

Statistics and analyses

Risk Outlook

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PER LE SOCIETÀ E LA BORSA

The Risk Outlook analyses the current economic situation and the trends in financial markets in order to identify the main risks affecting the achievement of Consob's institutional objectives.

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1. Equity markets
2. Non-equity markets
3. Non-financial companies
4. Banks

La congiuntura e i rischi

Mercati azionari

Nel corso del 2016, i mercati azionari hanno mostrato dinamiche disomogenee tra aree. Mentre negli Stati Uniti (Fig. 1.1) e nelle principali economie emergenti (Fig. 1.2) i corsi sono cresciuti in misura significativa, l'area euro (Fig. 1.3) è stata penalizzata dalla debolezza dello scenario macroeconomico e, soprattutto in Italia e Spagna, dalle pesanti correzioni sperimentate dal settore bancario (Fig. 1.4). La scelta del Regno Unito di uscire dall'Unione Europea, invece, ha avuto un impatto solo temporaneo sui mercati azionari dell'Eurozona. In particolare, la correlazione tra il FTSE100 e gli indici azionari delle principali economie dell'area euro, dopo un calo passeggero, è rimasta rilevante e stabile (Fig. 1.5). Allo stesso modo, sia la volatilità storica ed implicita (Fig. 1.6), sia il volume degli scambi (Fig. 1.7) sia i livelli di liquidità (Fig. 1.8) sono gradualmente ritornati ai valori di inizio anno a fronte di un repentino quanto transitorio deterioramento. L'intensificarsi di fenomeni di contagio (Fig. 1.9) e di *herding behaviour* (Fig. 1.10), rilevati nel corso del 2016, sono quindi verosimilmente da attribuirsi alla persistente incertezza sul quadro macroeconomico e geopolitico, che ha contribuito anche a mantenere elevata la reattività a shock comuni all'interno dell'Eurozona (Fig. 1.11). La debolezza della ripresa economica ha pesato anche sul settore bancario, per il quale un possibile peggioramento delle prospettive reddituali (Fig. 1.12) e dell'incidenza ancora rilevante delle sofferenze (soprattutto in Italia e Spagna; Fig. 4.8), hanno alimentato una significativa contrazione dei corsi azionari, un consistente calo del rapporto prezzo-utigli (Fig. 1.13) e un crescente disallineamento tra prezzi e fondamentali degli istituti di credito (Fig. 1.14; fanno eccezione le banche francesi, che hanno registrato risultati migliori dei *competitors* europei). La valutazione di mercato delle società non finanziarie, per contro, appare in linea con i valori fondamentali, salvo che per le imprese italiane che mostrano segnali di sopravvalutazione rispetto al ciclo economico (Fig. 1.15). Con riferimento all'attività sui mercati azionari primari, l'Italia continua ad essere in ritardo rispetto alle principali economie europee, come emerge dal numero e dal controvalore delle IPO censite a partire dal 2007 (Fig. 1.16). Nel 2015, in particolare, il flusso di risorse raccolte sul mercato azionario primario è calato rispetto all'anno precedente, quando le operazioni di ricapitalizzazione delle banche avevano fornito un contributo significativo alle emissioni di nuovi titoli. È invece aumentato il flusso di risorse restituite agli azionisti tramite offerte pubbliche di acquisto, il cui controvalore (riconducibile in gran parte a due operazioni) ha raggiunto il massimo negli ultimi otto anni (Fig. 1.17). Il dato relativo alle offerte pubbliche di acquisto è in linea con la crescita sperimentata, in generale, dalle operazioni straordinarie di fusione e acquisizione, in termini sia di controvalore sia numerico. Parallelamente è aumentato il peso degli investimenti esteri diretti, portatosi al 57% del valore totale rilevato a fine 2015 (Fig. 1.18).

Mercati non azionari

Grazie al protrarsi delle misure non convenzionali di politica monetaria, nel corso del 2016 i rendimenti dei titoli governativi e i premi sui CDS dei principali paesi europei (ad eccezione del Portogallo) hanno continuato a ridursi, smorzando anche le turbolenze di breve periodo innescate dall'esito del referendum sulla Brexit

1. Equity markets
2. Non-equity markets
3. Non-financial companies
4. Banks

(Fig. 2.1). Dinamiche analoghe hanno interessato anche le principali economie emergenti, in particolare Brasile e Russia che hanno beneficiato di un miglioramento della percezione del rischio paese (Fig. 2.2). Le politiche monetarie accomodanti hanno altresì contribuito alla rapida discesa dell'indicatore di contagio tra i mercati europei del debito sovrano (Fig. 2.3), all'ulteriore abbassamento della struttura a termine dei rendimenti (Fig. 2.4) e alla stabilità dei differenziali con la Germania lungo l'intero spettro delle scadenze (Fig. 2.5). Nel 2016, il prevalere di tassi negativi anche su scadenze medio-lunghe ha consentito ai paesi dell'Eurozona di emettere oltre il 60 per cento del debito a tassi medi negativi (Fig. 2.6). Il perdurare di tale circostanza renderebbe possibile soddisfare le prossime esigenze di rifinanziamento a costi inferiori rispetto al passato (Fig. 2.7). Negli ultimi anni, la quota di debito governativo detenuta da non residenti è aumentata per Spagna e Irlanda e, anche se per variazioni percentuali più contenute, per Italia e Regno Unito (Fig. 2.8). Sebbene la politica espansiva della BCE abbia dispiegato effetti importanti sui mercati monetari, i tassi di crescita dell'attività economica nell'area euro rimangono bassi (Fig. 2.9). L'unica eccezione è costituita dalla Spagna, dove la ripresa appare robusta e sostenuta dai consumi interni e dalle esportazioni nette (Fig. 2.10). La debolezza della ripresa economica è verosimilmente tra i fattori che hanno contribuito al calo del rating implicito nei rendimenti obbligazionari di alcuni Paesi periferici verso il più basso livello del rating ufficiale (Fig. 2.11). Fa eccezione la Spagna, dove i recenti sviluppi politici e la formazione del nuovo Governo sembrano essere stati accolti con favore, ancorché con cautela, dai mercati finanziari, nonostante a inizio anno Moody's abbia modificato l'*outlook* da positivo a stabile. Nei primi mesi del 2016, l'attività sul mercato primario delle obbligazioni emesse da società non finanziarie (Fig. 2.12) e da banche (Fig. 2.13) è stata piuttosto contenuta nelle principali economie avanzate, mentre il comparto delle *asset backed securities* ha mostrato segnali di ripresa in Italia e negli Stati Uniti (Fig. 2.14). Sul mercato secondario, i rendimenti dei titoli obbligazionari non governativi si sono stabilizzati, nel terzo trimestre dell'anno, sui livelli più bassi dal 2011 (Fig. 2.15). Grazie al significativo contributo della Germania, il saldo della bilancia commerciale dell'Eurozona continua ad essere positivo (Fig. 2.16). Permane il deficit delle partite correnti del Regno Unito, importatore netto anche dalle principali economie dell'area euro (Fig. 2.17), che in una prospettiva di medio termine potrebbe tuttavia beneficiare del deprezzamento della sterlina successivo all'esito del referendum sulla Brexit (Fig. 2.18). Il miglioramento delle ragioni di scambio sperimentato dai principali paesi dell'area euro sin dal 2012, infine, ha subito una battuta di arresto anche per effetto dell'andamento del cambio euro-dollaro statunitense e del ritorno su valori positivi dell'indice europeo armonizzato dei prezzi al consumo (Fig. 2.19). Sul mercato delle *commodities*, dopo l'aumento nella prima metà dell'anno il prezzo del petrolio ha visto una progressiva stabilizzazione (Fig. 2.20); una dinamica analoga si è osservata anche nei prezzi delle principali *commodities* trattate sui mercati internazionali (Fig. 2.21).

Società non finanziarie

Nei primi nove mesi del 2016 l'andamento dei corsi azionari delle principali società non finanziarie europee ha continuato a mostrare una notevole volatilità in quasi tutti i settori. La dinamica dei corsi azionari per classi dimensionali mostra che in ambito europeo le quotazioni delle *large caps* esibiscono performance peggiori

1. Equity markets
2. Non-equity markets
3. Non-financial companies
4. Banks

rispetto alle PMI, mentre in Italia l'andamento migliore caratterizza i titoli di imprese a media capitalizzazione (Fig. 3.1). Come emerge dai dati di bilancio, la variazione del fatturato e la redditività delle maggiori società quotate non finanziarie resta ancora negativa o comunque debole, con margini operativi in ripresa solo per le società tedesche e spagnole. L'incidenza del debito a breve termine sul totale dei debiti si è lievemente ridotta solo per le imprese italiane, mentre è aumentata per i competitori europei (Fig. 3.2). L'andamento di fatturato netto, margine operativo e utile netto nel primo semestre 2016 è risultato particolarmente deludente per le società inglesi e italiane, mentre le imprese spagnole evidenziano indici mediamente migliori rispetto al resto del campione (Fig. 3.3). Coerentemente con una *performance* di periodo complessivamente poco brillante, gli indicatori di vulnerabilità reddituale hanno visto un peggioramento nel primo semestre. Una crescente quota di società italiane, francesi e tedesche ha evidenziato variazioni del fatturato inferiori alla media decennale, mentre il 20 per cento circa del campione di società inglesi ha registrato una perdita netta (con percentuale di poco inferiore per le imprese italiane; Fig. 3.4). Con riferimento alla vulnerabilità finanziaria, nella prima metà del 2016 la percentuale di società con *leverage* e capacità di far fronte agli oneri finanziari peggiori della media decennale è risultata superiore in UK rispetto agli altri paesi europei (Fig. 3.5). In tutte le economie dell'area resta elevata la quota di imprese con capacità di rimborso del debito netto inferiore rispetto alla media di lungo periodo (Fig. 3.6). Complessivamente, nella prima parte dell'anno la vulnerabilità delle maggiori imprese inglesi appare in aumento rispetto al 2015 (Fig. 3.7). In prospettiva, i dati di bilancio annuali consentiranno di cogliere un eventuale effetto *Brexit*, la cui portata dipenderà da molteplici fattori, quali grado di esposizione internazionale delle società, dimensioni, settore operativo, etc.. Nonostante i deboli risultati di periodo, in Europa negli ultimi sei mesi si è attenuata la percezione del rischio di credito per le maggiori società quotate (Fig. 3.8), come attestato anche dall'andamento dei rating impliciti nelle quotazioni azionarie, nei rendimenti delle obbligazioni e nei prezzi dei *credit default swaps* rispetto ai rating ufficiali (Fig. 3.9). L'erogazione del credito alle imprese ha continuato a contrarsi leggermente in Spagna e più significativamente in Italia (Fig. 3.10), a fronte di un'ulteriore discesa del costo dei finanziamenti bancari (Fig. 3.11), che permane tra i principali fattori di stimolo della domanda di credito (Fig. 3.12).

Banche

Nella prima metà del 2016 la redditività delle maggiori banche europee rispetto alle attività ponderate per il rischio (RWA) è rimasta sostanzialmente stabile, ad eccezione degli istituti di credito tedeschi (Fig. 4.1). Tale stabilità discende, tuttavia, dal calo delle principali componenti di reddito (margine di interesse, commissioni nette e ricavi di negoziazione) e dall'incremento di voci secondarie e quindi potenzialmente meno stabili (Fig. 4.2 e Fig. 4.3). Anche l'adeguatezza patrimoniale, rilevata a giugno, risulta invariata rispetto ai livelli registrati a fine 2015, mentre il rapporto tra attività ponderate e non ponderate per il rischio ha proseguito a contrarsi (Fig. 4.4 e Fig. 4.5). In questo contesto, la percezione del rischio associato alle banche europee di maggiori dimensioni (misurata in base ai prezzi dei CDS effettivi e impliciti nell'andamento dell'EDF) ha registrato un calo nel 2016, attestandosi tuttavia su livelli più elevati rispetto a quelli dell'anno precedente

1. Equity markets
2. Non-equity markets
3. Non-financial companies
4. Banks

(Fig. 4.6). Tale dinamica, più accentuata per le banche italiane, si riflette anche nell'andamento dei rating impliciti nei prezzi dei CDS, rimasti costantemente al di sotto dei rating ufficiali (Fig. 4.7). La sia pur debole e graduale stabilizzazione delle condizioni macroeconomiche si è riflessa sulla qualità del credito delle banche, che a metà anno ha evidenziato un lieve miglioramento, registrando un calo delle sofferenze lorde rispetto ai livelli raggiunti a fine 2015. Le banche italiane, tuttavia, continuano a essere caratterizzate dalla più elevata incidenza delle sofferenze sul totale dei crediti, pur mostrando un tasso di copertura tra i più alti nel confronto europeo (Fig. 4.8) e una graduale riduzione dello stock degli altri crediti deteriorati (ossia inadempienze probabili e crediti scaduti non ancora in sofferenza; Fig. 4.9). In tutti i maggiori paesi europei, ad eccezione della Spagna, si registra un andamento positivo nella dinamica dei mutui ipotecari (Fig. 4.10) accanto a un generale allentamento delle condizioni di accesso al credito per le famiglie; tali condizioni restano invariate, invece, per le imprese (Fig. 4.11). I principali fattori alla base dell'allentamento degli standard creditizi riguardano l'incremento della pressione concorrenziale tra banche e la minore percezione del rischio (Fig. 4.12). I prestiti bancari erogati alle imprese mostrano, tuttavia, una dinamica eterogenea nei diversi paesi dell'area euro, con tassi di crescita positivi in Germania e Francia e negativi o prossimi allo zero in Italia e Spagna (Fig. 4.13). Tale eterogeneità segnala il persistere della frammentazione finanziaria tra le economie dell'Eurozona, come confermano anche i crescenti squilibri nei flussi di Target 2 (Fig. 4.14) e la diminuzione, rispetto ai livelli del 2010, delle esposizioni estere delle banche verso altri paesi dell'area (Fig. 4.15). In dettaglio, dal 2010 le esposizioni degli istituti di credito verso il debito pubblico domestico sono dapprima cresciute in alcuni paesi (come Italia e Spagna) per poi ridursi gradualmente dopo l'avvio del *quantitative easing* da parte della BCE nel marzo del 2015 (Fig. 4.16). Con riguardo all'operatività *cross-border*, invece, le banche delle economie *core* hanno ridotto i propri crediti verso il settore pubblico dei paesi con maggiori squilibri, mentre quelle italiane e spagnole hanno incrementato le proprie esposizioni reciproche (Fig. 4.17). L'operatività transfrontaliera degli istituti di credito con riferimento al settore privato si è invece ridotta in modo più uniforme, con un calo delle esposizioni sia verso il settore non bancario (Fig. 4.18) sia verso altre banche in tutti i maggiori paesi dell'area euro (ad eccezione della Spagna; Fig. 4.19). È rimasto inoltre elevato il ricorso al *funding* presso la BCE da parte degli enti creditizi italiani e spagnoli, mentre i depositi delle banche europee presso la banca centrale hanno continuato a crescere in un contesto di tassi di interesse a breve termine negativi (Fig. 4.20).

1. Equity markets
2. Non-equity markets
3. Non-financial companies
4. Banks

Trends and risks

Since the beginning of 2016, global equity markets have recorded uneven performances. While in the US and emerging economies stock indices have risen substantially, the Eurozone suffered from the uncertainties of a flagging recovery and the weakness of the banking sector.

The effects of the Brexit vote on equity markets showed to be only temporary, although their full appreciation has to be postponed to the medium-long run.

Sovereign debt markets keep benefiting from persistent unconventional monetary policies, which have contributed to the sharp drop of contagion across regions and to a further downward shift and flattening of the European yield curves.

More than 60 percent of the Eurozone public debt is now issued at average negative yields, thus suggesting that refinancing needs of the main euro area countries over the next months may be met at considerably lower costs than in the past.

Also yield spreads of corporate financial and non-financial bonds relative to IRS have declined to unprecedented low levels.

In 2016 H1, activity on the primary markets of both non-financial corporate bonds and bank bonds has remained subdued in the US and Europe, while issuances of asset backed securities have shown signs of improvement in the US and in Italy.

The accommodative stance of monetary policy continue driving interest rates on bank loans down, although both the demand for bank credit (with the exception of France) and the recovery of lending to corporates remain weak and uneven across countries.

On the corporate side, large European non-financial firms keep showing high vulnerability both because of the ongoing lacklustre profitability and the worsening of the financial structure (especially marked in the UK).

However, market perception of credit risk for large European listed firms has decreased in the last six months mirrored by bond-spread implied ratings increasingly above official ratings.

Banks are still struggling with subdued profitability, vis-à-vis the low and negative interest rate environment triggered by the accommodative monetary policy, and high (although slightly decreasing) stock of non-performing loans. Capital ratios, however, have now stabilized at higher levels than their pre-crisis figures.

1. Equity markets
2. Non-equity markets
3. Non-financial companies
4. Banks

Although decreasing over 2016, perceived risk of largest European banks (as measured by CDS prices both observed and implied by EDF) remains higher than previous year levels. This dynamics, more marked for Italian institutions, is mirrored by CDS spread implied ratings, which are persistently below the official ratings.

Euro area financial integration keeps shrinking relative to 2010 levels, as shown by the growing Target 2 imbalances and the contraction in foreign banks' claims within the Eurozone. In detail, core economies have reduced their claims towards Italy and Spain, which in turn have mutually increased exposures to their sovereign debts, while in major European countries but Spain banks have cut down cross border lending to both private non-financial sector and to other banks.

In the months to come, many sources of uncertainties keep hanging on European financial markets, mainly driven by the weakness of recovery, developments in monetary policies across regions and geo-political risks.

1. Equity markets

- 2. Non-equity markets
- 3. Non-financial companies
- 4. Banks

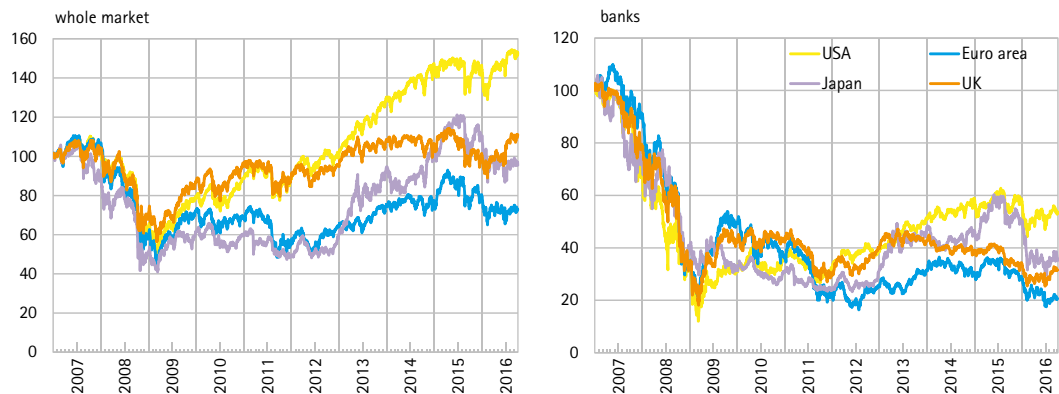
Equity markets

Since the beginning of 2016, global equity markets have recorded uneven performances. While in the US and ...

... in the emerging economies stock indexes have risen substantially, ...

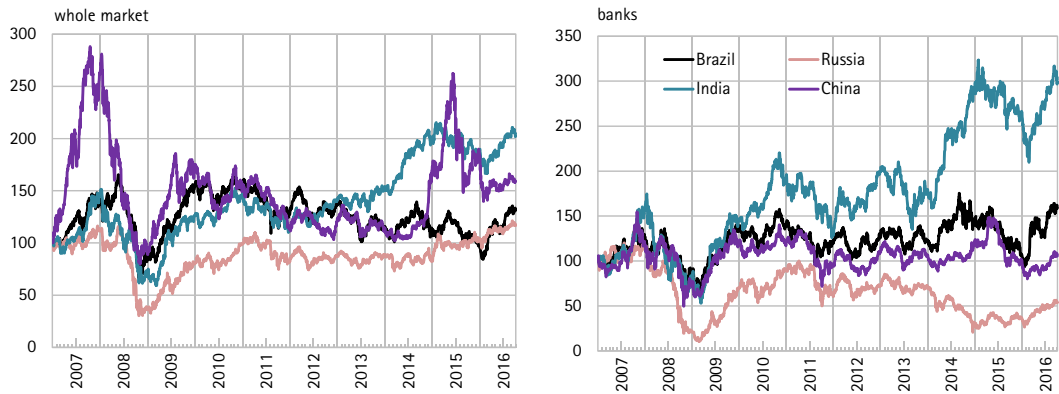
... the Eurozone has suffered from the uncertainties of a flagging recovery and the knee-jerk reaction to the Brexit vote. Italy and Spain were hit the most ...

Fig. 1.1 – Advanced countries stock index prices
(daily data; 01/01/2007 - 30/09/2016; 01/01/2007 = 100)



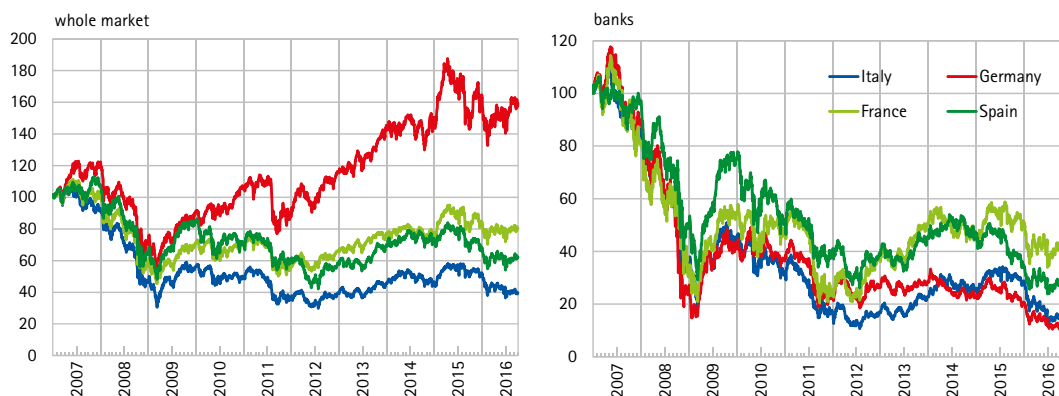
Source: Thomson Reuters Datastream. In the left graph stock indexes include: S&P500 (USA), Nikkei 225 (Japan), Ftse100 (UK), Euro Stoxx 50 (euro area). In the right graph stock indexes include: S&P500 Banks, Euro Stoxx Banks, Japan Ftse Banks and UK Ftse Banks.

