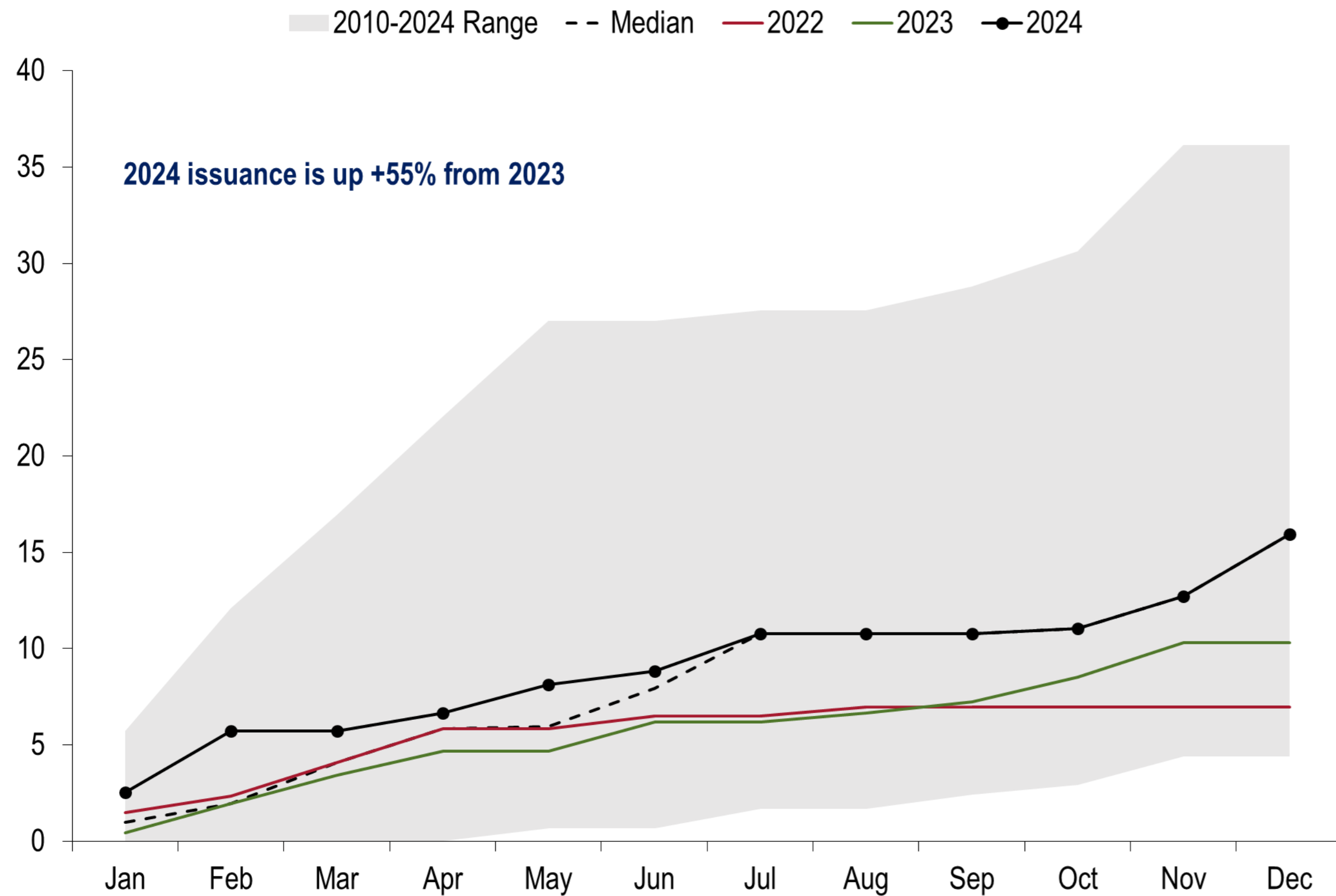
Holdings by Foreign Investors as a Share of Outstanding Local Government Bonds (Percent)



Sources: Bloomberg Finance L.P.; Haver Analytics; and IMF staff calculations.

