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Market developments and outlook

ECB Foreign Exchange Contact Group
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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.
Global foreign exchange rate developments

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

Developments in effective exchange rates

GBP/USD 6-month implied volatility smiles

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.

Source: Bloomberg.
Note: FX Volatility GBP Call/Put delta. Last observation: 14/06/2019.
Emerging market FX developments and portfolio capital flow

Emerging market currency depreciation and investor fund outflows

Developments in emerging market currencies

<table>
<thead>
<tr>
<th>Index</th>
<th>CNY</th>
<th>KRW</th>
<th>SGD</th>
<th>TWD</th>
<th>IDR</th>
<th>INR</th>
<th>BRL</th>
<th>RUB</th>
<th>MXN</th>
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Fund flows to emerging market economies

<table>
<thead>
<tr>
<th>USD bn</th>
<th>Bond</th>
<th>Equity</th>
<th>Total</th>
<th>USD bn</th>
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</thead>
</table>

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

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

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

FOMC policy rate expectations

Source: Bloomberg.
Thank you for your attention