Fig. 1.2 – BRIC stock indexes
(daily data; 01/01/2007 - 30/09/2016; 01/01/2007 = 100)



Source: Thomson Reuters Datastream. In the left graph stock indexes include: Bovespa (Brazil), Micex (Russia), Sensex (India), Shanghai Schenzen 300 CSI (China). In the right graph stock indexes include Ftse Banks indexes.

Fig. 1.3 – Stock indexes of the main euro area countries
(daily data; 01/01/2007 - 30/09/2016; 01/01/2007 = 100)



Source: Thomson Reuters Datastream. In the left graph stock indexes: Ftse Mib (Italy), Cac40 (France), Ibex35 (Spain), Dax30 (Germany). In the right graph stock indexes include Ftse Banks indexes.

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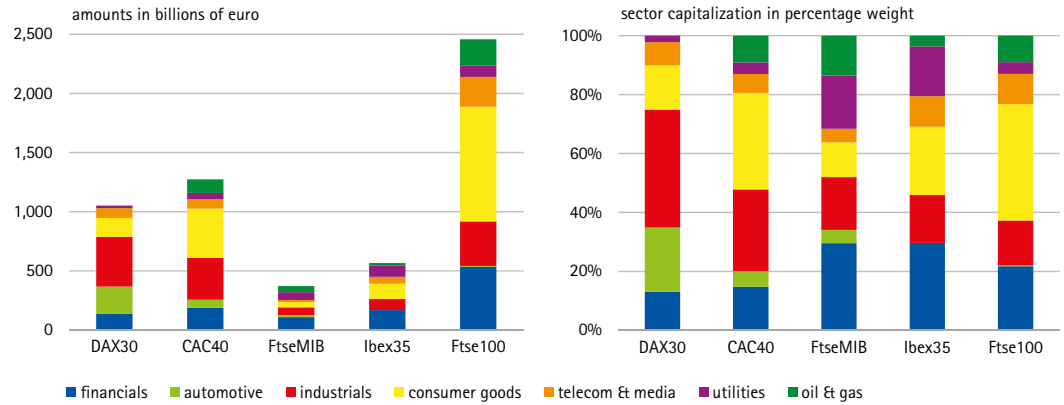
- 2. Non-equity markets
- 3. Non-financial companies
- 4. Banks

... also because of their exposure to the banking sector, which weighs significantly on their general stock indices (on the contrary, Germany and France maintain their stronghold at the heart of European industrial sectors).

As shown by some indicators, Britain's decision to leave the EU had only a temporary impact on the Eurozone equity markets. Correlations between the UK and the main euro area countries' stock indexes, after a passing slump, keep being rather high and essentially stable.

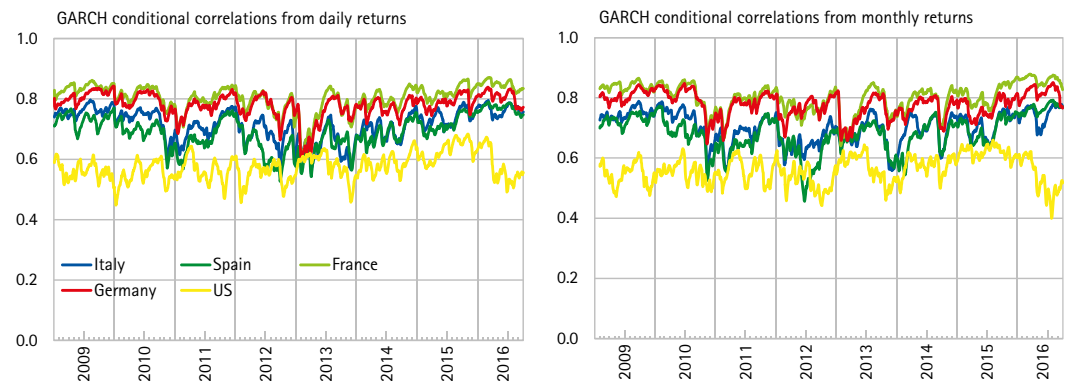
Similarly, both volatilities and ...

Fig. 1.4 – Market capitalization by industry sectors for leading European stock indexes
(data as end of September 2016)



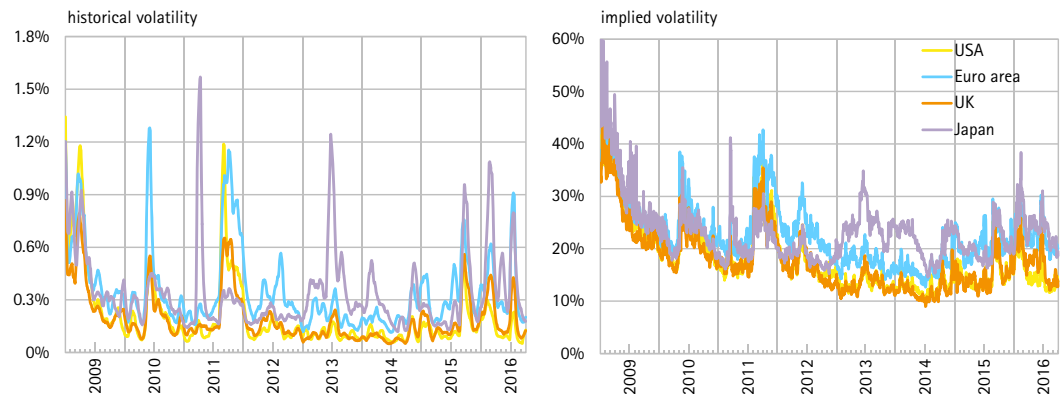
Source: calculations on Bloomberg data. Financial sector includes banks, insurance and financial services. Consumer goods includes personal, healthcare, food, travel&leisure, retail. Industrial goods include chemicals, basic resources, construction. Others include e.g. media, technology and real estate.

Fig. 1.5 – Correlations between the UK stock market index with the stock indexes of the main euro area countries and the US
(daily data; 01/01/2009 – 30/09/2016)



Source: calculations on Thomson Reuters data. Varying conditional correlations are predicted by means of a multivariate GARCH estimated on daily (left panel) and monthly (right panel) returns of the US and some European stock indexes.

Fig. 1.6 – Advanced countries stock index historical and implied volatilities
(daily data; 01/01/2009 – 30/09/2016; annualised volatilities in percentage terms; 1-month moving average)



Historical volatilities are estimated by applying multivariate Garch models. Calculations are based on Thomson Reuters data.

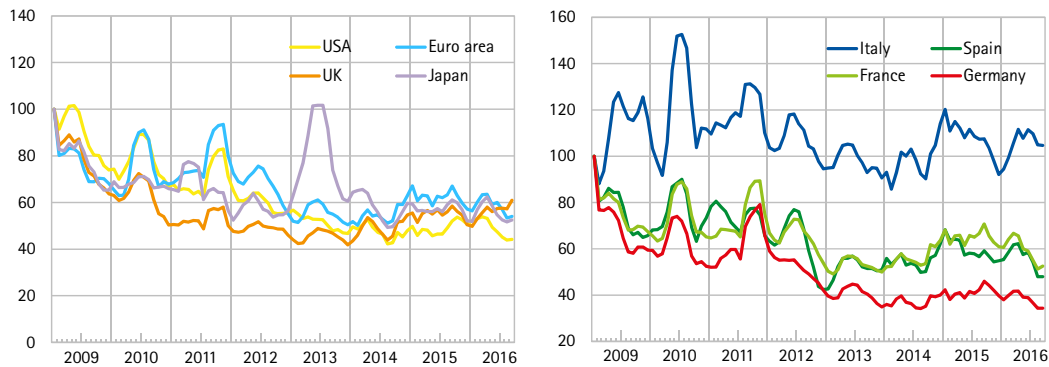
1. Equity markets

- 2. Non-equity markets
- 3. Non-financial companies
- 4. Banks

... trading volumes have gradually declined back towards their early-year values after a transient spike.

Fig. 1.7 – Trading volume in advanced countries

(monthly data; January 2009 – September 2016; January 2009 = 100; 4-month moving average)

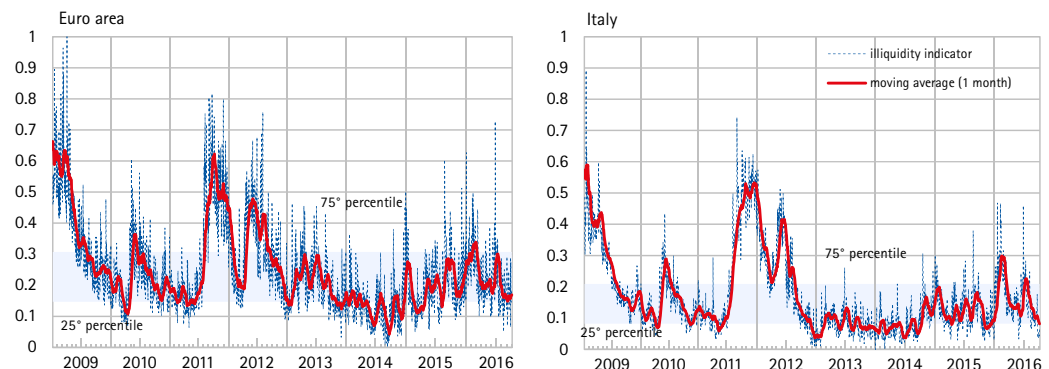


Trading volume is deflated on the basis of stock index prices. In the left graph the sample includes S&P500 (USA), Nikkei 225 (Japan), Ftse 100 (UK), Euro Stoxx 50 (euro area) stock indexes. In the right graph the sample includes Ftse Mib (Italy), Cac40 (France), Ibex35 (Spain), Dax30 (Germany). Calculations are based on Thomson Reuters data.

Also liquidity conditions have eased, following the short-lived deterioration driven by the UK referendum.

Fig. 1.8 – Stock market illiquidity in the euro area

(daily data; 01/01/2009 – 30/09/2016)

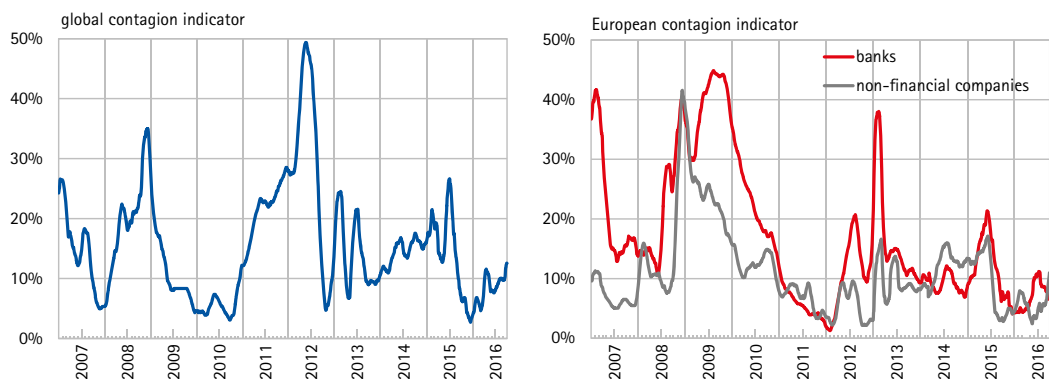


The illiquidity indicator is the principal component estimated on illiquidity and volatility measures applied on Euro Stoxx 50 (euro area) and Ftse Mib (Italy) stock indexes: price impact (Amihud, 2002), bid-ask spread, implied volatility and historical volatility (range based estimator). The indicator is rescaled between zero (= high liquidity) and one (= low liquidity). The first and the third quartile of liquidity indicator sample distribution are reported. Calculations are based on Thomson Reuters data.

Since the beginning of 2016, interconnectedness across stock markets has risen, as shown by the contagion indicators across regions and ...

Fig. 1.9 – Stock index price contagion indicator

(percentage values; daily data; 01/01/2007 – 30/09/2016; 2-month moving average)



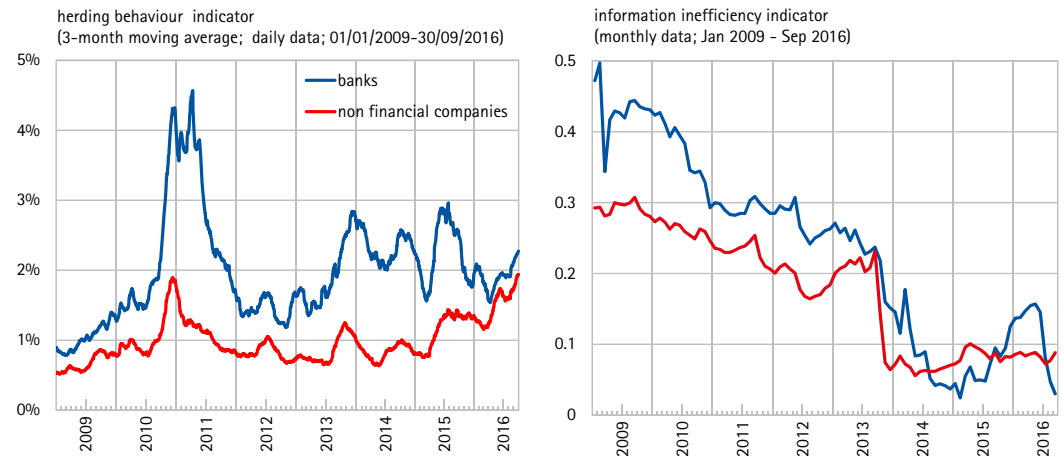
On the left graph contagion is measured on the following stock index return time series: Merval (Argentina), Bovespa (Brazil), Micex (Russia), Sensex (India), Shenzhen SE (China), MSCI Turkey, S&P500 (USA), Euro Stoxx 50 (euro area), Ftse 100 (UK) and Topix (Japan). On the right graph contagion is measured on UK, Germany, France, Italy, Spain, Greece, Portugal, Ireland, Netherlands, Austria and Finland MSCI stock index return time series. For the methodology see Consob Working paper no. 72, 2012. Calculations are based on Thomson Reuters data.

1. Equity markets

2. Non-equity markets
3. Non-financial companies
4. Banks

... the herding behaviour indicator, which in the Eurozone has recorded a significant upsurge both in bank and non-financial sectors.

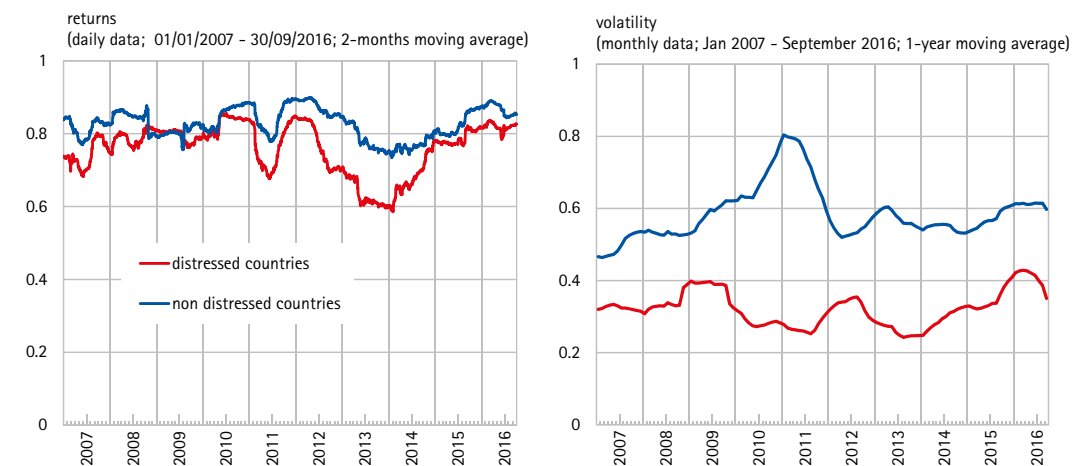
Fig. 1.10 – Herding behaviour and information inefficiency in the euro area stock markets



The indicator of herding behaviour is computed as the inverse of the standard deviation of stock market returns referring to main blue chips in the euro area (Chang, E., Cheng, J. and Khorana, A. 2000). A lower dispersion (i.e. a higher level of the indicator) signals that the investors adopt more frequently similar or imitative investment strategies and, therefore, that the herding behaviour phenomenon is more intense. The information inefficiency indicator is the absolute value of the first order stock index return autocorrelation. The indicators are computed on the stocks included in the euro area Datastream non-financial indexes and in Euro Stoxx Banks index. Calculations are based on Thomson Reuters data.

In addition, within the euro area sensitivity to common shocks remains high for both distressed and core economies.

Fig. 1.11 – Euro area stock market level of sensitivity to common shocks



Left graph represents the explanatory power of common factor equity portfolio, which is the average R-square of the following regression: $return_index_{i,t} = \alpha_{i,t} + \beta_{i,t}\theta_{i,t} + \varepsilon_{i,t}$, where $\theta_{i,t}$ is the return on the first common factor equity portfolio (first principal component) for country i on day t . Regressions are estimated recursively (200 observations window; ECB - Financial integration in Europe, 2014). Right graph represents variance ratios, which are computed in two steps. Firstly, domestic historical volatility time series are estimated by applying asymmetric Garch models ($\sigma_{i,t}^2$). Secondly, the following regression is run for each country i : $\sigma_i^2 = \alpha_i + \beta_i\sigma_{euro}^2 + \gamma_i\sigma_{usa}^2 + \varepsilon_i$, where σ_{euro}^2 and σ_{usa}^2 are respectively EuroStoxx 50 and S&P500 stock index volatilities. The variance ratio indicator is computed as the average of $VR_{usa,i} = \frac{\beta_i\sigma_{usa}^2}{\sigma_i^2}$ and $VR_{euro,i} = \frac{\beta_i\sigma_{euro}^2}{\sigma_i^2}$ (Baele et al., 2004, and ECB - Financial integration in Europe, 2014). Non-distressed countries include Germany, France, Netherlands, Austria, Finland. Distressed countries include Italy, Portugal, Spain, Ireland. Calculations are based on Thomson Reuters data.

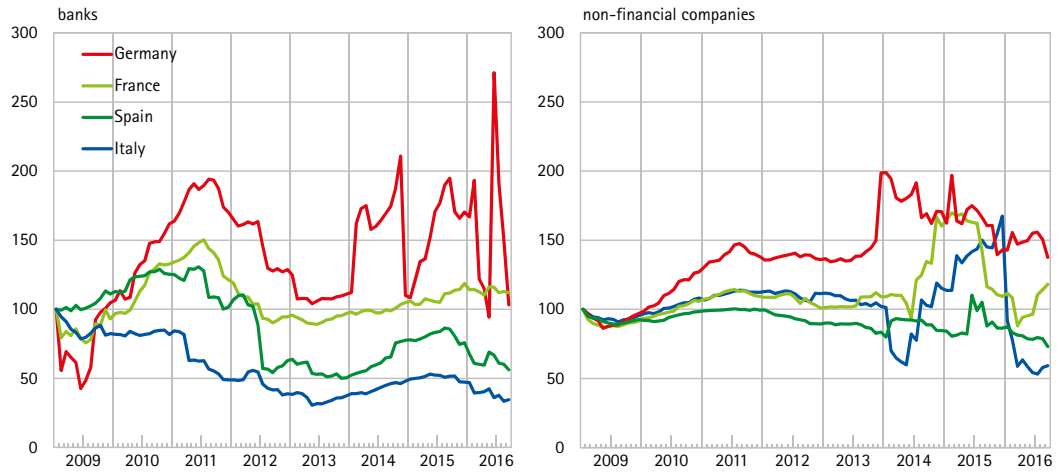
1. Equity markets

- 2. Non-equity markets
- 3. Non-financial companies
- 4. Banks

Uncertainties about Eurozone banks' ability to deliver adequate operating profits, in a context of slow growth and low and negative rates, ...

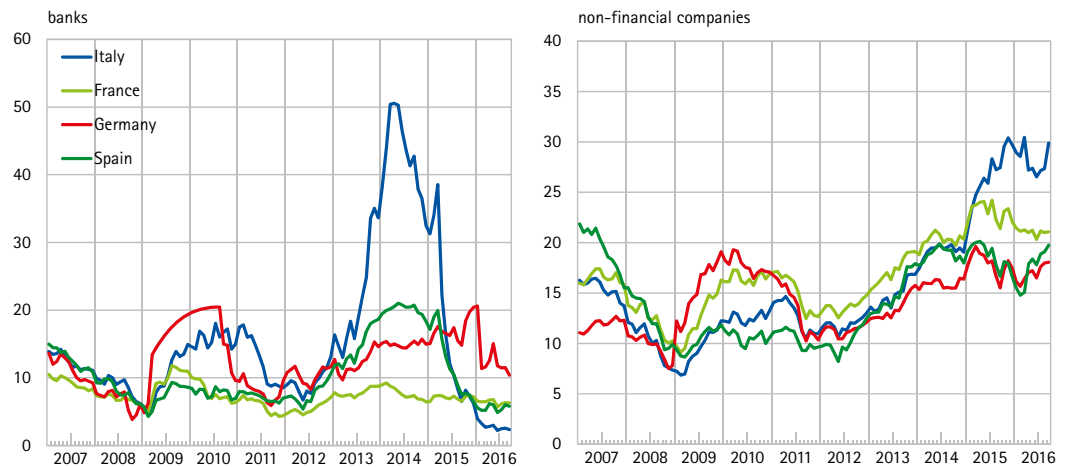
... along with sizeable stock price drops were mirrored by declining price earnings ratios (especially in Italy and Germany) ...

Fig. 1.12 – Expected operating profits in the euro area
(1-year horizon; monthly data; January 2009 –September 2016; January 2009=100)



The sample includes euro area main listed banks and non-financial companies (Datastream indexes). Calculations are based on Thomson Reuters data.