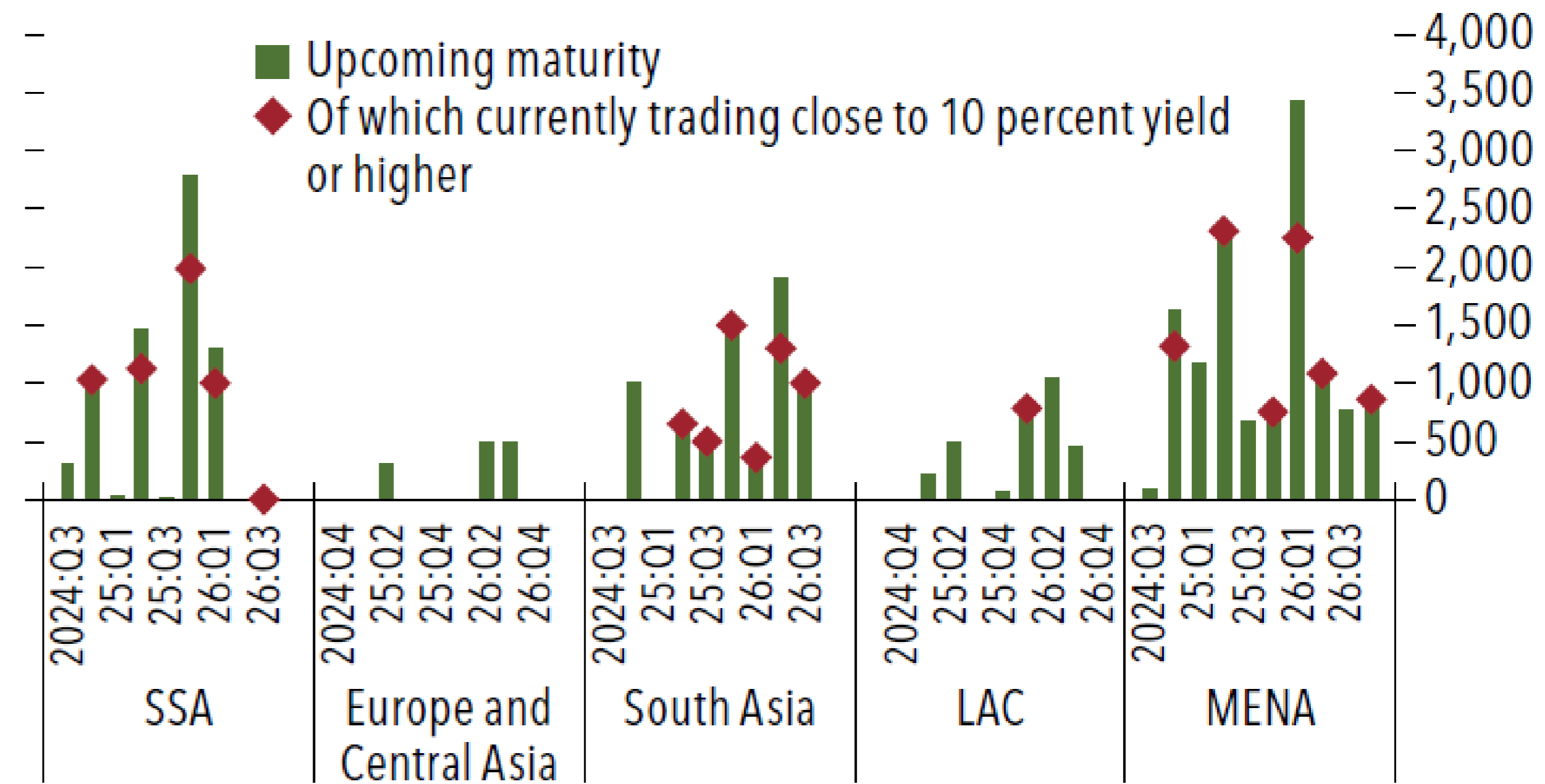
Dollar Strength Pressures Frontier Markets

Frontier Countries' External Bond Issuances (USD billion)



Sources: Bloomberg Finance L.P.; Bondradar; and IMF staff calculations.
 Note: Data includes frontier countries' sovereign issuances only.

