

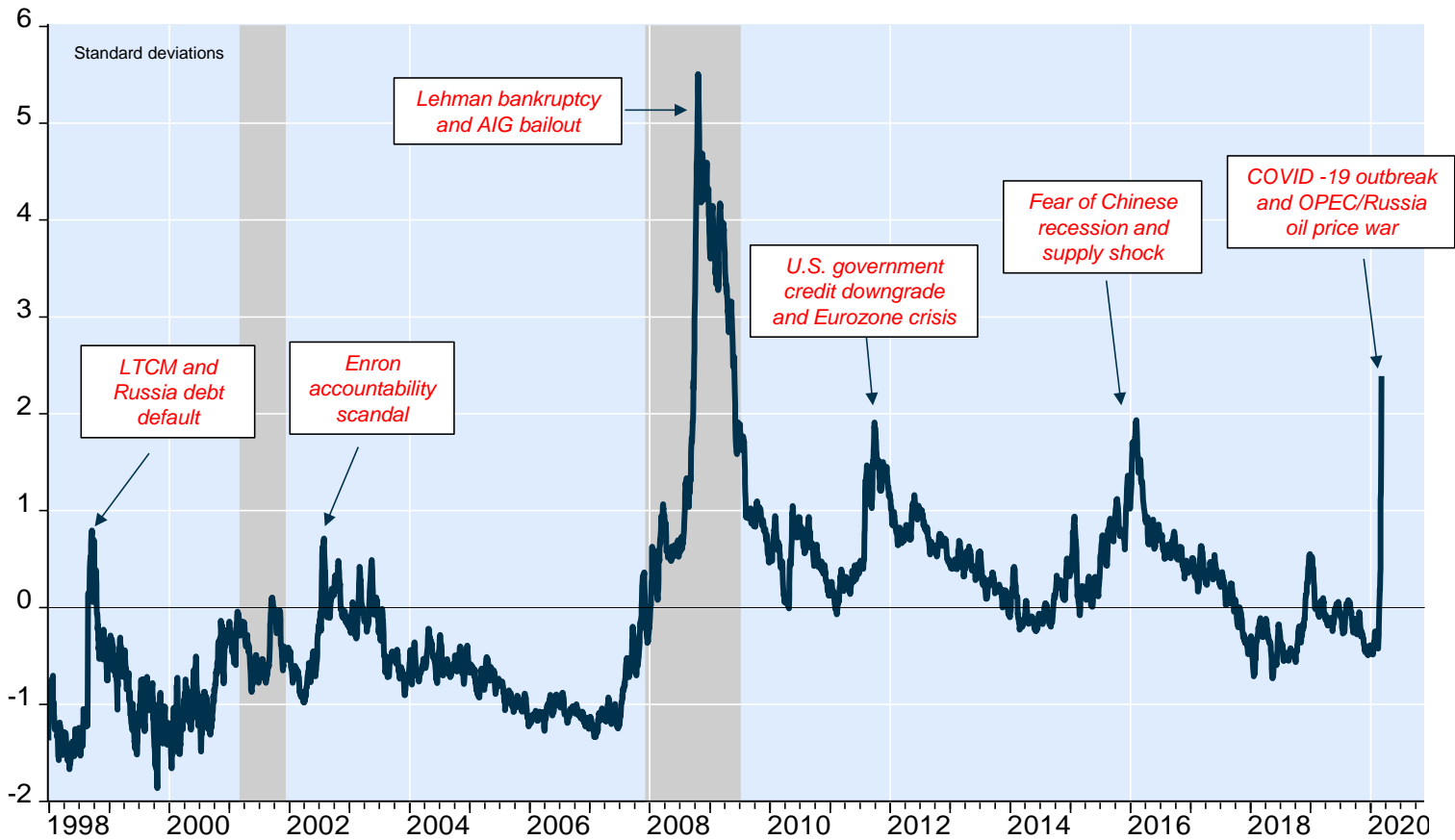
Market Watch

By Matthieu Arseneau

Financial markets are experiencing highly turbulent times with odds of a recession increasing amid the current unprecedented measures adopted worldwide to fight the Coronavirus outbreak. The CBOE volatility index (VIX) is often cited as a barometer of financial-market stress. As of yesterday's close, it was at 75, a few points shy of the worst level seen during the financial crisis (81 on November 20th 2008). Does this mean that current stress on financial markets is comparable to 2008? Not so fast. VIX reflects the apprehensions of investors in only one asset class, U.S. equities. That said shocks vary among different asset classes and geographic regions. Last year, we constructed an index covering multiple asset classes which could shed light on how the current financial turbulence compares to past episodes (see this [report](#) for more details). As today's Hot Chart shows, our financial stress index for Canada is at 2.4 still far from the 5.5 peak we saw during the 2008 financial crisis. That said, the current episode is the most stressful environment seen since then. Policymakers will need to work around the clock to limit further deterioration in sentiment. The Bank of Canada was justified to proceed today with an unscheduled rate cut.

Canada: Historical perspective on financial stress

NBF financial stress index for Canada



NBF Economics and Strategy (data via Bloomberg and Refinitiv)



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