Fig. 1.13 – Price earnings ratio adjusted for the business cycle in the euro area
(monthly data; January 2009 – September 2016)



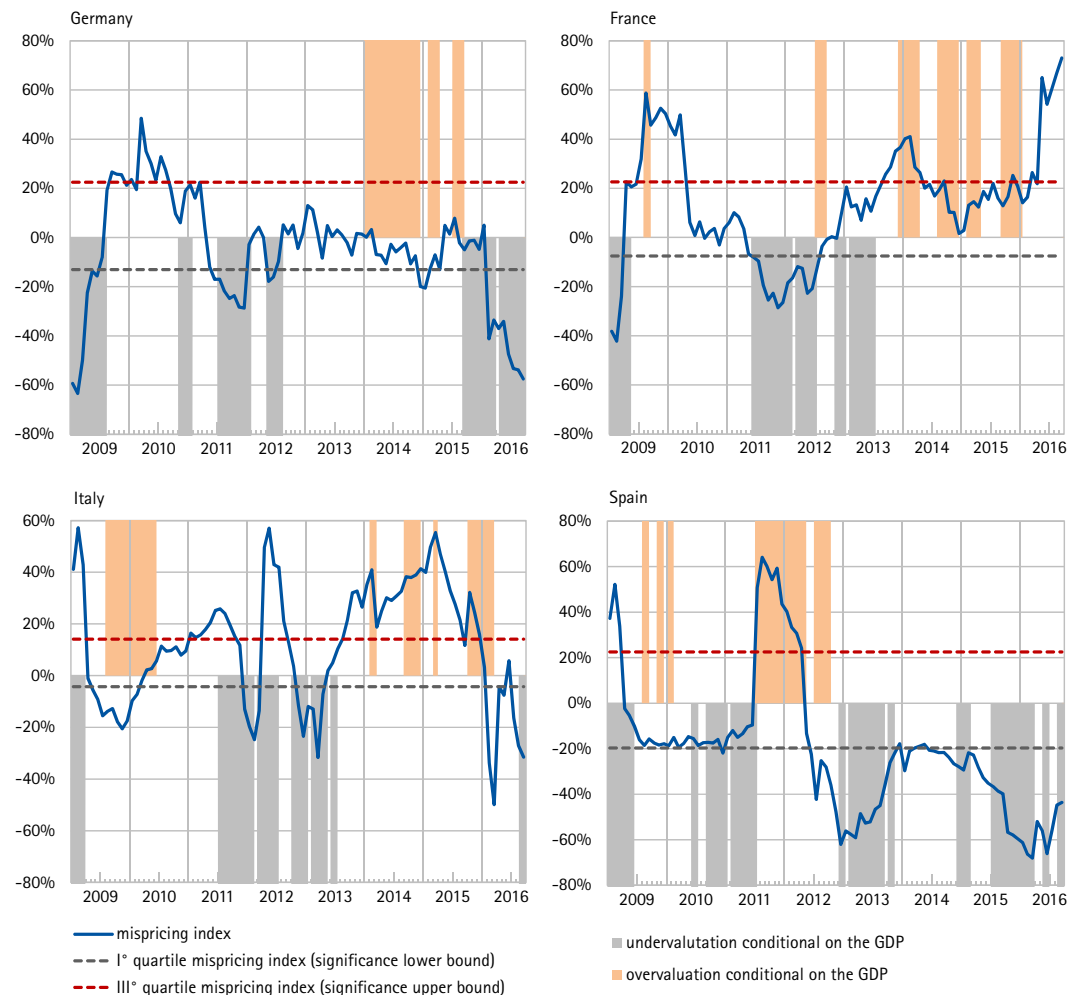
The sample includes euro area main listed banks and non-financial companies (Datastream indexes). The price-earnings ratio is calculated on the earnings-per-share adjusted for the business cycle (Hodrick-Prescott filter). Calculations are based on Thomson Reuters data.

1. Equity markets

2. Non-equity markets
3. Non-financial companies
4. Banks

... and widening misalignments between bank stock prices and their fundamentals. The only exception is France, whose banking sector has recorded a profitability growth higher than elsewhere (see Section 4 for more details).

Fig. 1.14 – Boom and bust episodes of bank stock price in the euro area
(monthly data; January 2009 – September 2016)



The figure plots two mispricing indicators: a micro indicator (blue line) and a macro indicator (shaded areas).

The micro mispricing index is the percentage difference between the observed price and the fundamental value (Campbell and Shiller, 1988; Nelson, 1999; De Bondt et al., 2010). The fundamental value is estimated by applying a VECM co-integration model on stock prices, earnings per share adjusted for the business cycle, and risk premium (earnings yield premium). The micro mispricing indicator signals undervaluation (overvaluation) if it is lower than its 1° quartile (greater than its 3° quartile). The quartiles are computed on micro mispricing indicator's distribution estimated by taking into consideration time series starting from January 2000.

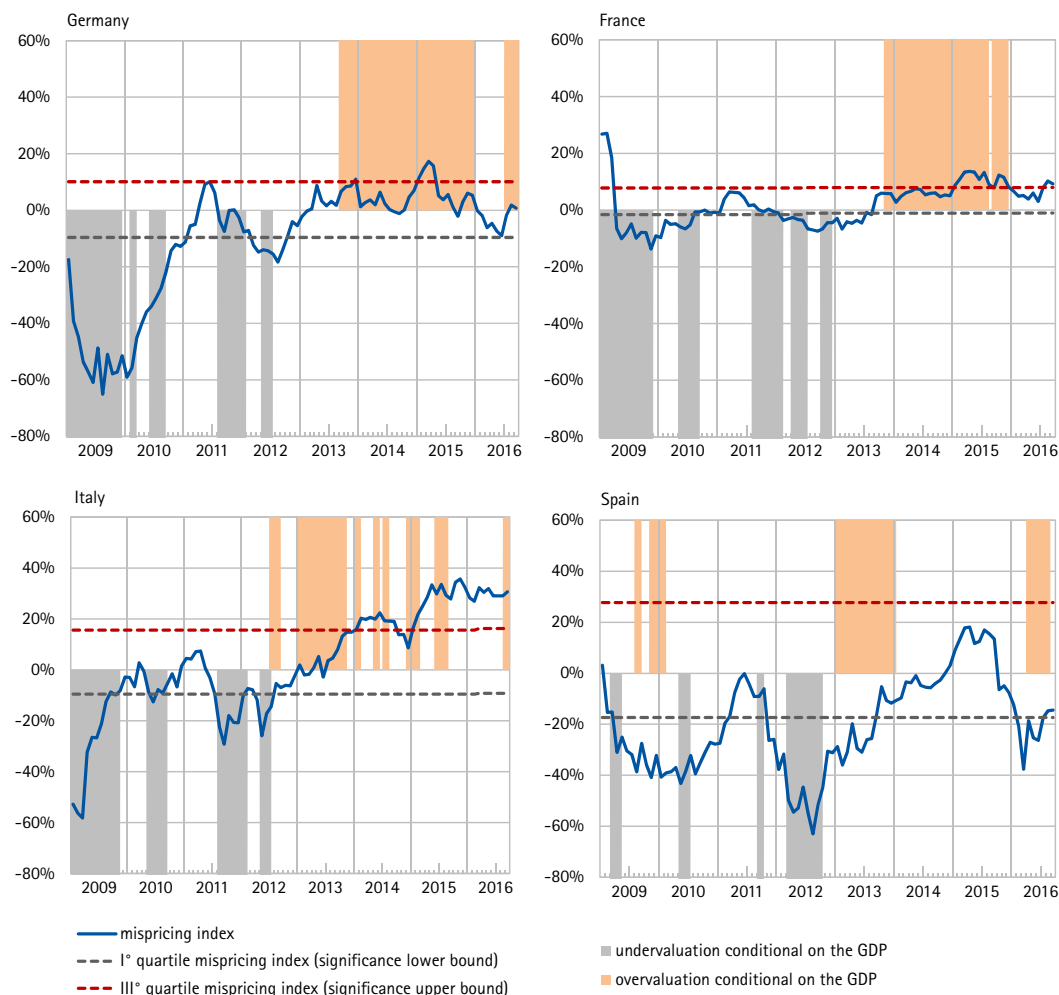
The macro mispricing indicator signals undervaluation (overvaluation) with respect to the business cycle. It is computed by estimating the time series of the $p_t^{I^{\circ} \text{quartile}, GDP}$ ($p_t^{III^{\circ} \text{quartile}, GDP}$) of the stock index price distribution conditioned on the GDP (trend component estimated by applying the Hodrick-Prescott filter). The indicator signals undervaluation (grey area) if $p_t < p_t^{I^{\circ} \text{quartile}, GDP}$; the indicator signals overvaluation (orange area) if $p_t > p_t^{III^{\circ} \text{quartile}, GDP}$; white areas correspond to a statistically insignificant mispricing level (Quiros and Timmermann, 2001; Cassola and Morana, 2002; Detken and Smets, 2004). Calculations are based on Thomson Reuters Datastream data on main listed euro area banks.

1. Equity markets

- 2. Non-equity markets
- 3. Non-financial companies
- 4. Banks

Contrary to the banking sector, non-financial firms' valuation seems in line with fundamentals in the main euro area countries, with the exception of Italian companies showing signs of overvaluation against the business cycle.

Fig. 1.15 – Boom and bust episodes of non-financial firms stock price in the euro area
(monthly data; January 2009 - September 2016)



The figure plots two mispricing indicators: a micro indicator (blue line) and a macro indicator (shaded areas).

The micro mispricing index is the percentage difference between the observed price and the fundamental value (Campbell and Shiller, 1988; Nelson, 1999; De Bondt et al., 2010). The fundamental value is estimated by applying a VECM co-integration model on stock prices, earnings per share adjusted for the business cycle, and risk premium (earnings yield premium). The micro mispricing indicator signals undervaluation (overvaluation) if it is lower than its I° quartile (greater than its III° quartile). The quartiles are computed on micro mispricing indicator's distribution estimated by taking into consideration time series starting from January 2000.

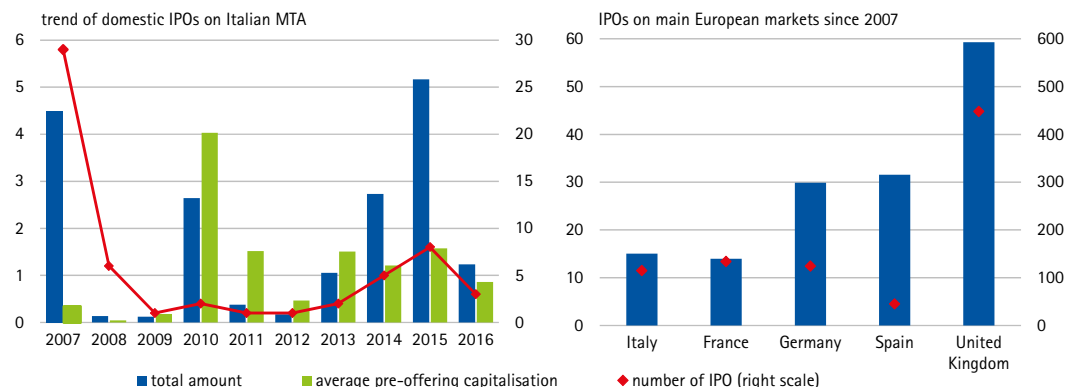
The macro mispricing indicator signals undervaluation (overvaluation) with respect to the business cycle. It is computed by estimating the time series of the $p_t^{I^{\circ}quartile,GDP}$ ($p_t^{III^{\circ}quartile,GDP}$) of the stock index price distribution conditioned on the GDP (trend component estimated by applying the Hodrick-Prescott filter). The indicator signals undervaluation (grey area) if $p_t < p_t^{I^{\circ}quartile,GDP}$; the indicator signals overvaluation (orange area) if $p_t > p_t^{III^{\circ}quartile,GDP}$; white areas correspond to a statistically insignificant mispricing level (Quiros and Timmermann, 2001; Cassola and Morana, 2002; Detken and Smets, 2004). Calculations are based on Thomson Reuters Datastream data on main listed euro area non-financial groups.

1. Equity markets

- 2. Non-equity markets
- 3. Non-financial companies
- 4. Banks

On the equity primary markets, Italy keeps lagging far behind the main European economies, as shown by both the number and the amount of the IPOs launched since 2007.

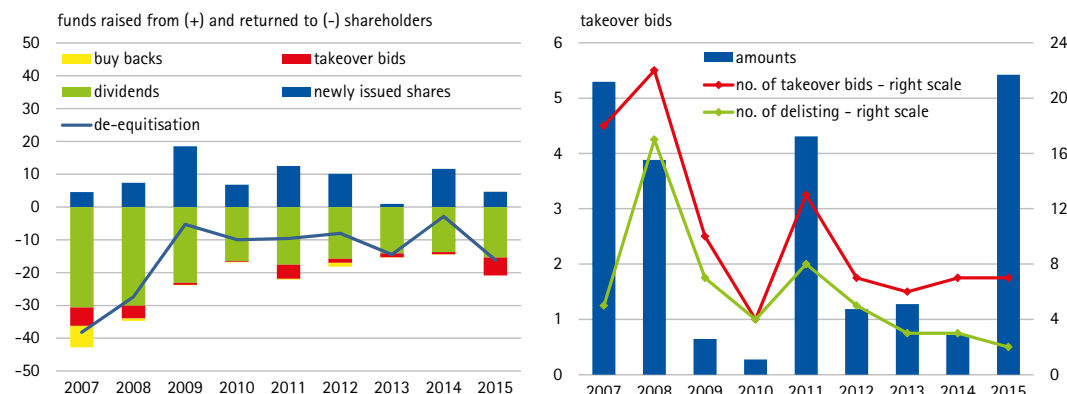
Fig. 1.16 – Advanced countries initial public offerings (IPO)
(amounts in billions of euro; latest data as of October 2016)



Source: Consob and Borsa Italiana data for Italy (including the Expandi Market up to 2009); Bloomberg data for European countries. Average capitalisation of companies admitted to listing is computed on the basis of the offering price and the pre-offering number of shares.

In 2015, the funds raised through the Italian primary stock markets have dropped with respect to the previous year, when banks' recapitalization had significantly contributed to new equity issuance. Takeover bids have instead reached their highest over the last 8 years.

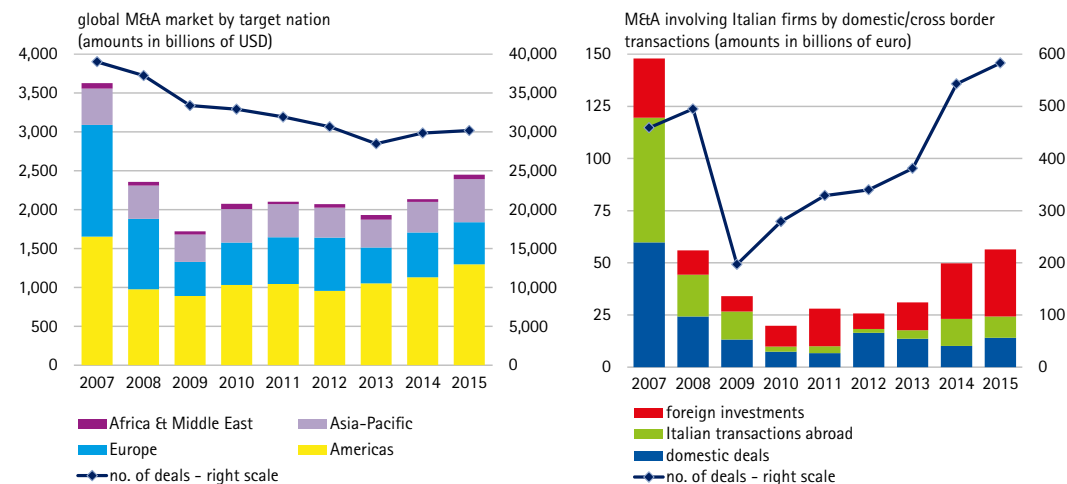
Fig. 1.17 – De-equitisation and takeover bids on Italian listed shares
(amounts in billions of euro)



The de-equitisation indicator is computed as the difference between new issues and the sum of dividends, takeover bids and buybacks. Buybacks are net acquisitions of own shares, disclosed by the issuers to Consob; the amount of buyback in 2014 is estimated. Calculations are based on Consob, Borsa Italiana and Thomson Reuters data.

In 2015, the Italian M&A market have kept rising, along with foreign investments.

Fig. 1.18 – Mergers & Acquisitions



Source: Thomson Reuters Datastream (global M&A) and KPMG (Italian M&A). Asia-Pacific excluding Central Asia; Africa & Middle East including Central Asia.

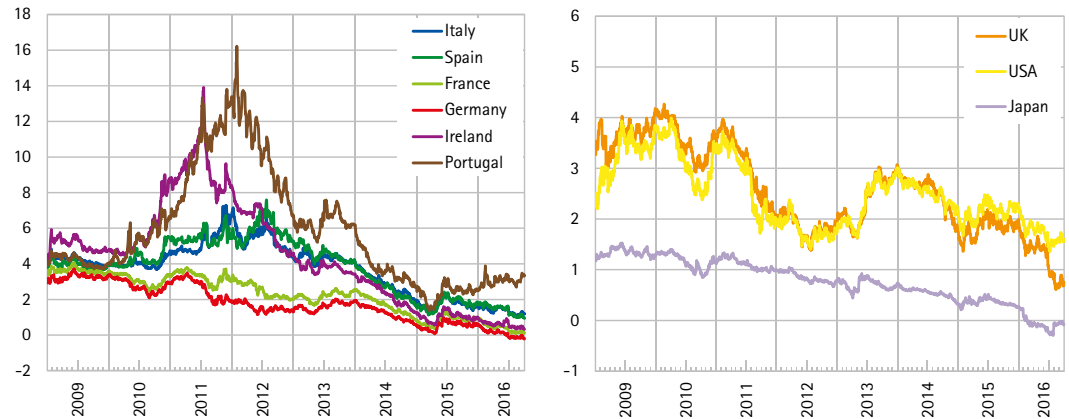
- 1. Equity markets
- 2. Non-equity markets**
- 3. Non-financial companies
- 4. Banks

Non-equity markets

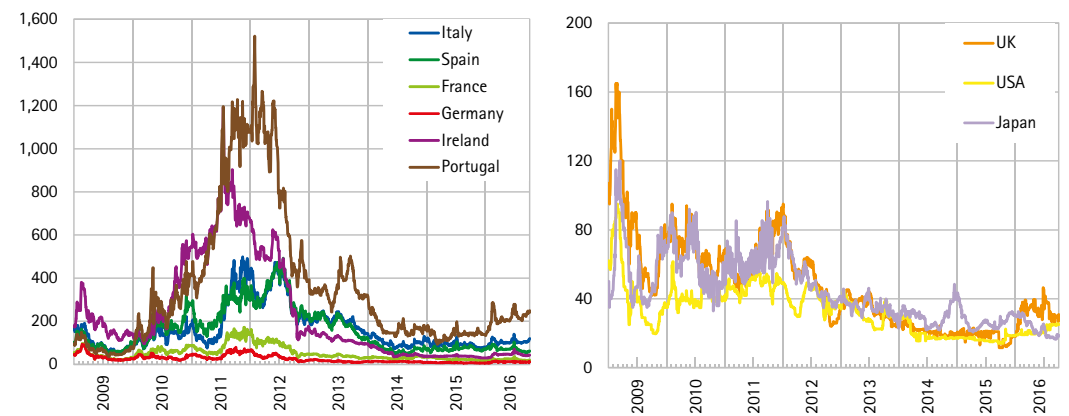
During 2016, thanks to persistent unconventional monetary policies, European government bond yields and CDS premia have kept declining, notwithstanding a temporary spike driven by the Brexit referendum, with the only exception of Portugal.

Fig. 2.1 – Government bond yields and CDS on public debt in advanced countries
(daily data; 01/01/2009 – 30/09/2016)

10-year Government bond yields (percentage values)

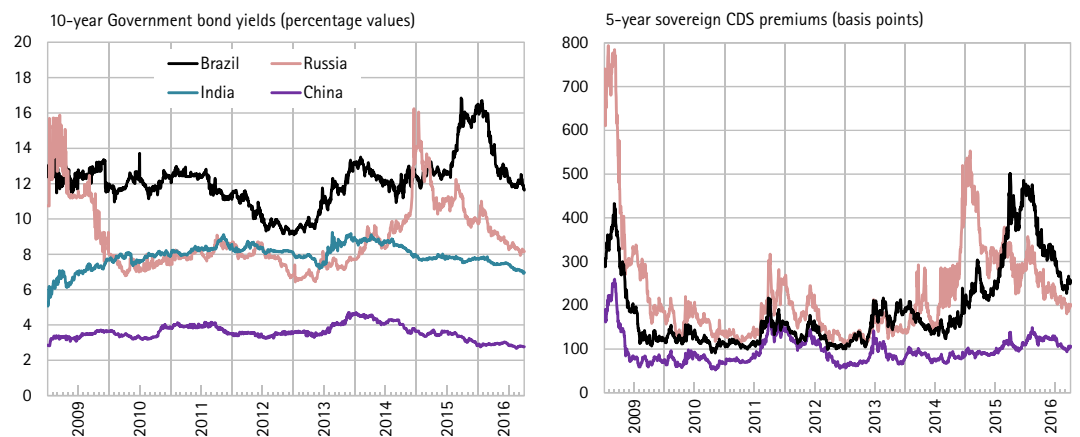


5-year sovereign CDS premiums (basis points)



Source: Thomson Reuters.

Fig. 2.2 – Government bond yields and CDS on public debt in selected emerging countries
(daily data; 01/01/2009 – 30/09/2016)



Source: Thomson Reuters. Only 10-year bid-yields are available for Brazil, Russia, India, and China (hereafter BRIC). Indian CDS market kicked off in December 2011; CDS data for India are not available.

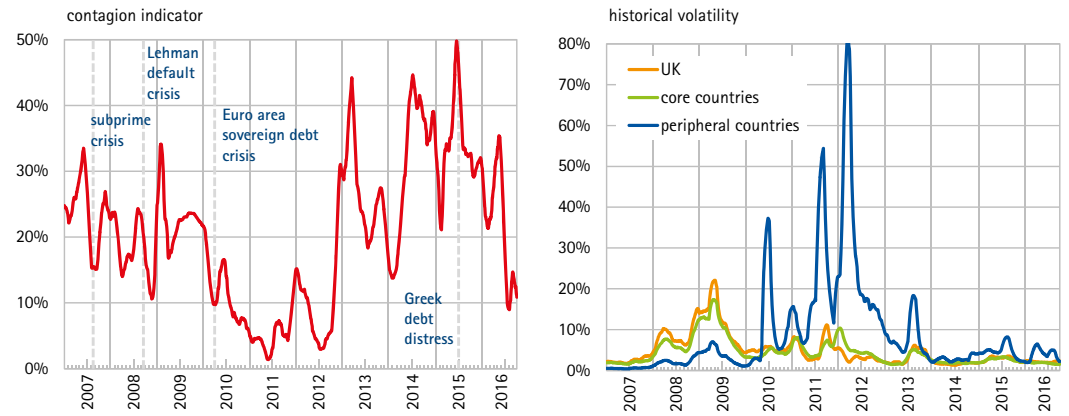
Among emerging economies, Brazil and Russia have benefited from a lowered risk perception, mirrored by a downward trend in sovereign yields.

- 1. Equity markets
- 2. Non-equity markets**
- 3. Non-financial companies
- 4. Banks

The prolonged accommodative stance of monetary policies across regions has contributed both to the sharp drop of the contagion indicator for the European sovereign debt market and ...