Maturing Frontier and low-income sovereign Eurobonds (Millions of US dollars)



Sources: Bloomberg Finance L.P.; EUROPACE AG/Haver Analytics; JPMorgan; and IMF staff calculations

Financial stability assessment using Growth-at-Risk

GFSR uses h -year-ahead, Growth-at-Risk model of Adrian et al. (2019)

for overall financial stability assessment:

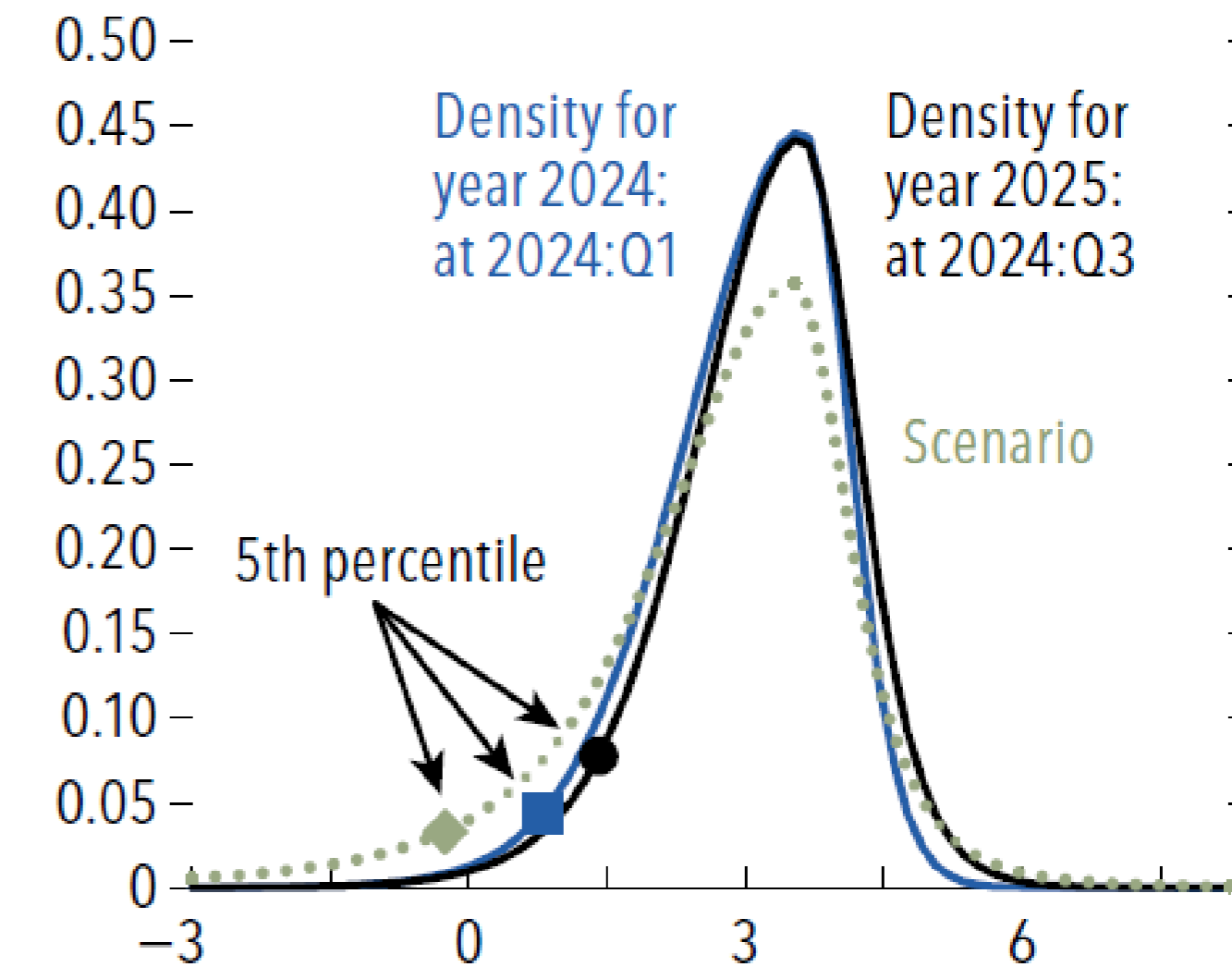
Global real GDP growth $_{t+h}$, with 5% probability

$= f(\text{financial conditions}_t, \text{credit growth}_t, \text{uncertainty}_t)$

- A sudden tightening of financial conditions (asset repricing scenario) would exacerbate downside risk.
- Intertemporal trade-off: GaR modest at $t + 1$, but elevated at $t + 3$