Fig. 2.3 – Contagion and historical volatility of 10-year sovereign bond spreads for some European countries

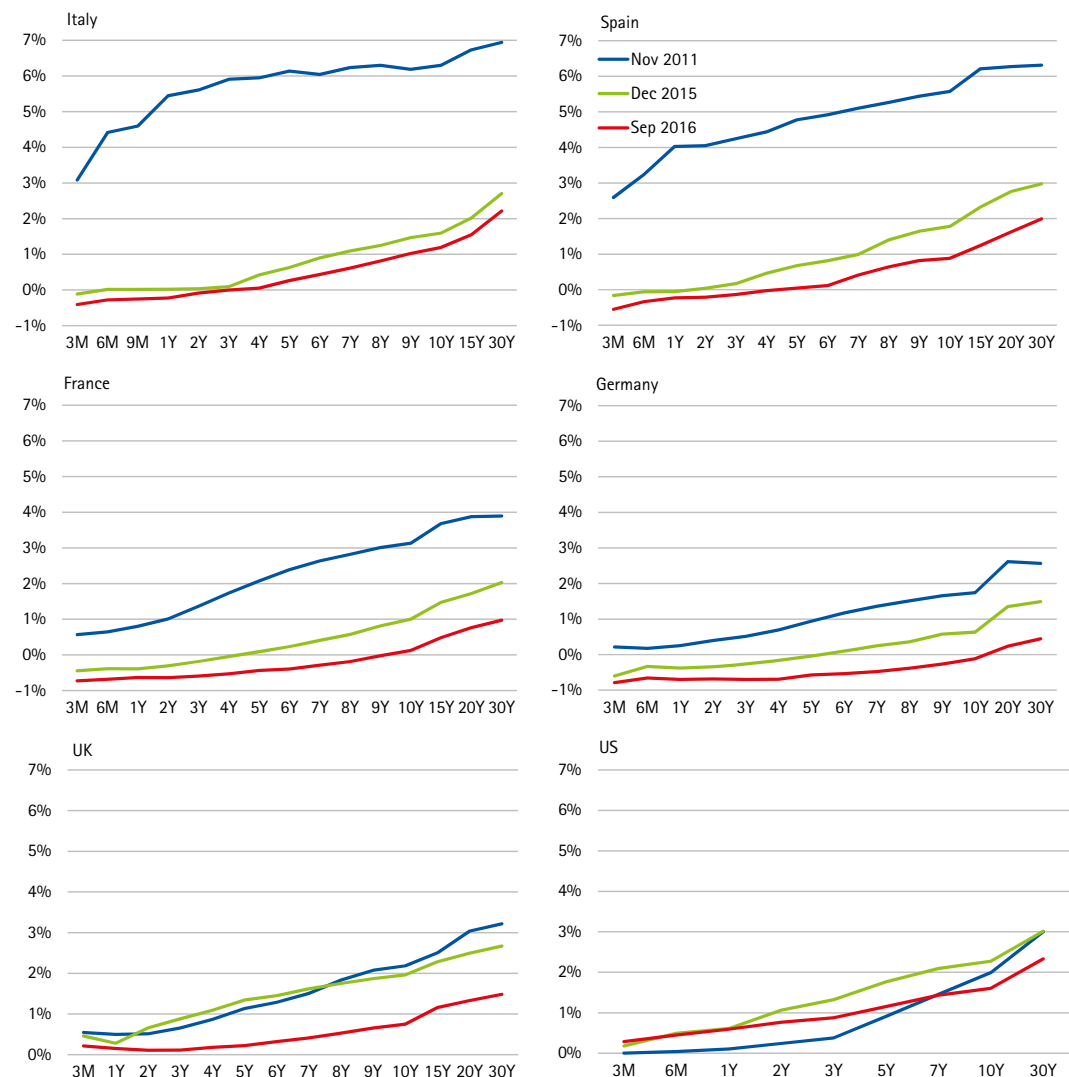
(daily data; 01/01/2007 - 30/09/2016; percentage values; 2-month moving average)



For the methodology applied to estimate the contagion indicator see Consob Working paper no. 72, 2012 (left graph) and Note Figure 2.2 RO no. 9.

... the continuous downward shift and flattening of the European yield curves.

Fig. 2.4 – Sovereign yield curves in major advanced countries (percentage values)

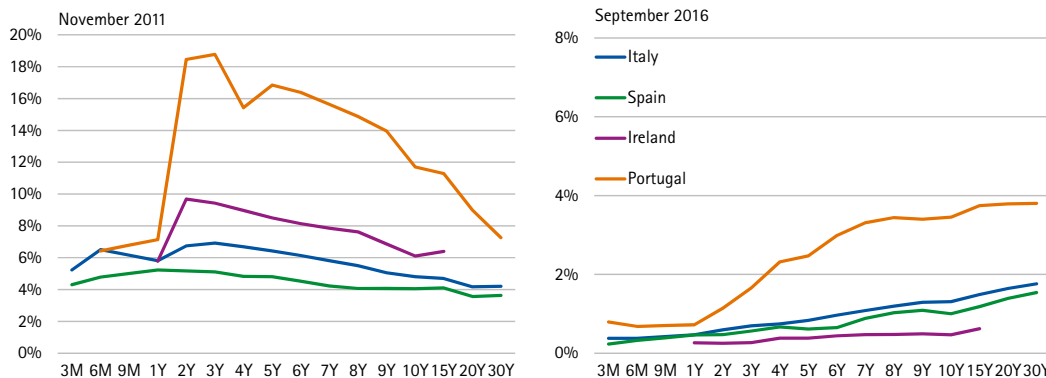


Source: calculations on Thomson Reuters data.

- 1. Equity markets
- 2. Non-equity markets**
- 3. Non-financial companies
- 4. Banks

Consistently, yield spreads against Germany keep remaining significantly below their November 2011 levels along the entire maturity spectrum.

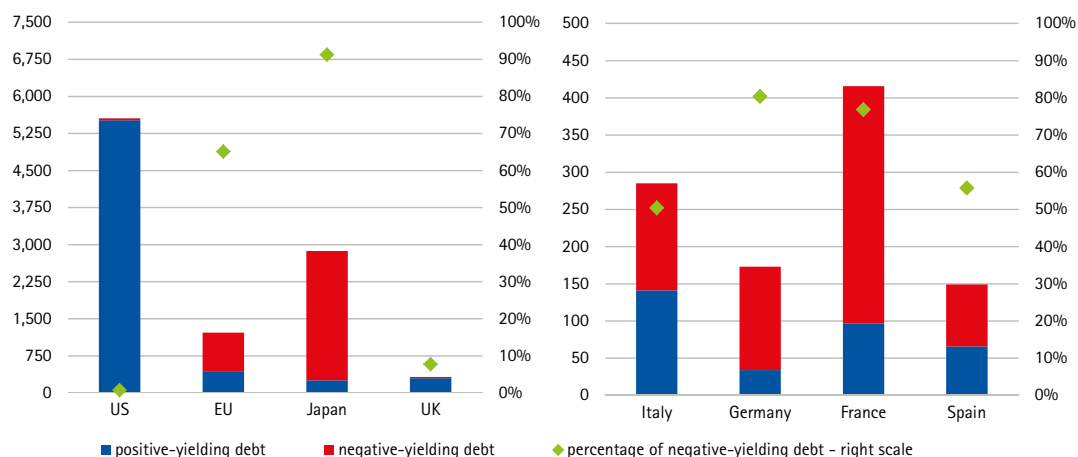
Fig. 2.5 – Term structure of yield spreads between peripheral euro area countries and Germany (percentage values)



Source: calculations on Thomson Reuters data.

More than 60 percent of the Eurozone public debt is now issued at average negative yields ...

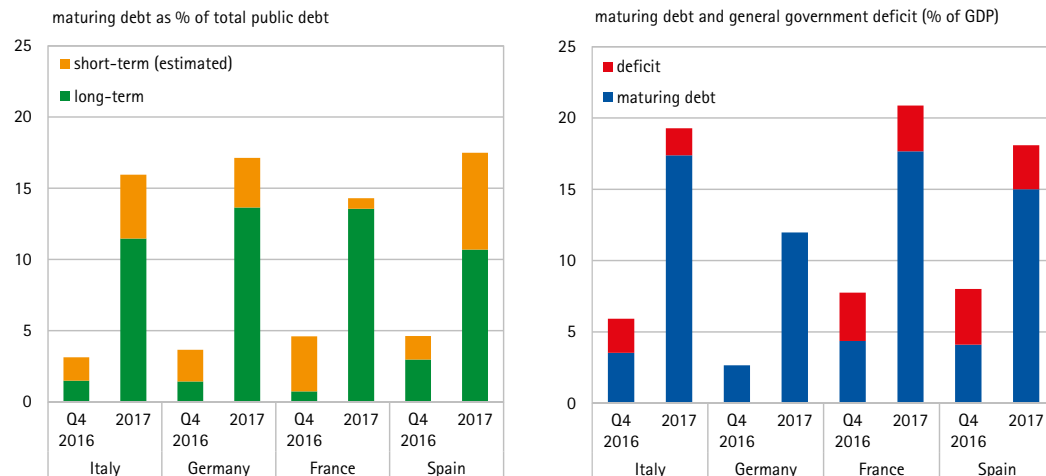
Fig. 2.6 – Negative-yielding sovereign bonds issued in 2016 (billions of euro; January 2016 – September 2016)



Source: calculations on data from Thomson Reuters Eikon.

... thus suggesting that refinancing needs of the main euro area countries over the next months may be met at considerably lower costs than in the past.

Fig. 2.7 – The refinancing needs of general government debt in main euro area countries (percentage values)

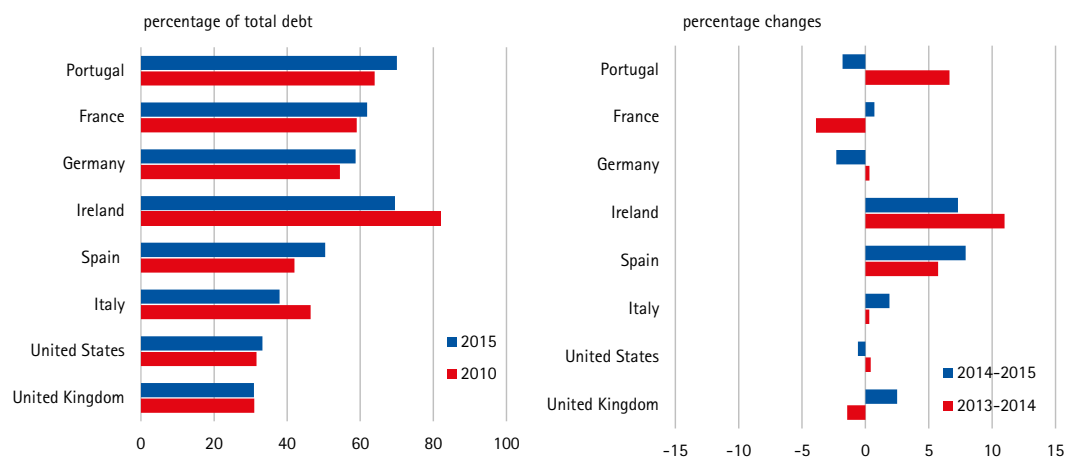


Source: calculations on data from Thomson Reuters Eikon and EU Commission.

- 1. Equity markets
- 2. Non-equity markets
- 3. Non-financial companies
- 4. Banks

In recent years, the share of domestic debt held by foreigners has increased for Spain and Ireland and, to a lesser extent, for Italy and the UK.

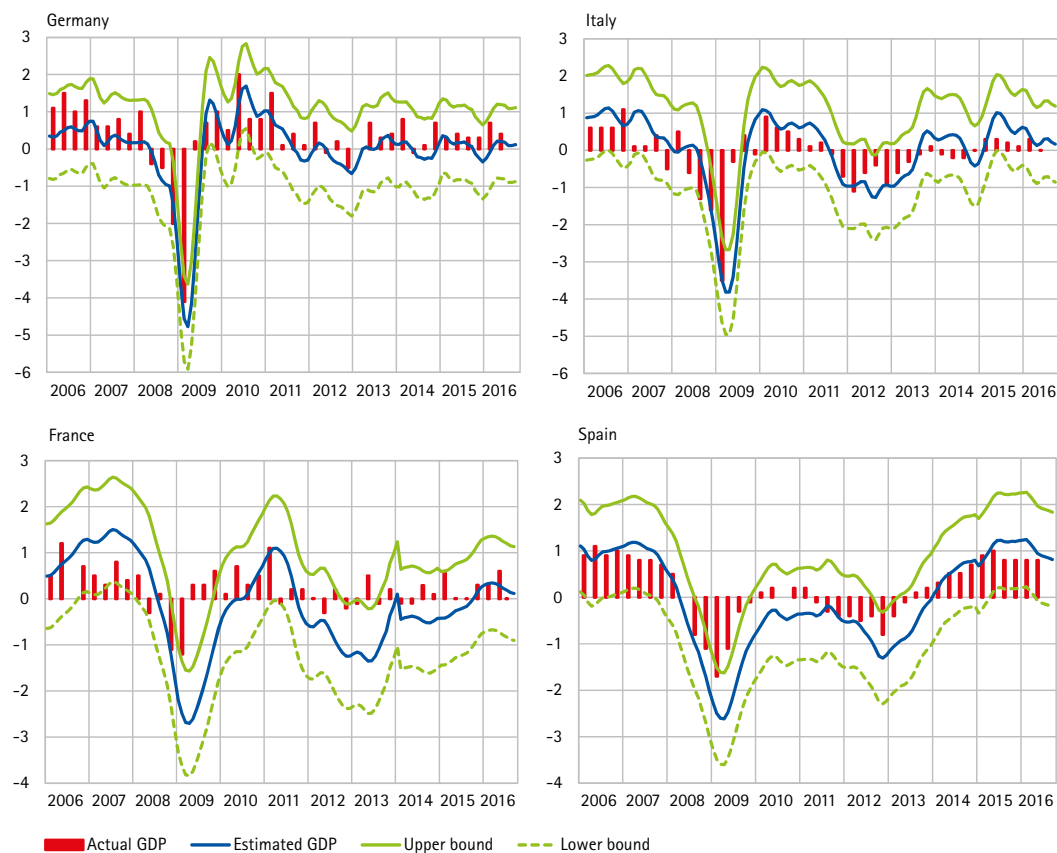
Fig. 2.8 – Non-resident holdings of general government debt in selected countries (percentage values)



Source: calculations on data from IMF Fiscal Monitor.

Even though the ECB unconventional measures are displaying a significant impact on money markets, sluggish growth rates tend to persist around the main Eurozone countries. The only exception is Spain, where...

Fig. 2.9 – GDP nowcasts for some euro area countries (percentage values)



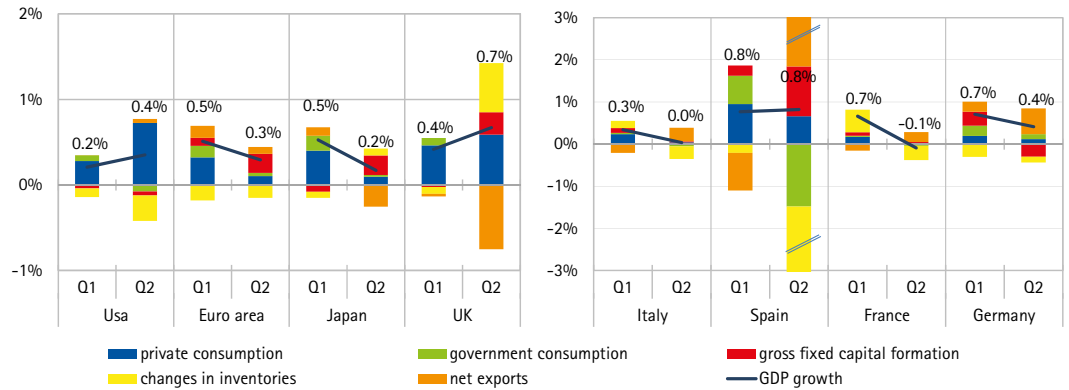
Source: calculations on data from EU Commission, Istat, Insee, Bundesbank, Ine. The sample used to construct the forecast ranges from June 2002 to February 2016. The methodology applied to construct the forecast is based on a small-size state space model, using 11 hard and soft indicators (preliminary and final estimates of GDP; hard indicators: Exports, Industrial Production Index, Retail Sales, Employment; soft indicators: Economic Sentiment Indicator, Business Confidence Indicator, Consumer Confidence Indicator, Building Confidence Indicator) adapted from Camacho and Perez-Quiros (2010). The Kalman filter methodology is used to extract a common factor. The model is estimated separately for each country (Germany, Italy, France, Spain).

- 1. Equity markets
- 2. Non-equity markets**
- 3. Non-financial companies
- 4. Banks

... the economic recovery is mainly driven by private consumption and net exports.

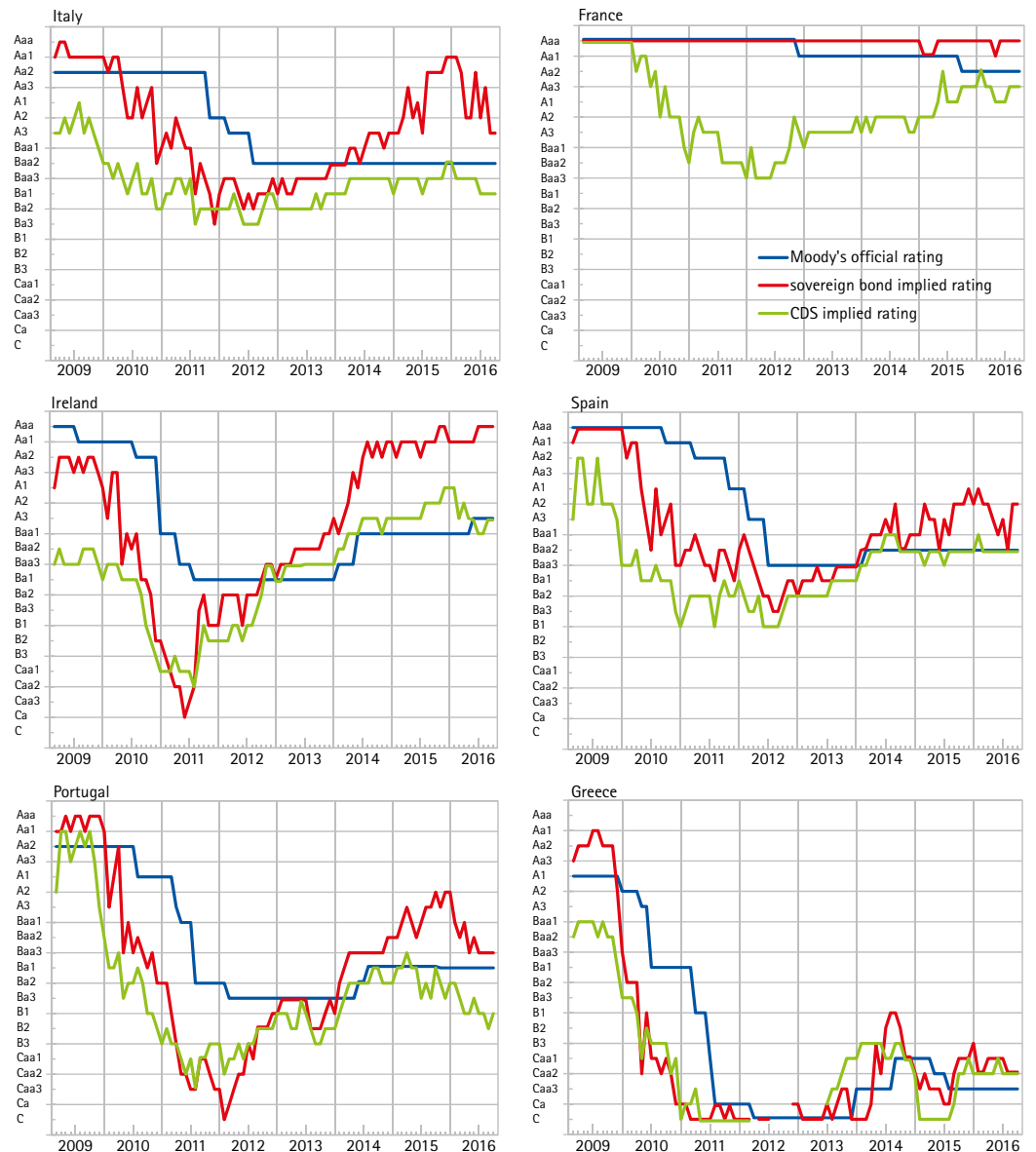
The weak recovery is likely to have triggered the reduction of the market implied ratings of some peripheral countries towards the lower levels of the official ratings. As for Spain, financial markets seem to have welcomed the recent political developments, with sovereign bond implied rating bouncing again above the official rating (in spite of Moody's outlook change from positive to stable).

Fig. 2.10 – Contributions to GDP growth for selected advanced economies
(changes from previous quarter in 2016)



Source: calculations on Thomson Reuters data.

Fig. 2.11 – Sovereign bond and CDS implied ratings in some euro area countries
(monthly data; January 2009 – September 2016)

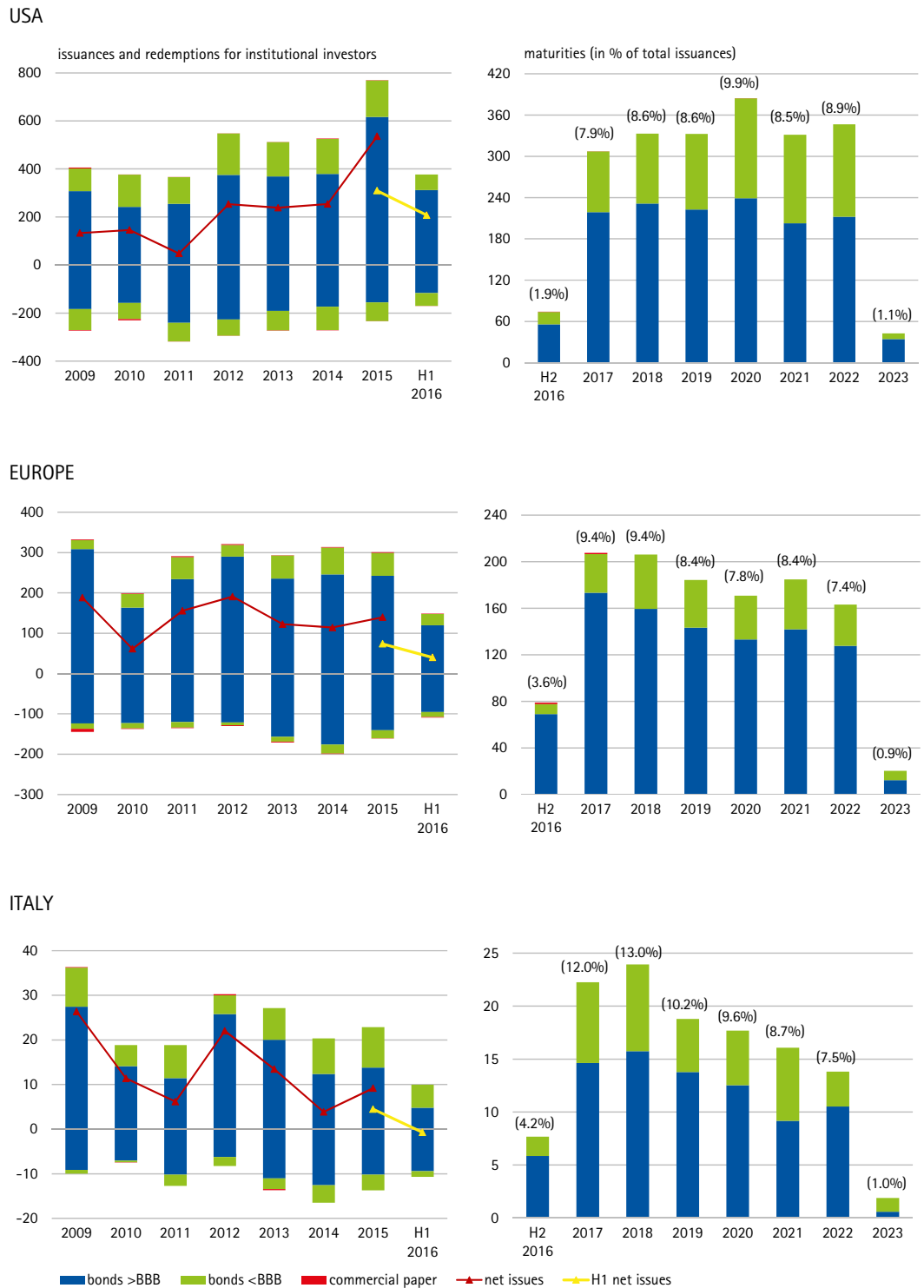


Source: calculations on Moody's data.

- 1. Equity markets
- 2. Non-equity markets**
- 3. Non-financial companies
- 4. Banks

In 2016 H1, activity on the primary markets of both non-financial corporate bonds and ...

Fig. 2.12 – Non-financial corporate bonds issues and maturities
(billions of euro)

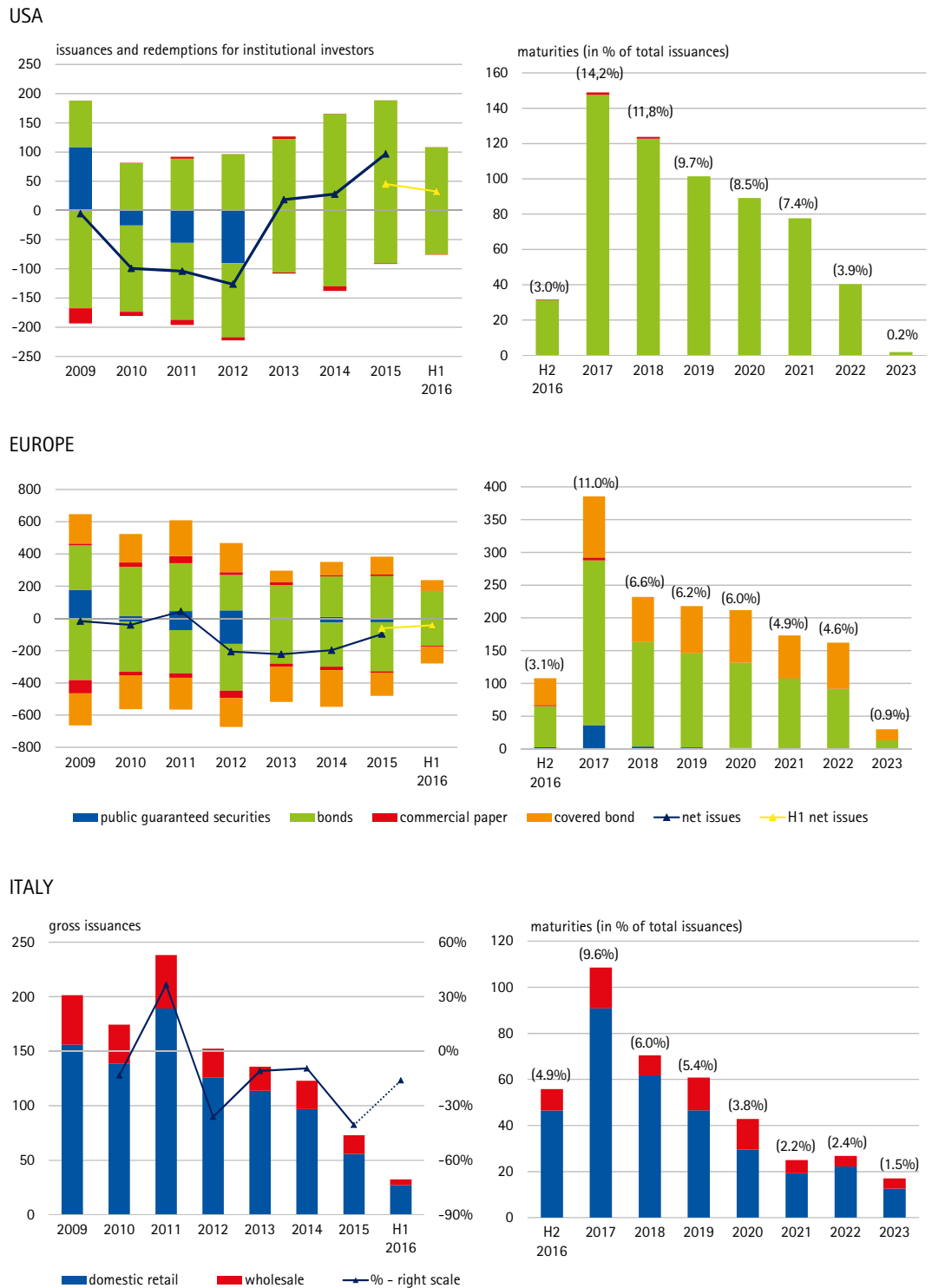


Source: calculations on Dealogic data. European issuance data refer to companies with registered office in Italy, France, Germany, Spain, the Netherlands and the UK and their subsidiaries (including those established in other countries). Maturities refer to bonds issued since 2009.

- 1. Equity markets
- 2. Non-equity markets**
- 3. Non-financial companies
- 4. Banks

... bank bonds has remained subdued in the US and Europe, while ...

Fig. 2.13 – Bank bonds issues and maturities
(billions of euro)

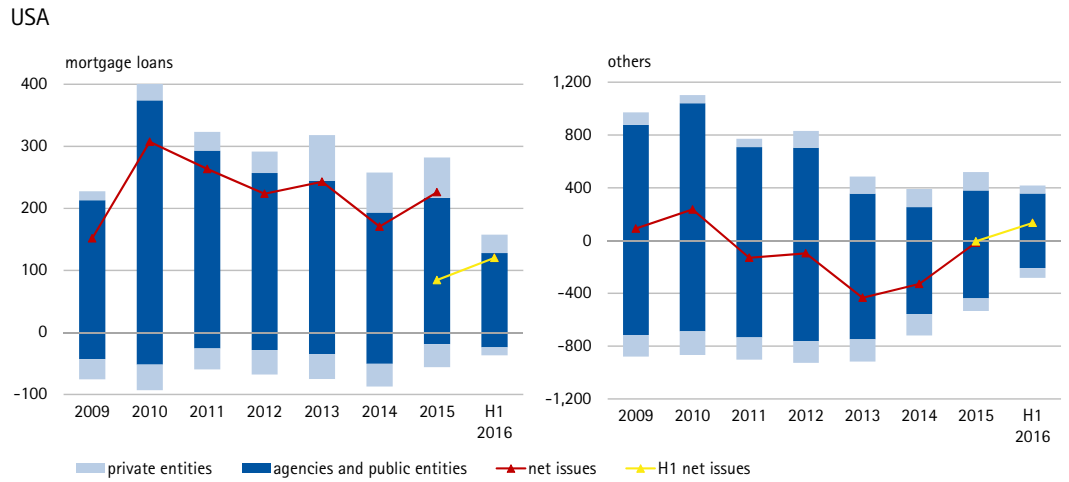


Source: calculations on Dealogic data. European issuance data refer to companies with registered office in Italy, France, Germany, Spain, the Netherlands and the UK and their subsidiaries (including those established in other countries). Maturities refer to bonds issued since 2009.

- 1. Equity markets
- 2. Non-equity markets
- 3. Non-financial companies
- 4. Banks

... issuances of asset backed securities have shown signs of improvement in the US and in Italy.

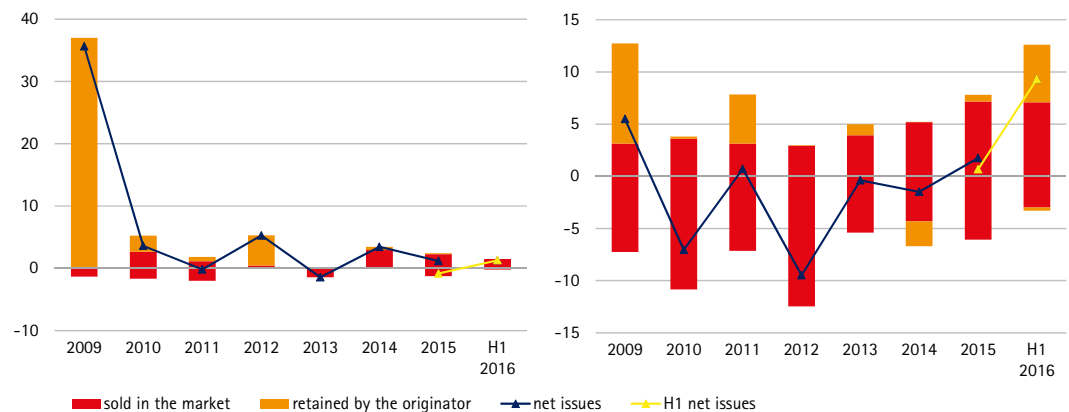
Fig. 2.14 – Securitisation issuances
(billions of euro)



EUROPE EX ITALY



ITALY

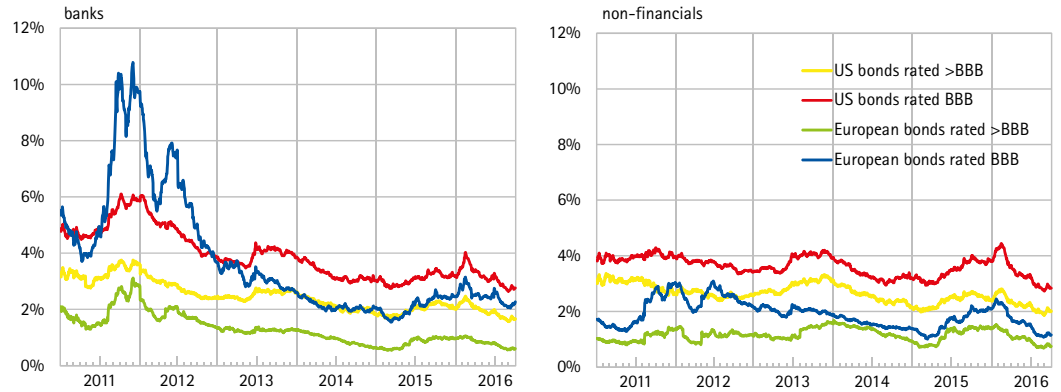


Source: calculations on Dealogic data. The data for Europe refer to asset-backed securities of companies with registered office in Italy, France, Germany, Spain, the Netherlands and the UK and their subsidiaries.

- 1. Equity markets
- 2. Non-equity markets**
- 3. Non-financial companies
- 4. Banks

After a broad decline in the first half of the year, yield spreads of corporate financial and non-financial bonds relative to IRS have stabilised in the last quarter.

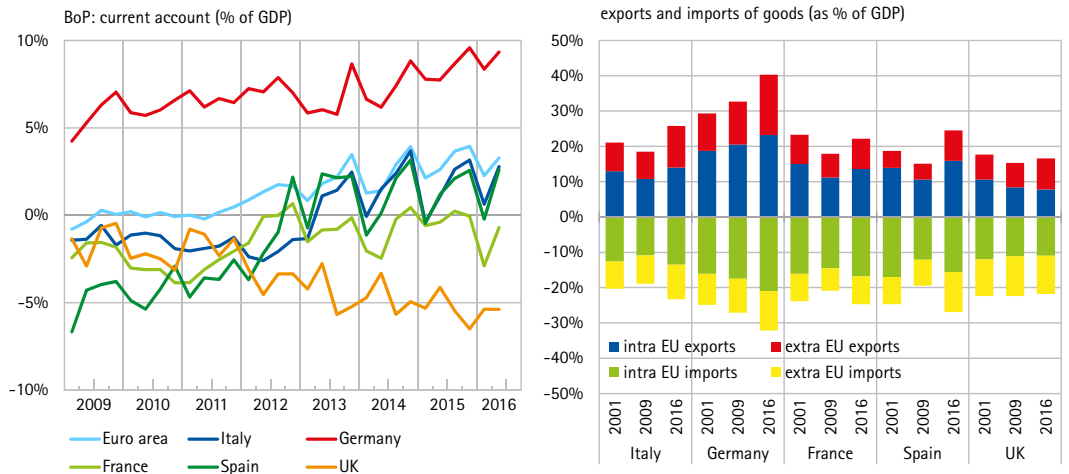
Fig. 2.15 – Bank and non-financial corporate bond yield spreads over IRS
(basis points; daily data; 01/06/2010 - 30/09/2016)



Source: Calculations on Thomson Reuters Eikon data. Spreads refer to Markit Iboxx (overall) average bank and non-financial corporate bond yields and the 3-year EUR and USD IRS respectively. Spreads for bonds rated ">BBB" computed relative to simple average of A, AA and AAA bond yields.

Fostered by the German external position, the euro area is experiencing a significant surplus in the trade balance. UK shows a substantially stable deficit ...

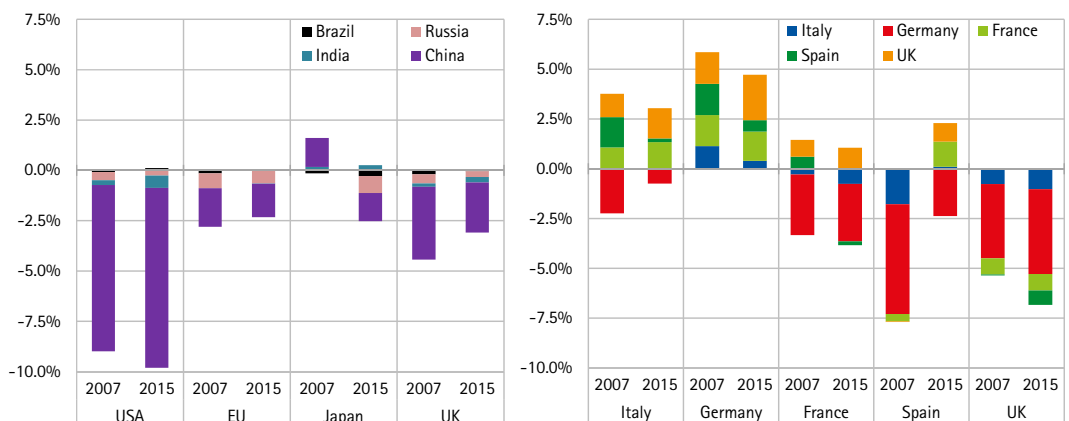
Fig. 2.16 – Current account balances and trade pattern of selected European countries



Source: calculations on data from Thomson Reuters and Eurostat.

... being a net importer vis-à-vis emerging and euro area economies, although ...

Fig. 2.17 – Net exports to selected economies in 2015
(percentage values)



Source: calculations on data from IMF Direction of Trade Statistics. Net exports (exports - imports) as a percentage of the sum of imports and exports; exports FOB (Free on board); imports CIF (cost insurance and freight).

- 1. Equity markets
- 2. Non-equity markets**
- 3. Non-financial companies
- 4. Banks

... an improvement might be expected in the medium term if the depreciation of Sterling driven by the Brexit referendum were to persist. Both the reversal of the nominal euro exchange rate relative to the US Dollar ...

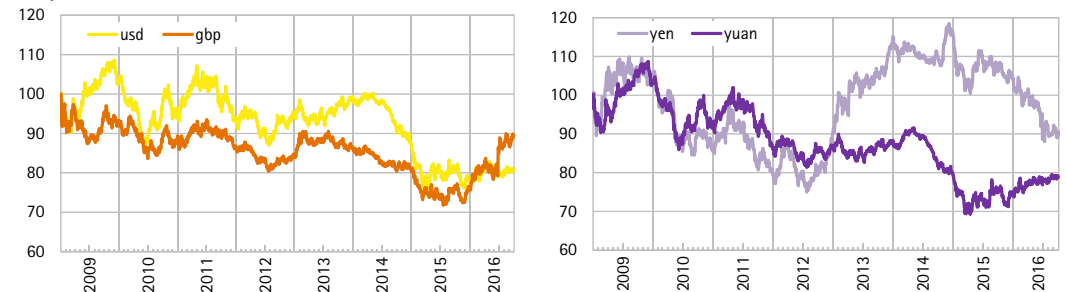
... and the recent rise of the European harmonized index of consumer price have spurred a reversal in the long-lasting improvement of the European terms of trade.

After increasing in the first half of 2016, the oil price and ...

... most of the commodity prices are now levelling off.

Fig. 2.18 – Nominal exchange rates of selected foreign countries against euro and interest rates spreads of sovereign bonds

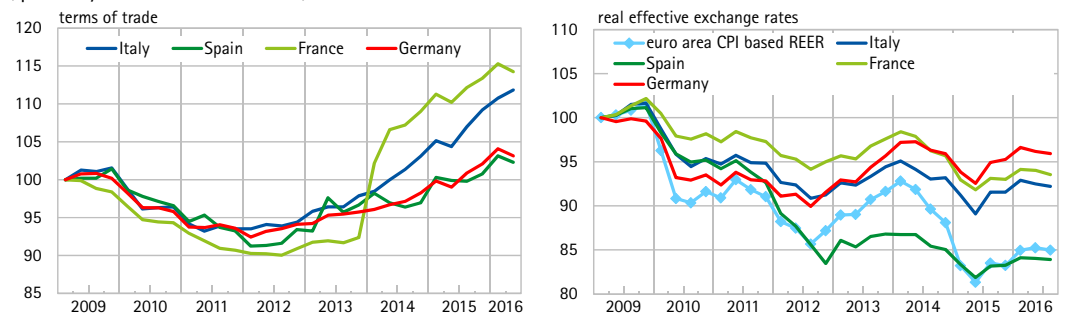
(daily data; 01/01/2009 = 100)



Source: calculations on data from Thomson Reuters.

Fig. 2.19 – European terms of trade and real effective exchange rates

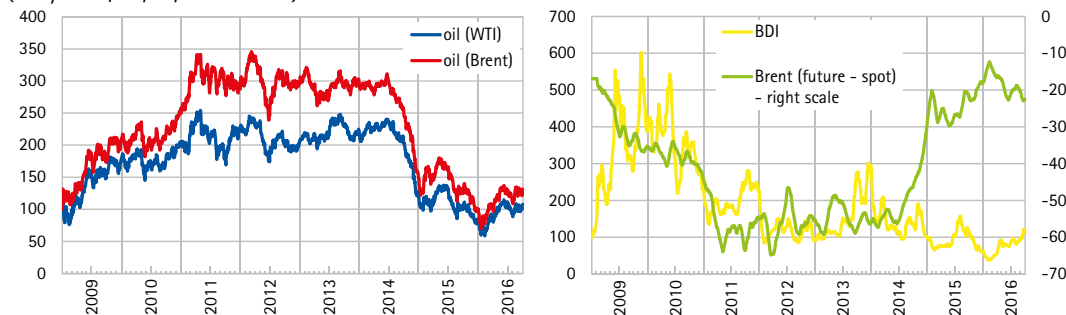
(quarterly data; Q1 2009 = 100)



Source: calculations on data from Thomson Reuters. In the right graph, for the main euro area countries data refer to ULC based REER.

Fig. 2.20 – Oil prices and the Baltic Exchange Dry Index

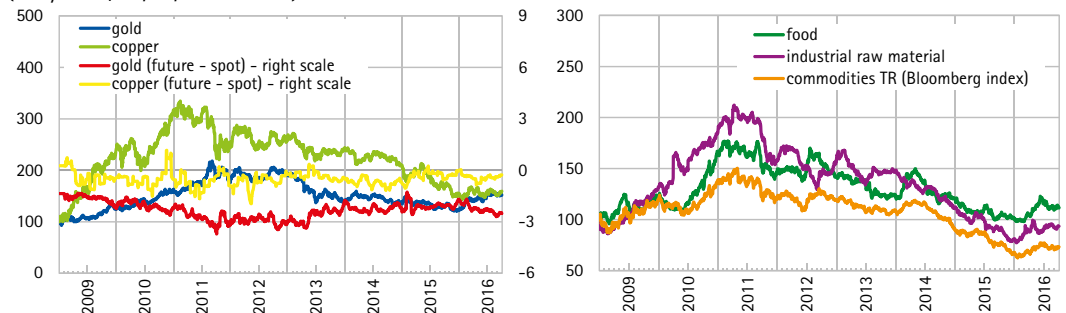
(daily data; 01/01/2009 = 100)



Source: calculations on data from Thomson Reuters. The future - spot differential is computed as the monthly moving average of the difference between the re-scaled series.

Fig. 2.21 – Commodity prices

(daily data; 01/01/2009 = 100)



Source: calculations on data from Thomson Reuters. The future - spot differential is computed as the monthly moving average of the difference between the re-scaled series.