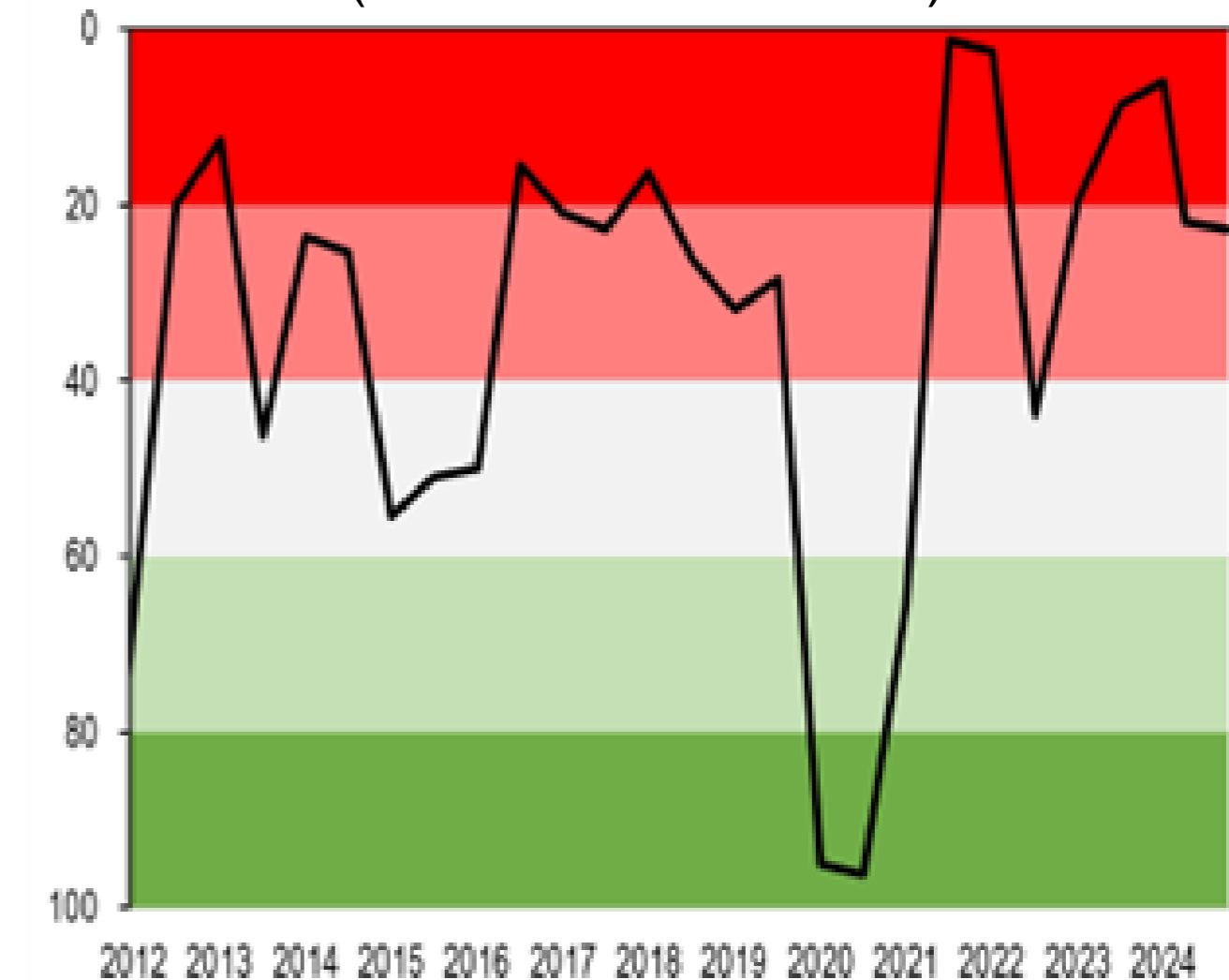
One-year-ahead Growth Forecast Densities

(Probability density)



Three-year-ahead GaR Time Series

(Historical Percentiles)



Where Does This Leave Us?

- Near-term: Growth uneven around the world but still solid; financial conditions easy
➔ financial stability risks **moderate**.
- Medium-term: Vulnerabilities mounts & uncertainty-volatility disconnect
➔ financial stability risks **elevated**.

Financial Stability Policies?



INTERNATIONAL MONETARY FUND

GLOBAL FINANCIAL STABILITY REPORT

Steadying the Course: Uncertainty,
Artificial Intelligence, and Financial Stability

2024
OCT