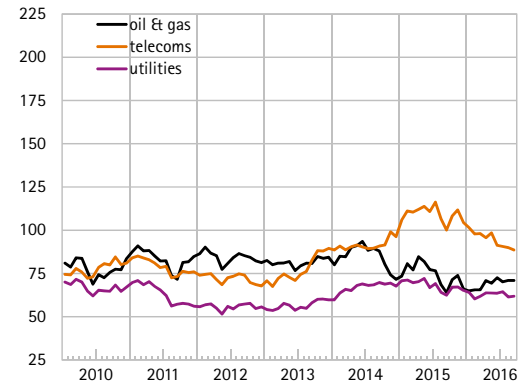
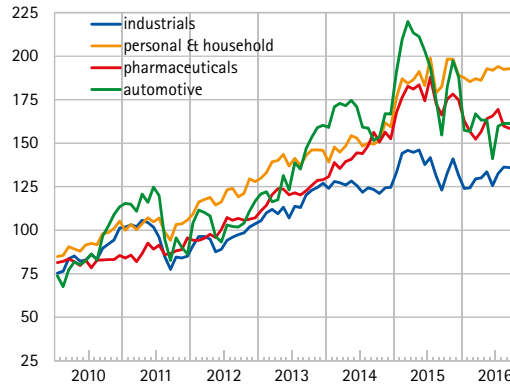
- 1. Equity markets
- 2. Non-equity markets
- 3. Non-financial companies**
- 4. Banks

Non-financial companies

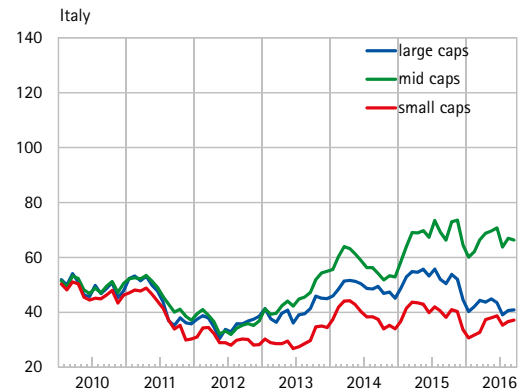
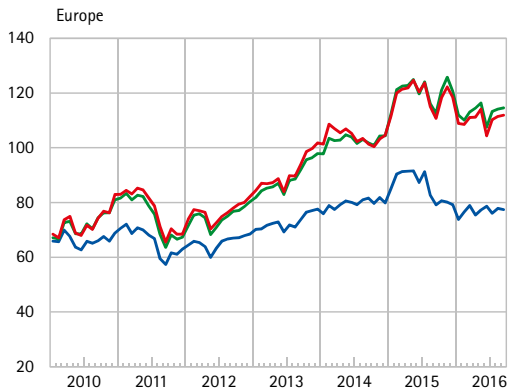
Following a bumpy 2015, in the first three quarters of 2016 stock performances have been particularly volatile for most non-financial European sectors. Over the same period, large caps have continued to underperform mid and small caps, while in Italy large companies have been levelling off towards small firms.

Fig. 3.1 – Relative stock performance of European non-financial listed companies (monthly data; January 2007=100)

by sector

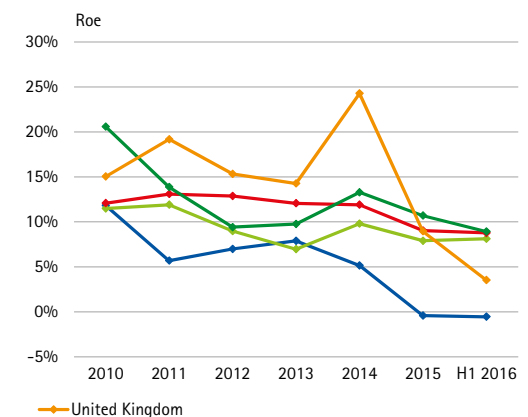
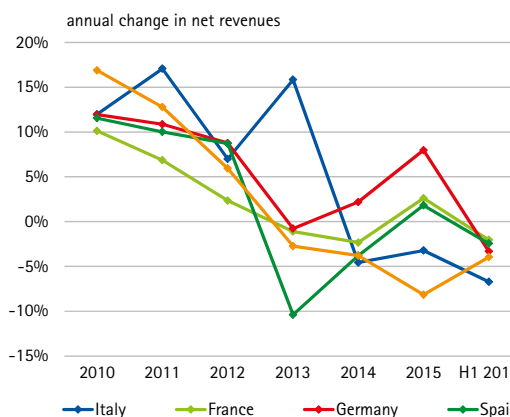


by market capitalisation



Source: Thomson Reuters data for the Stoxx600 (Europe) main sectorial indexes. Mid and small caps are represented by the Stoxx600 (Europe) and the Ftse Italia All Share sub-indices, respectively for European and Italian companies. The Europe Stoxx50 and Ftse Mib indexes are used as proxies for large caps ex financials.

Fig. 3.2 – Profitability and financial structure of major European non-financial listed companies (annualised percentage values)



Profitability of large European non-financial corporations keeps being weak...

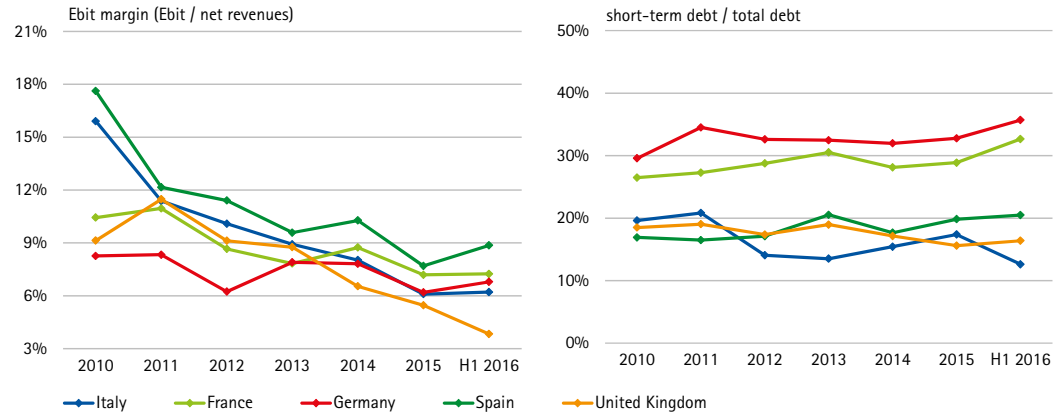
- 1. Equity markets
- 2. Non-equity markets
- 3. Non-financial companies**
- 4. Banks

... while the incidence of short-term debt has declined only in Italy.

2016 H1 margins are particularly disappointing for the UK and Italian companies, whereas Spain exhibits the best figures.

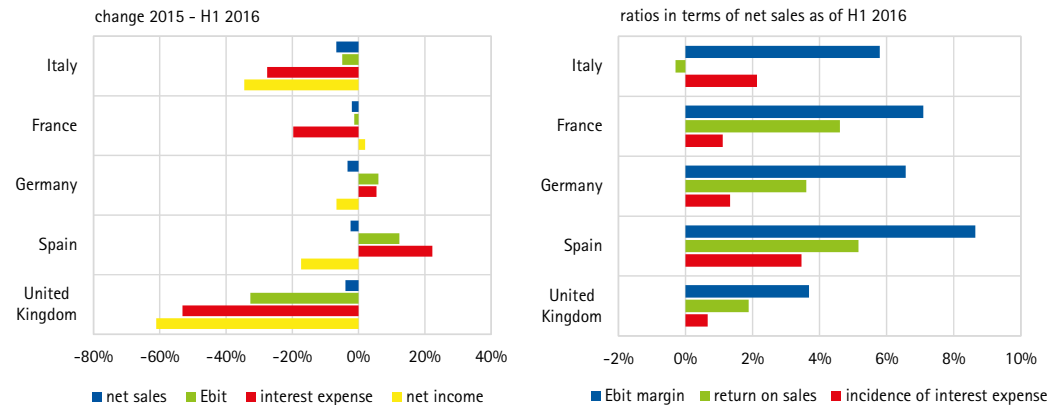
Consistently with the lacklustre profitability, in 2016 H1 a rising number of Italian, French and German companies has reported a change in net revenues lower than their historical average, while in the UK the percentage of firms recording a net loss has risen to 20 percent.

Fig. 3.2 (cont.)



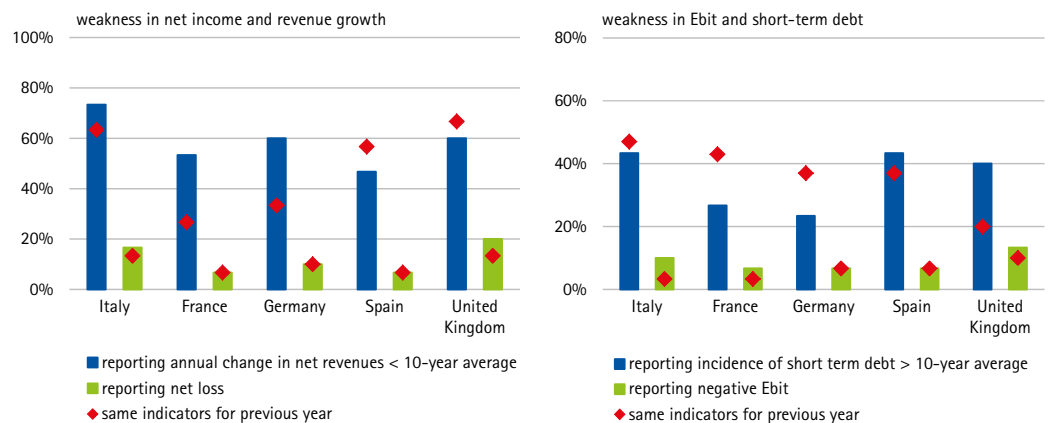
Source: calculations on Bloomberg data for the top 30 non-financial companies by market capitalisation as of end of last calendar year for Italy, France, Germany, Spain and UK. Sample size and constituents may be adjusted to take into account leavers/joiners movements in the top 30 ranking and historical data availability. Interim period figures are annualised using trailing 12 month data. In a few cases, data might be preliminary or partly estimated.

Fig. 3.3 – Margin analysis for major European non-financial listed companies (percentage values)



Source: calculations on Bloomberg data. Interim period figures are annualised using trailing 12 month data. In a few cases, data might be preliminary or partly estimated. The return on sales is the ratio between net income and net sales.

Fig. 3.4 – Profit vulnerability of major European non-financial listed companies (share of companies in the sample as of June 2016)

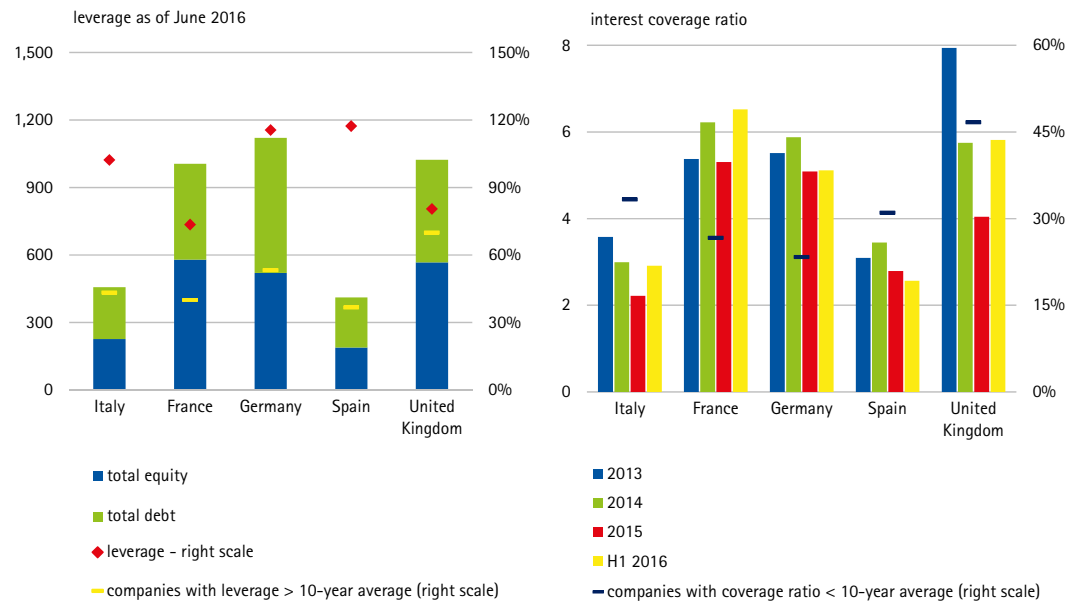


Source: calculations on Bloomberg data. Interim period figures are annualised using trailing 12 month data. In a few cases, data might be preliminary or partly estimated.

- 1. Equity markets
- 2. Non-equity markets
- 3. Non-financial companies
- 4. Banks

Financial vulnerability looks relatively higher in the UK, where the proportion of companies showing leverage above and interest coverage ratio below their 10-year average levels is far higher than elsewhere, while ...

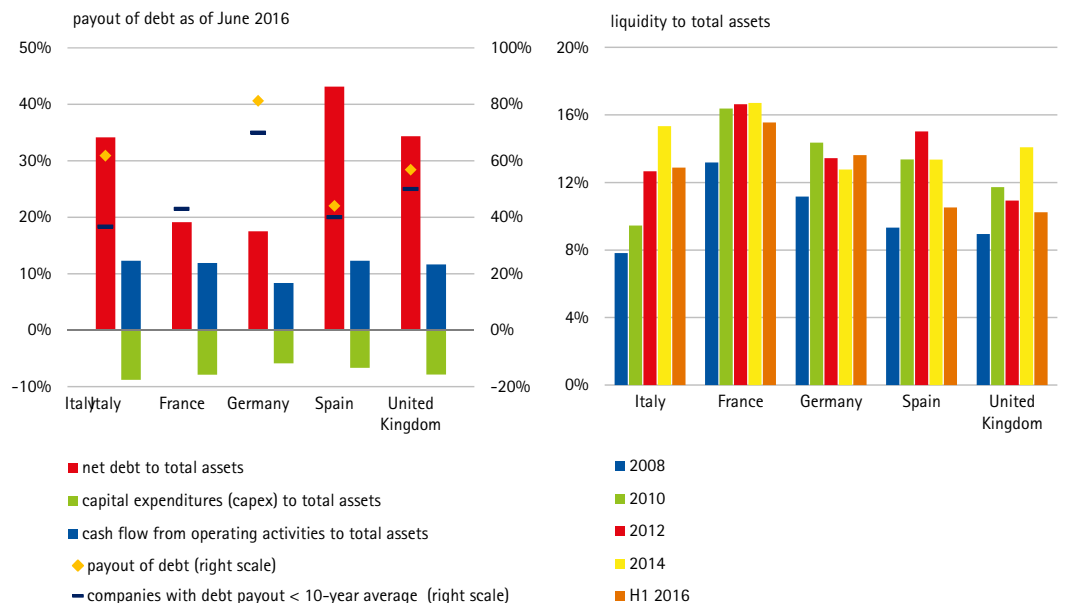
Fig. 3.5 – Leverage and interest expense coverage of large European non-financial listed companies
(amounts in billions of euro)



Source: calculations on Bloomberg data. The leverage is computed as total debt divided by total equity. The interest coverage ratio is computed as Ebit divided by interest expenses. Interim period figures are annualised using trailing 12 month data. In a few cases, data might be preliminary or partly estimated.

... the percentage of corporates with debt-payout ratio worse than its historical values is around 50 percent. Also German firms exhibit a significant weakness in terms of payout of debt.

Fig. 3.6 – Payout of debt and liquidity of major European non-financial listed companies

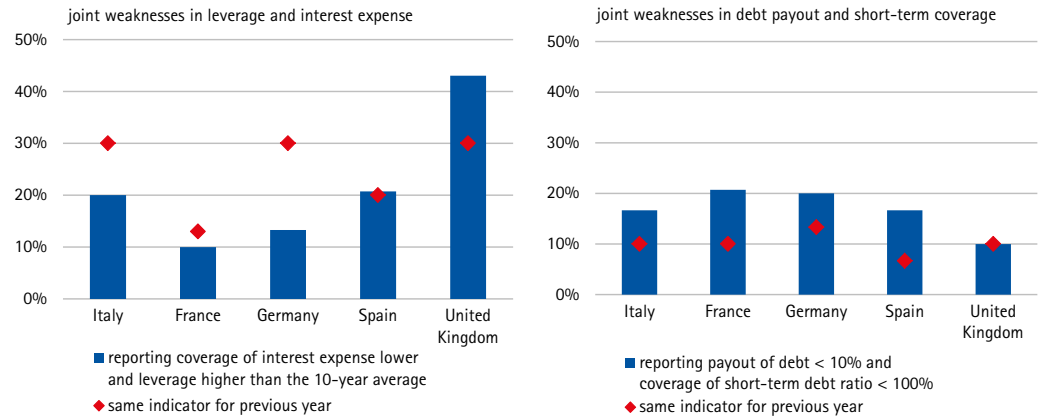


Source: calculations on Bloomberg data. The payout of debt is the ratio between operating cash flow net of capital expenditure and net debt. Liquidity is calculated as cash plus short-term assets. Interim period figures are annualised using trailing 12 month data. In a few cases, data might be preliminary or partly estimated.

- 1. Equity markets
- 2. Non-equity markets
- 3. Non-financial companies
- 4. Banks

Overall, financial vulnerability of the UK large companies has increased over the last year, also relative to their European peers.

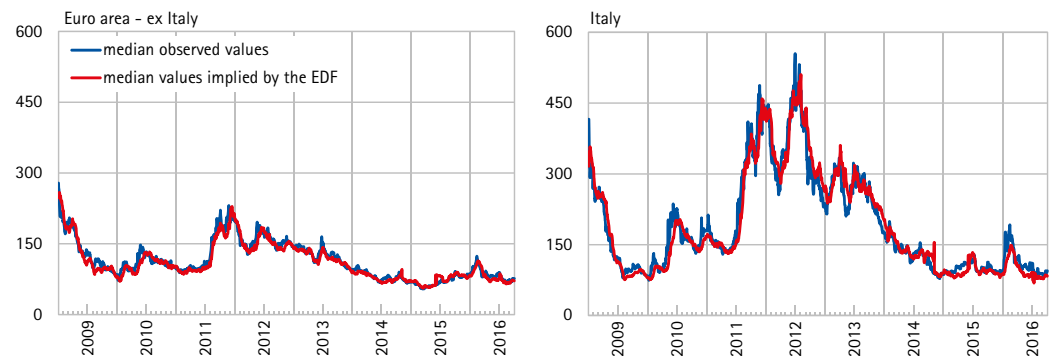
Fig. 3.7 – Financial vulnerability of major European non-financial listed companies
(share of companies in the sample as of June 2016)



Source: calculations on Bloomberg data. Interim period figures are annualised using trailing 12 month data. In a few cases, data might be preliminary or partly estimated.

Market perception of credit risk for large European listed firms has decreased in the last six months ...

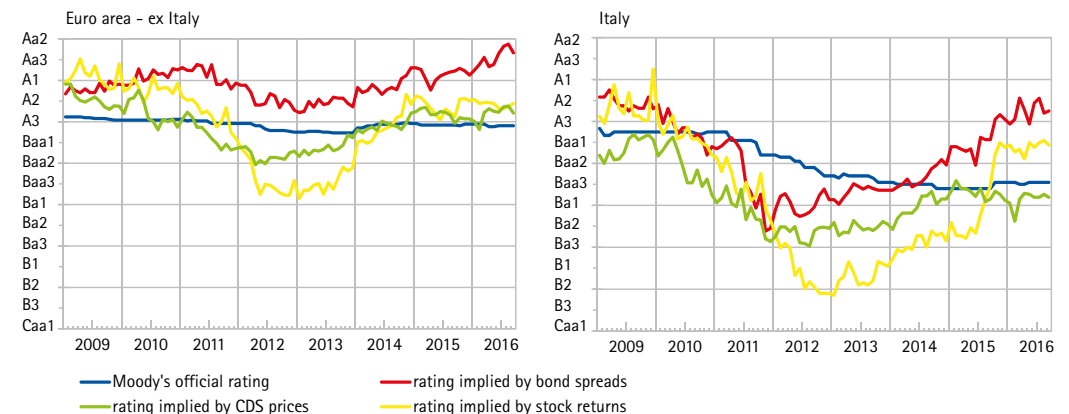
Fig. 3.8 – Prices of 5-year CDS observed and implied by the expected default frequencies (EDF) for euro area non-financial firms
(basis point; daily data; 01/01/2009 – 30/09/2016)



Source: calculations on Thomson Reuters Datastream and Credit Edge data. The sample includes listed firms in the euro area, which belong to Thomson Reuters corporate CDS indexes and under Moody's rating and of 8 Italian non-financial listed firms.

... mirrored by bond-spread implied ratings increasingly above official ratings.

Fig. 3.9 – Official and market implied ratings for euro area non-financial firms
(monthly data; January 2009 – September 2016)

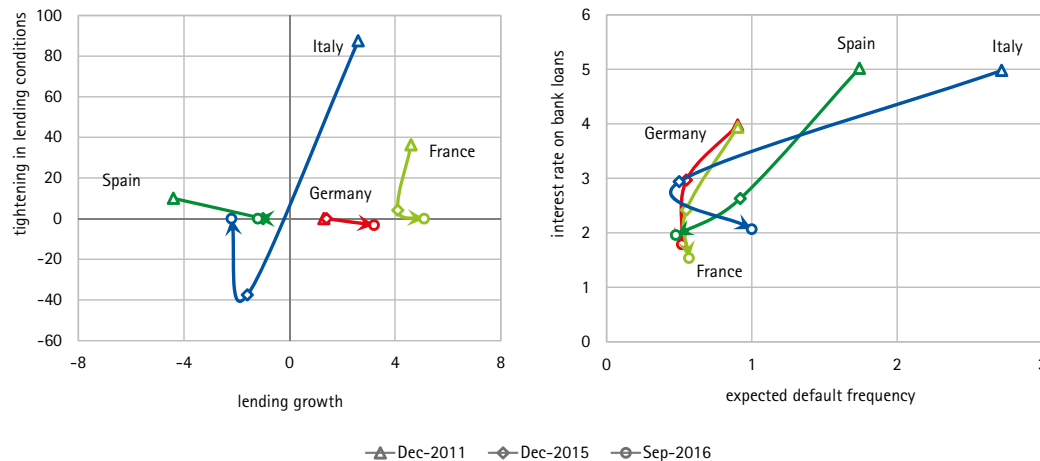


Source: calculations on Moody's Implied Rating data. Average values, referring to corporate firms included in the Euro Stoxx 50 index for the euro area (excluded non-financial Italian firms) and to Italian non-financial companies included in the Ftse Mib.

- 1. Equity markets
- 2. Non-equity markets
- 3. Non-financial companies
- 4. Banks

Since the beginning of 2016, bank lending has kept declining in peripheral countries and to a greater extent in Italy, which also shows a slight worsening in expected corporate default frequency.

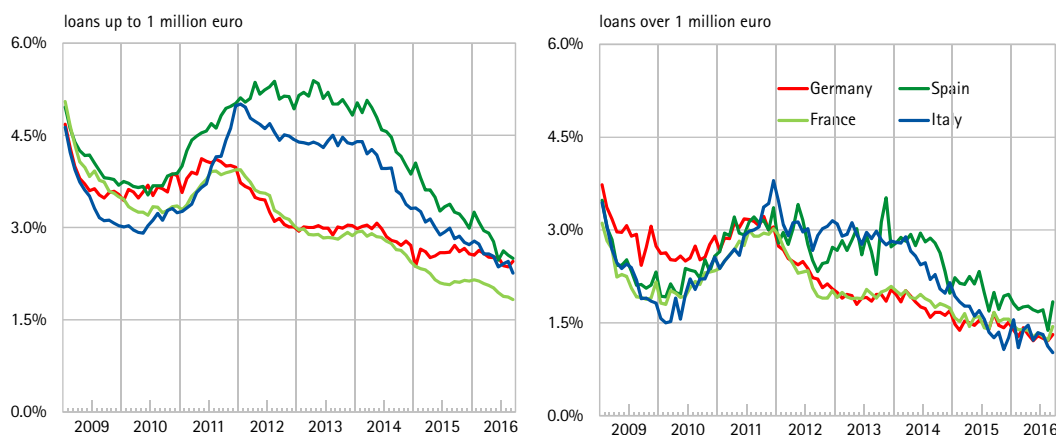
Fig. 3.10 – Trends in bank lending to non-financial companies and expected default frequencies in main euro area countries
(percentage values as of September 2016)



Source: 'ECB Bank lending survey' and Moody's Credit Edge data. Tightening in lending conditions is represented by the net percentage of banks reporting a tightening minus the banks reporting an easing in credit standards for enterprises (for France the data are weighted according to each bank's share in total loan outstanding). Lending conditions data have a time horizon backward looking three months. Lending growth is the annual growth rate of bank loans to non-financial companies. Corporate EDF (one year) are the average of the 25th, 50th and 75th percentiles; the sample comprises publicly traded firms.

Low levels of interest rates on bank loans, resulting from a persistent and long-lasting decline, ...

Fig. 3.11 – Interest rates on bank loans to non-financial corporations in major euro area countries
(monthly data; January 2009 – September 2016)



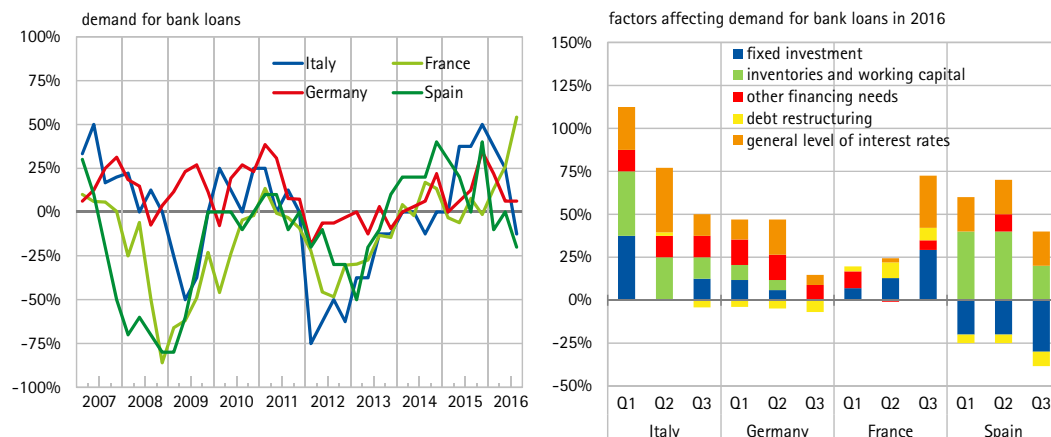
Source: ECB; interest rates on new loans.

- 1. Equity markets
- 2. Non-equity markets
- 3. Non-financial companies**
- 4. Banks

... are among the most important triggers of the demand for bank credit, which however (with the exception of France) has kept decelerating since the beginning of the year in the main euro area countries.

Fig. 3.12 – Demand for bank loans from non-financial corporations in main euro area countries

(quarterly data; Q1 2007 – Q3 2016)



Source: ECB Bank lending survey. The demand for bank loans is defined as the net percentage of banks reporting an increase in demand. Demand factors are defined as the percentage of banks reporting an increase in demand for a given factor minus the percentage reporting a decrease. 'Other financing needs' are the unweighted average of 'internal financing', 'loans from other banks', 'loans from non-banks', 'debt securities issuance', 'equity issuance' and 'mergers/acquisitions and corporate restructuring'.

1. Equity markets
2. Non-equity markets
3. Non-financial companies
- 4. Banks**

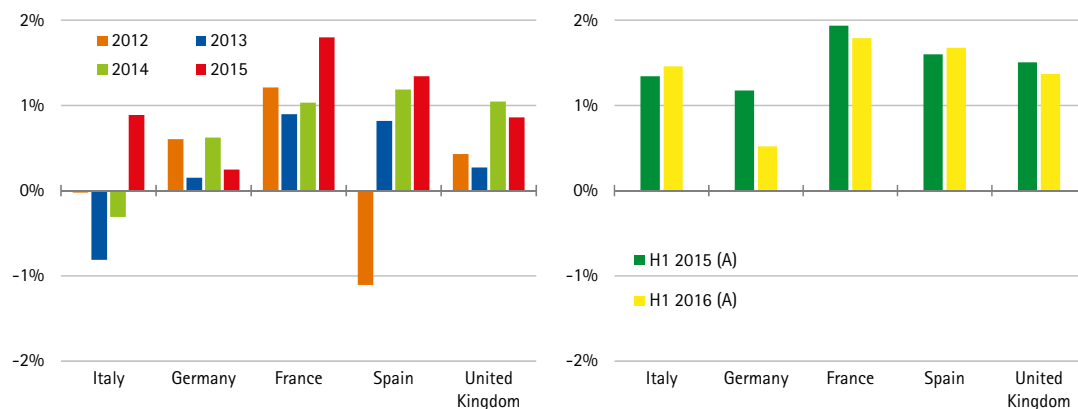
Banks

Profitability of large European banks relative to their risk-weighted assets (RWAs) has remained unchanged in 2016 H1 compared to same period in 2015, with the exception of German institutions.

Loan loss provisions have risen in all countries with from France and Spain. Apart from Germany, gross income exhibits a substantial stability in all countries. However, ...

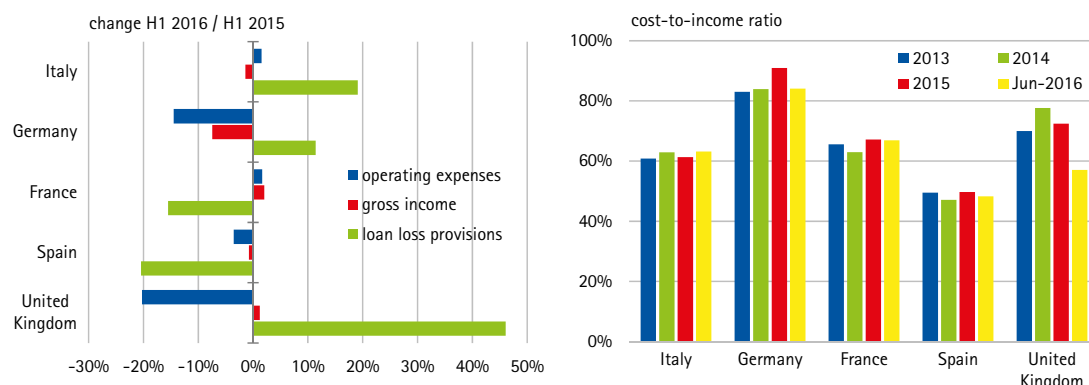
... the main sources of revenues have decreased everywhere, thus raising the weight secondary sources of profitability in some countries.

Fig. 4.1 – Profitability of main listed European banks
(profit before taxes / risk-weighted assets as of H1 2016)



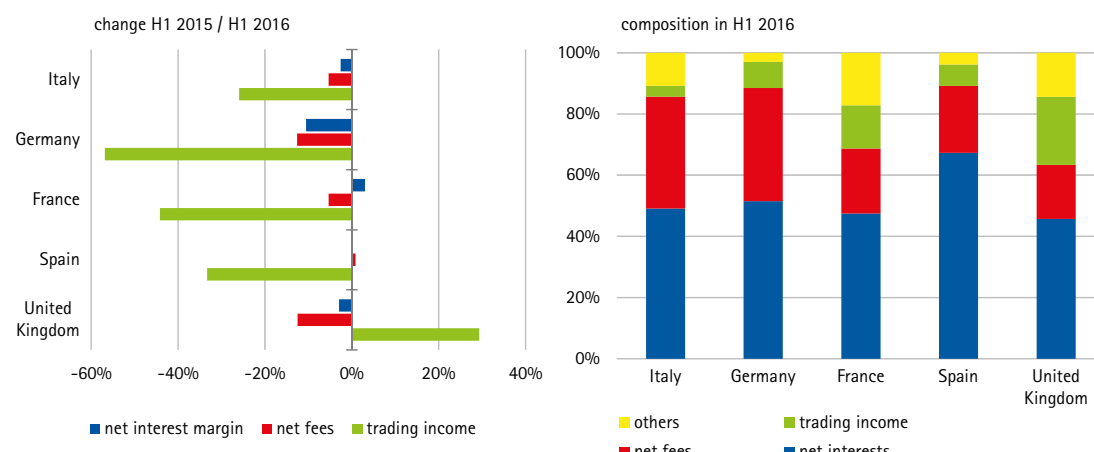
Source: calculations on data from consolidated annual and interim reports of main listed European banks (24 groups). The profit before taxes is calculated excluding goodwill impairment. Q2 figures are annualised and partly estimated.

Fig. 4.2 – Change in efficiency and profitability of main listed European banks



Source: calculations on data from consolidated annual and interim reports of main listed European banks (24 groups). The figures as at June 30 are annualised and partly estimated.

Fig. 4.3 – Change in revenues and composition of main listed European banks

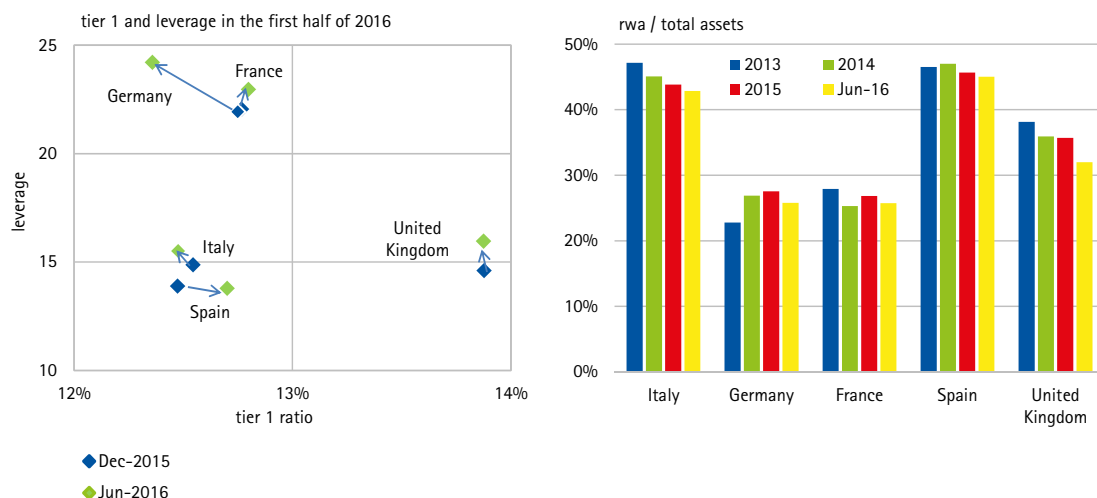


Source: calculations on data from consolidated annual and interim reports of main listed European banks (24 groups). The figures as at June 30 are annualised and partly estimated.

1. Equity markets
2. Non-equity markets
3. Non-financial companies
- 4. Banks**

While the ratio of RWAs to total assets has kept declining, capital adequacy has recorded negligible changes for all major European banks in 2016 H1 relative to the end of last year.

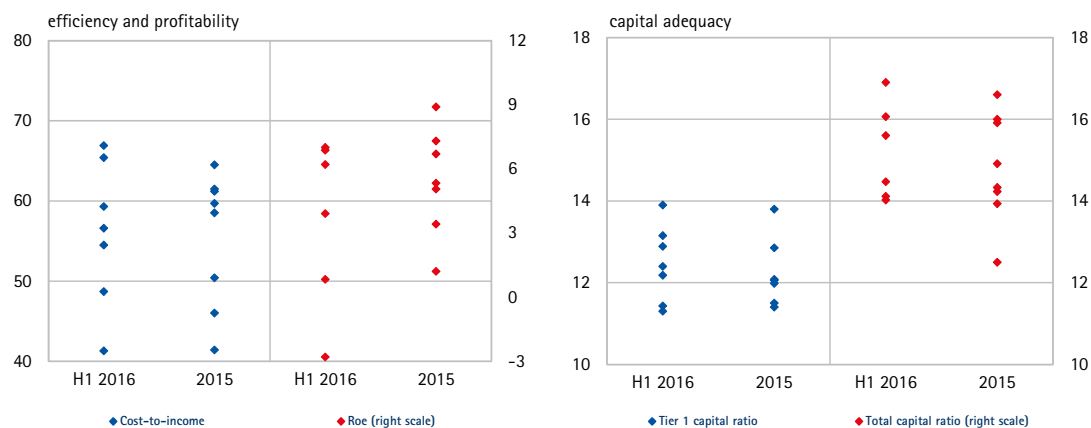
Fig. 4.4 – Capital adequacy and leverage of main listed European banks



Source: calculations on data from consolidated annual and interim reports of main listed European banks (24 groups). The figures as at June 30 are partly estimated.

Also major Italian banks show on average a relative stability of Tier1 and Total capital ratios, while ROE has slightly declined.

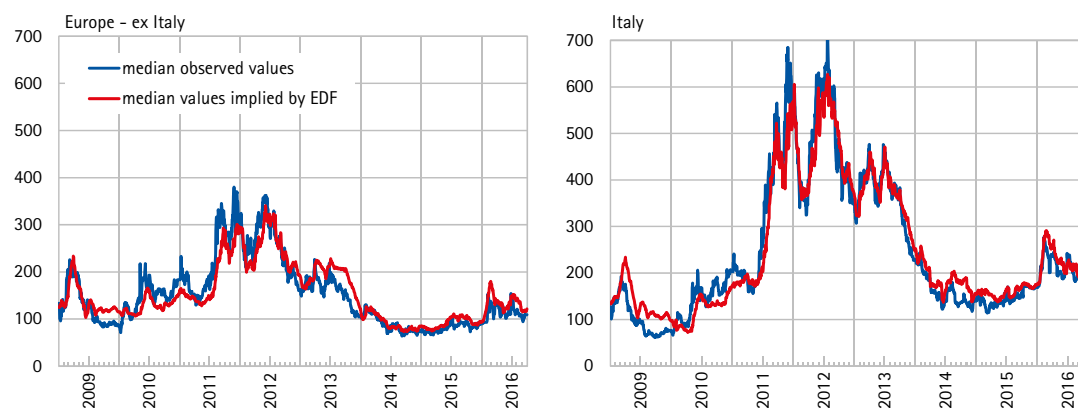
Fig. 4.5 – Income and solvency ratios of major Italian banking groups



Source: calculations on data from consolidated annual and interim reports of the 8 largest groups.

Although decreasing over 2016, perceived risk of largest European banks (as measured by CDS prices both observed and implied by EDF) remains higher than previous year levels. This dynamics, more marked for Italian institutions, ...

Fig. 4.6 – Average 5-year CDS prices observed and implied by the expected default frequencies (EDF) for main listed European banks
(basis points; daily data; 01/01/2009 – 30/09/2016)

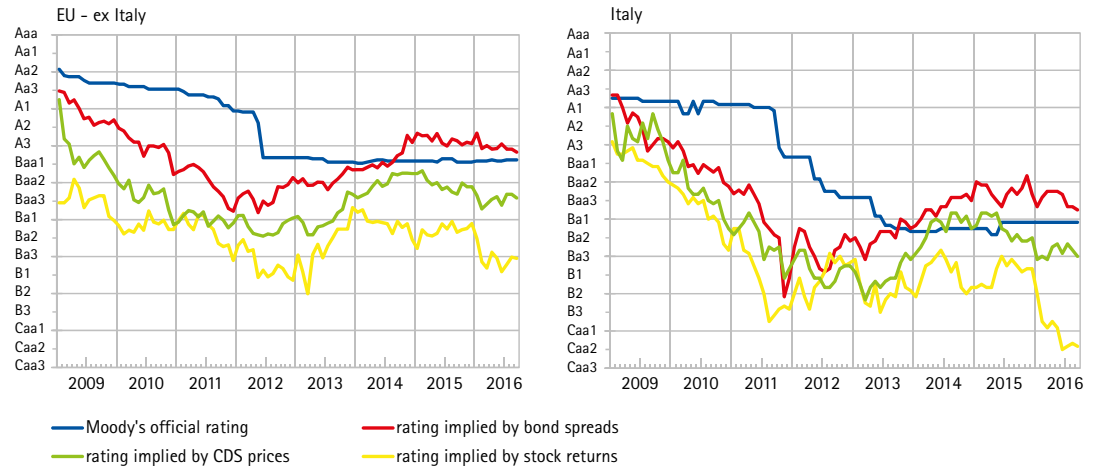


Source: calculations on Thomson Reuters Datastream and KMV - Credit Edge data for main listed groups (6 for Italy and 15 for Europe).

1. Equity markets
2. Non-equity markets
3. Non-financial companies
- 4. Banks**

... is mirrored by CDS spread implied ratings, which are persistently below the official ratings.

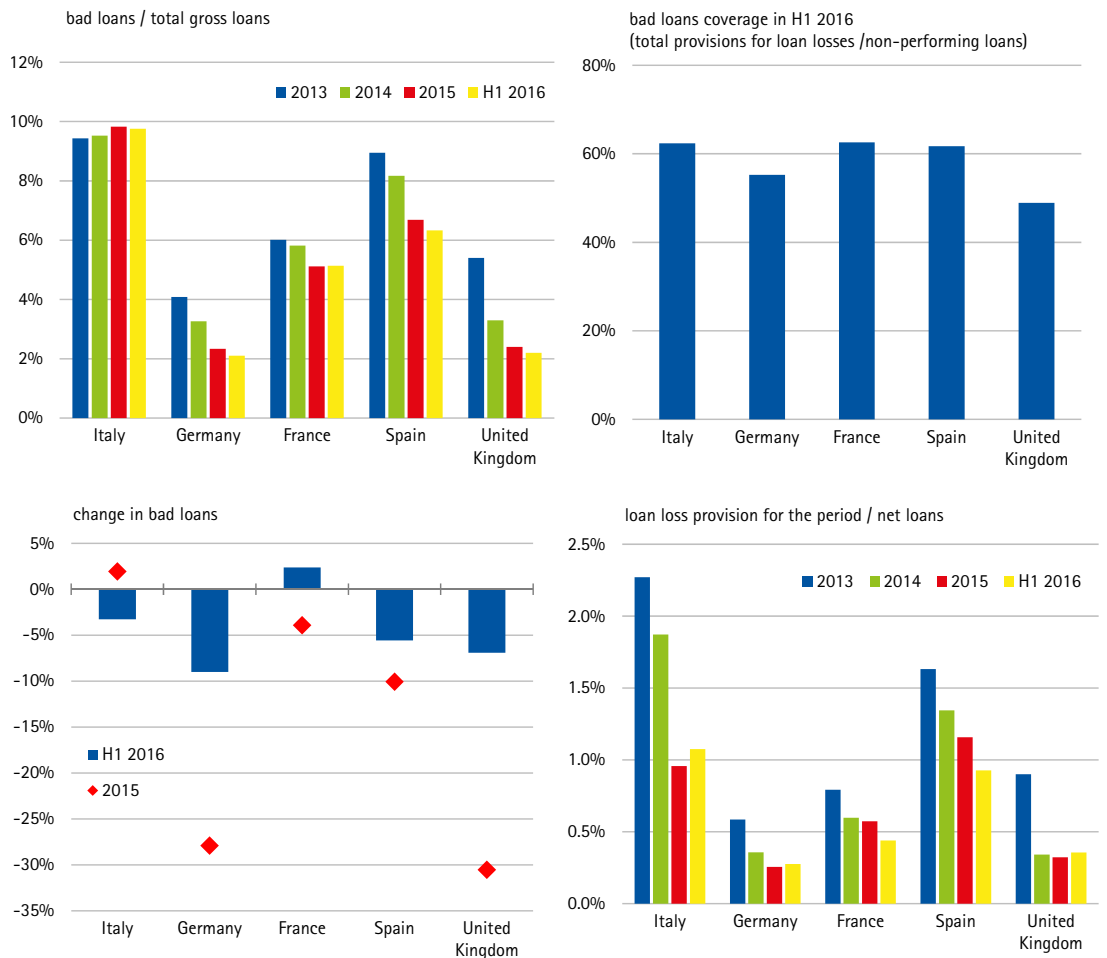
Fig. 4.7 – Official and market implied rating for main listed European banks
(monthly data; January 2009 – September 2016)



Source: calculations on Moody's Implied Rating data. We report the average values for main listed European banks (23 groups).

The quality of European banks' loans portfolio is gradually rising, as witnessed also by the decline in the amount of bad loans. While recording the highest incidence of bad loans on total gross loans, major Italian banks display the largest coverage ratio (along with French banks) and ...

Fig. 4.8 – Credit quality of main listed European banks

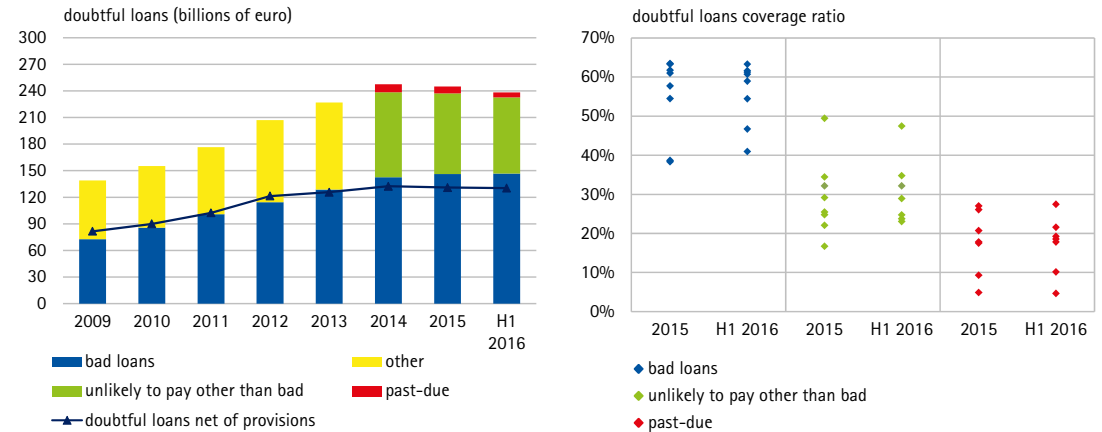


Source: calculations on data from consolidated annual and interim reports of main listed European banks (24 groups). The figures are partly estimated.

- 1. Equity markets
- 2. Non-equity markets
- 3. Non-financial companies
- 4. Banks**

... a slight decrease in the amount of non-performing loans.

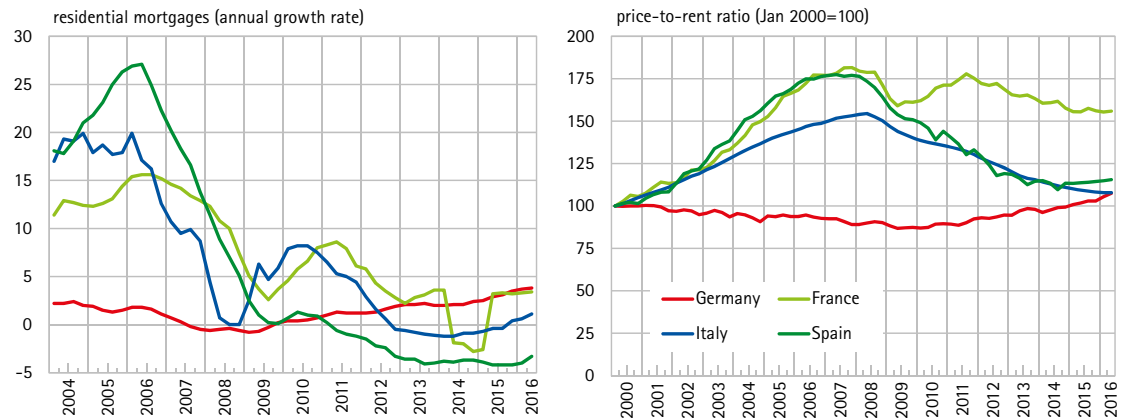
Fig. 4.9 – Credit quality of major Italian banking groups



Source: calculations on data from consolidated annual and interim reports of the 8 largest groups. The half-yearly figures are annualised. Starting from the first quarter of 2015 the classification of loans into risk classes was updated in order to reflect the changes provided in Bank of Italy Circular 272 (see also section A.2 Accounting Policies of Explanatory Notes); this update adjusts the previous classification instructions to the definition of "Non-Performing Exposure" (NPE) introduced by the European banking authority (EBA) through the issue of EBA/ITS /2013/03/rev1 24/7/2014. The total volume of loans classified in the previous categories that made up the perimeter of impaired loans as at December 31, 2014 (Bad Loans, Doubtful, Restructured, Past-due) were reallocated to new risk classes (Bad Loans, Unlikely to pay other than bad, Past-due).

Residential mortgages show a positive dynamics in all major Eurozone countries, apart from Spain, coupled with ...

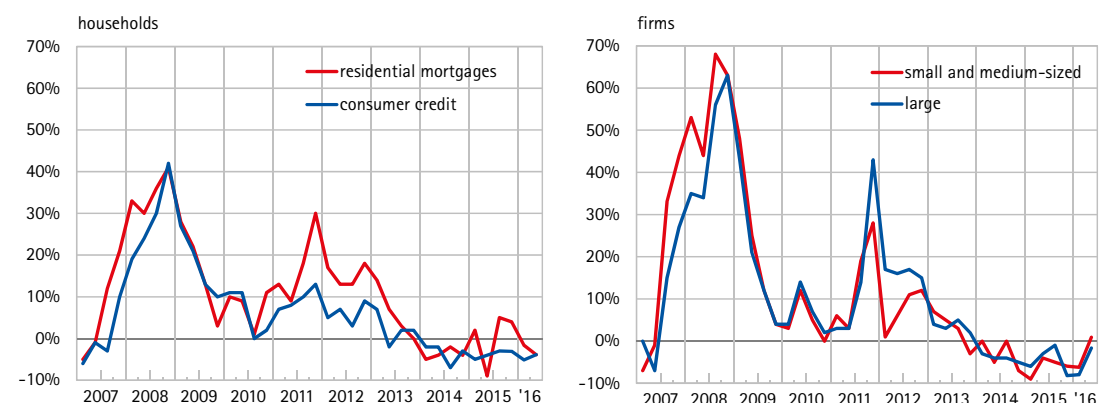
Fig. 4.10 – House prices and residential mortgages in main euro area countries (quarterly data at Q2 2016)



Source: calculations on Thomson Reuters, BIS and ECB data.

... the ongoing easing of credit standards to households. Loans' terms and conditions to firms have instead remained substantially unchanged ...

Fig. 4.11 – Credit standard indicators for bank loans in the euro area (quarterly data at Q2 2016)



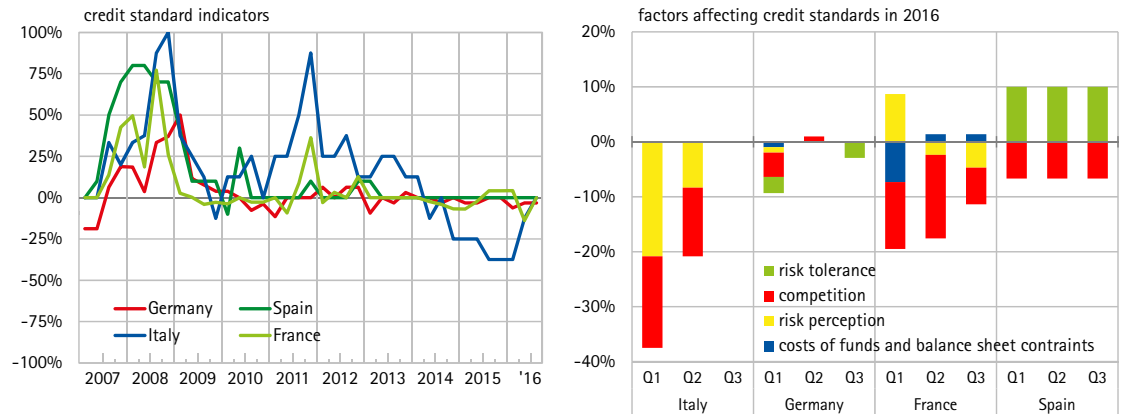
Source: ECB, 'Bank lending survey'. Net percentage of banks reporting a tightening in credit standards.

- 1. Equity markets
- 2. Non-equity markets
- 3. Non-financial companies
- 4. Banks

... mainly as the result of banks' competitive pressures and lowered risk perception counterbalancing other factors triggering tighter standards.

Fig. 4.12 – Credit standards of supply of bank loans to non-financial companies in main euro area countries

(quarterly data at Q3 2016)

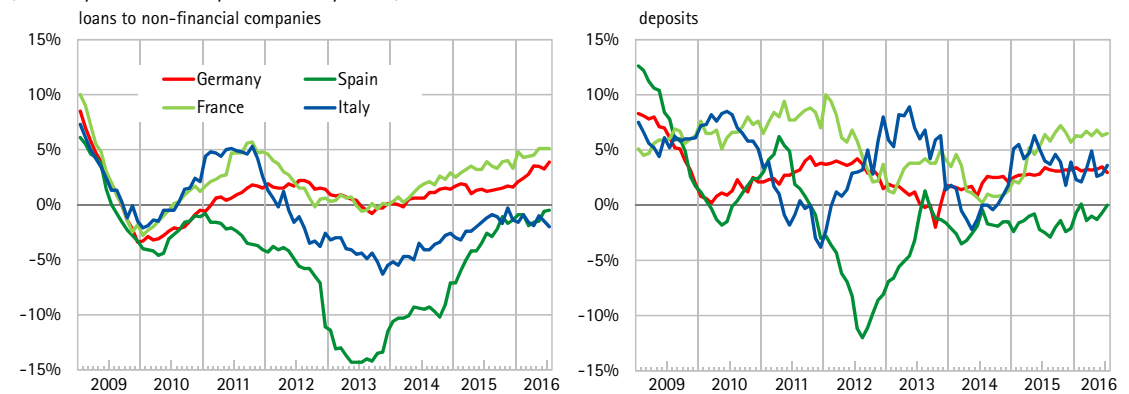


Source: ECB, 'Bank lending survey'. The credit standard indicator is the net percentage of banks reporting a tightening in credit standards (for France net percentages are weighted based on the amounts outstanding of loans of the individual banks in the sample). Factors are defined as the difference between the percentage of banks reporting that the given factor contributed to a tightening and the percentage reporting that it contributed to an easing. 'Cost of funds and balance sheet constraints' is calculated as the unweighted average of 'capital position', 'access to market financing' and 'liquidity position'; 'risk perception' is calculated as the unweighted average of 'expectations regarding general economic activity', 'industry-specific risk' and 'risk on collateral demanded'; 'competition' is calculated as the unweighted average of 'bank competition', 'non-bank competition' and 'competition by market financing'.

Recovery of lending to corporates, however, remains uneven across countries, being steady only in Germany and France.

Fig. 4.13 – Annual growth rate of loans to non-financial companies and deposits in main euro area countries

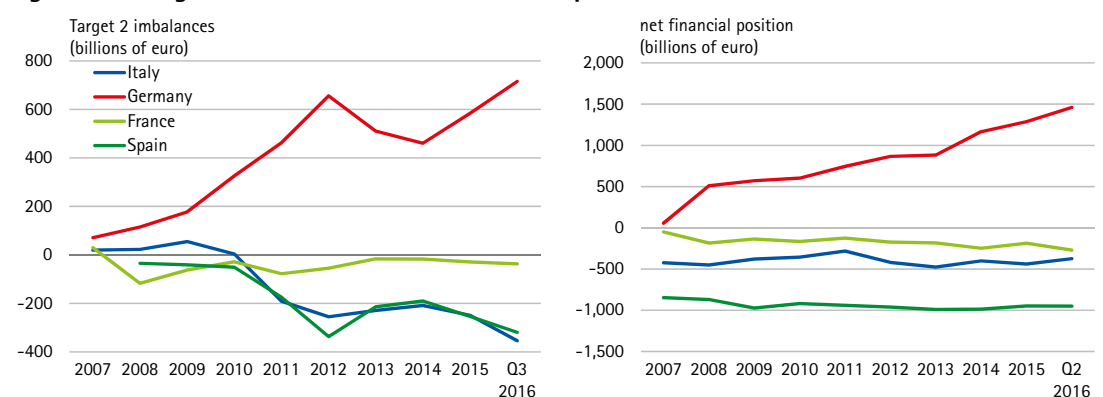
(monthly data; January 2009 – July 2016)



Source: ECB.

Euro area financial integration has kept shrinking relative to 2010 levels, as shown by the growing Target 2 imbalances ...

Fig. 4.14 – Target 2 imbalances and net financial position for main euro area countries

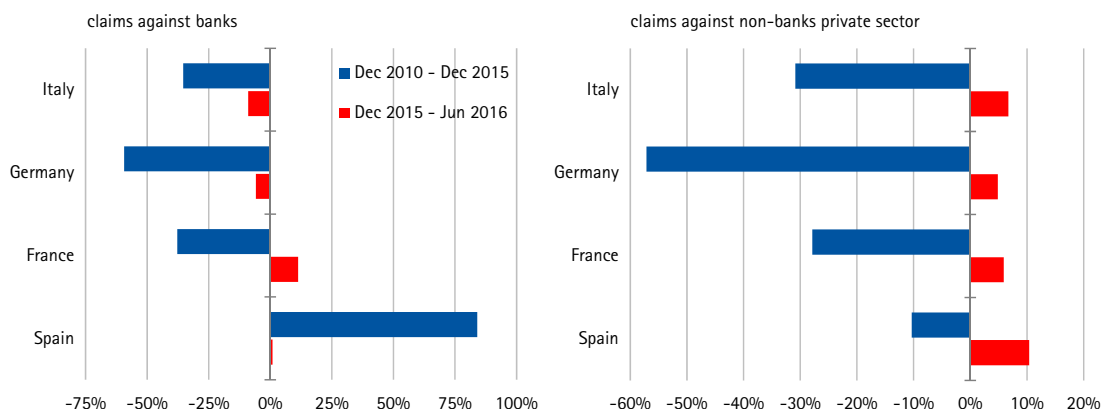


Source: calculations on ECB and Central banks data.

1. Equity markets
2. Non-equity markets
3. Non-financial companies
4. Banks

.. and the contraction in foreign banks' claims within the Eurozone (partially reverted in 2016 H1 for cross-border exposures against non-bank private sector).

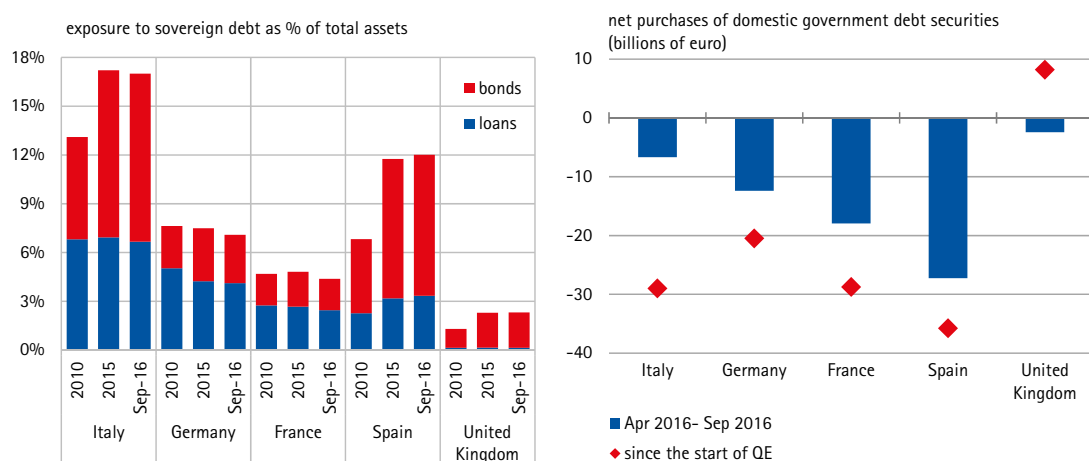
Fig. 4.15 – Change in foreign claims of banks in the main euro area countries



Source: calculations on Bank for International Settlements data. Figures on foreign claims of total banking system in Italy, Germany, France, Spain and the United Kingdom and do not include exposures to the country of origin. European countries for which foreign claims are available are Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain.

In detail, since 2010 while banks' exposures towards domestic sovereign debt in terms of both bonds and loans have either increased (as in Italy and Spain) or slightly declined (following also the ECB's QE launched in March 2015) ...

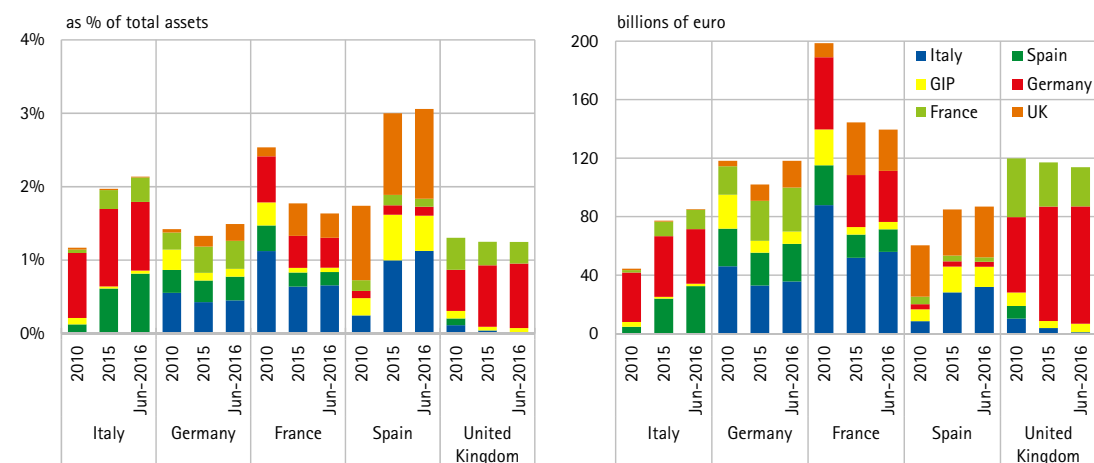
Fig. 4.16 – Banks' exposures to domestic sovereign debt in the main European countries



Source: calculations on ECB data.

... cross-border bank lending to public sector has displayed some heterogeneity across countries, with core economies reducing their claims towards Italy and Spain, which in turn have mutually increased the exposures to their sovereign debts.

Fig. 4.17 – Banks' foreign lending to the public sector in the main European countries

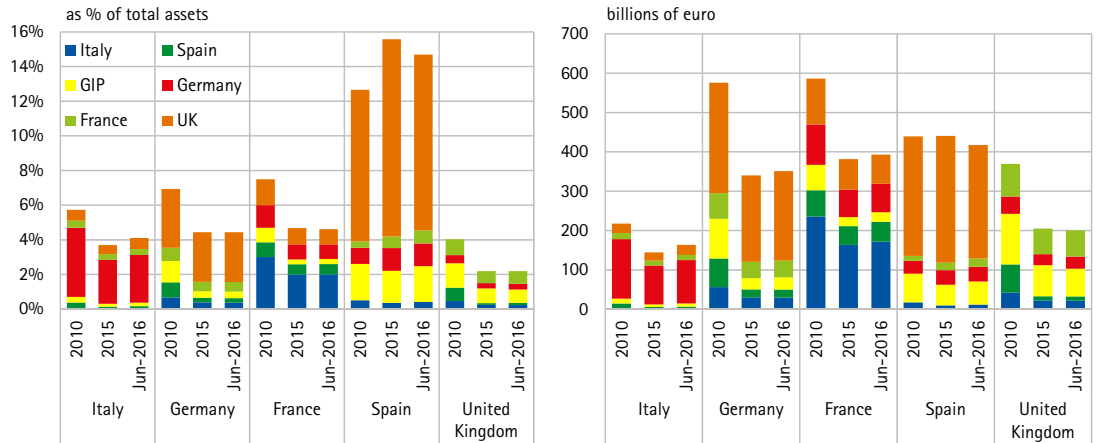


Source: calculations on Bank for International Settlements and ECB data.

1. Equity markets
2. Non-equity markets
3. Non-financial companies
4. Banks

Moreover, with the exception of Spain, European banks have cut down cross border lending to both private non-financial sector...

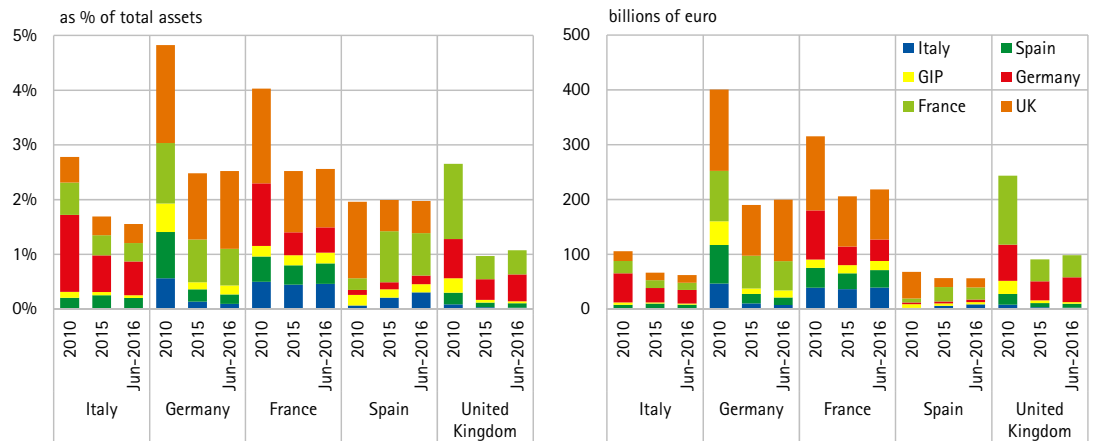
Fig. 4.18 – Banks' foreign lending to the private non-financial sector in the main European countries



Source: calculations on Bank for International Settlements data. GIP: Greece, Ireland and Portugal. Figures refer to total banking system of Italy, Germany, France, Spain and the United Kingdom and do not include exposures to the country of origin.

... and to other banks...

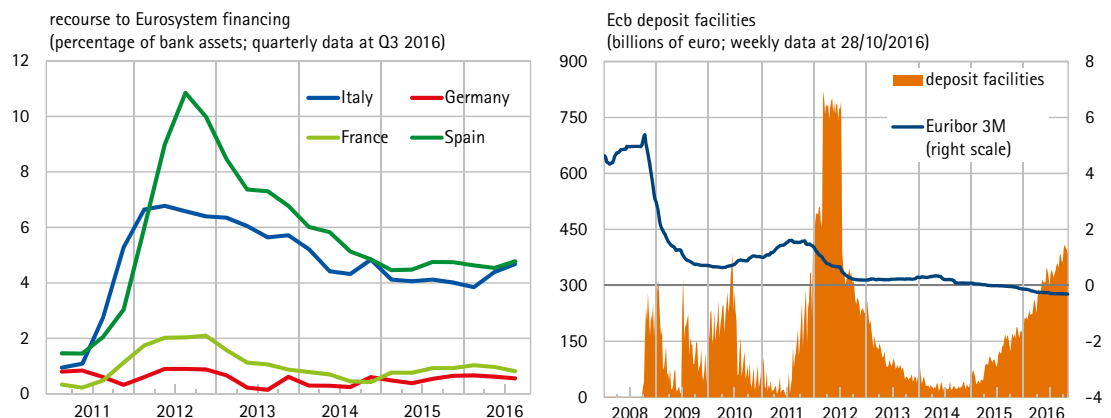
Fig. 4.19 – Interbank cross-border lending in the main European countries



Source: calculations on Bank for International Settlements data. GIP: Greece, Ireland and Portugal. Figures refer to total banking system of Italy, Germany, France, Spain and the United Kingdom and do not include exposures to the country of origin.

... with Italian and Spanish institutions persistently relying on the Eurosystem funding. Deposit facilities have continued growing within a negative short-term interest rate environment.

Fig. 4.20 – Reliance on Eurosystem funding by credit institutions of main euro area countries and ECB deposit facility



Source: calculations on ECB and national central banks data.