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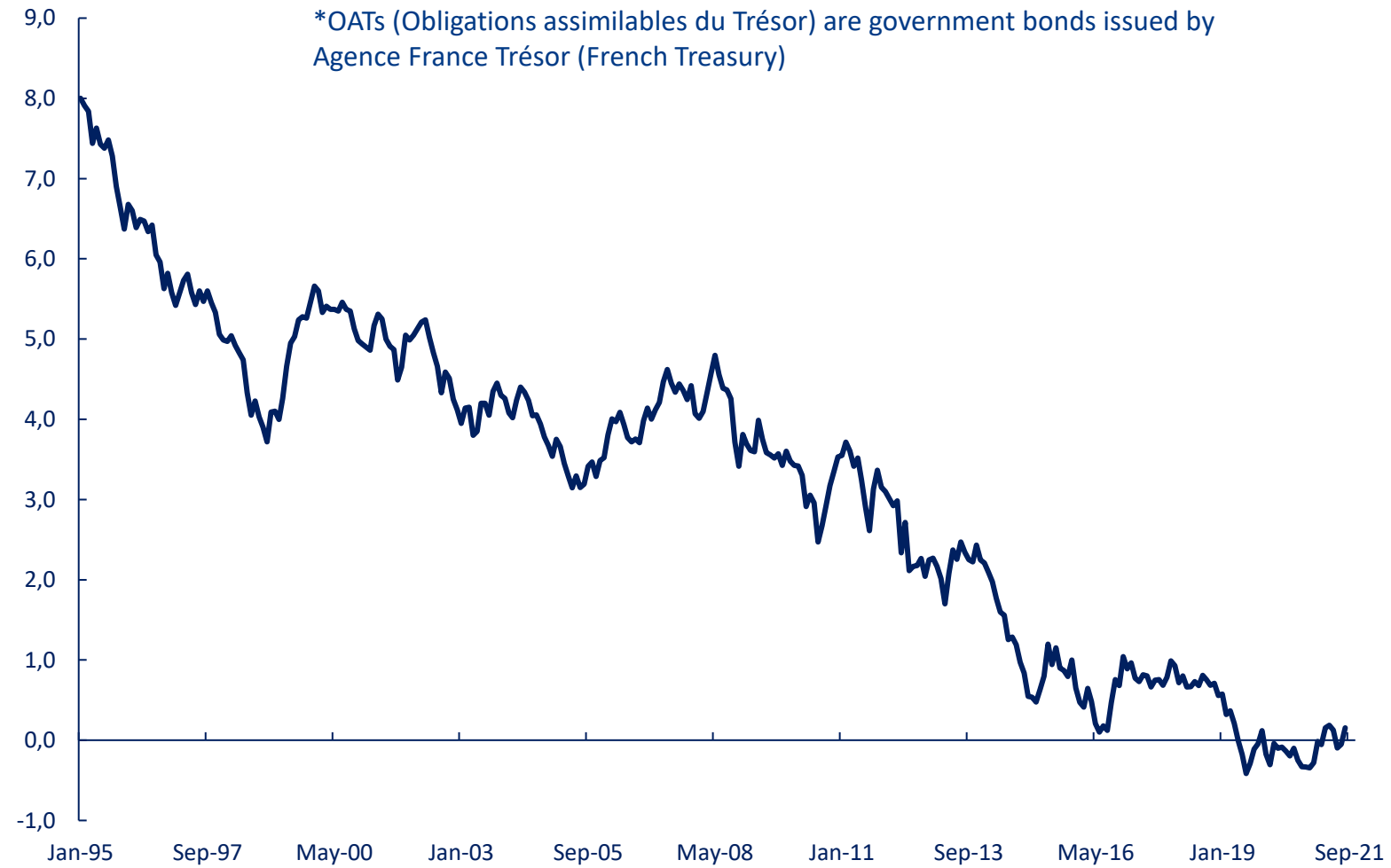
**« The rise of financial instability»**

**Conference presentation of Olivier Klein**

*November 17th 2021*

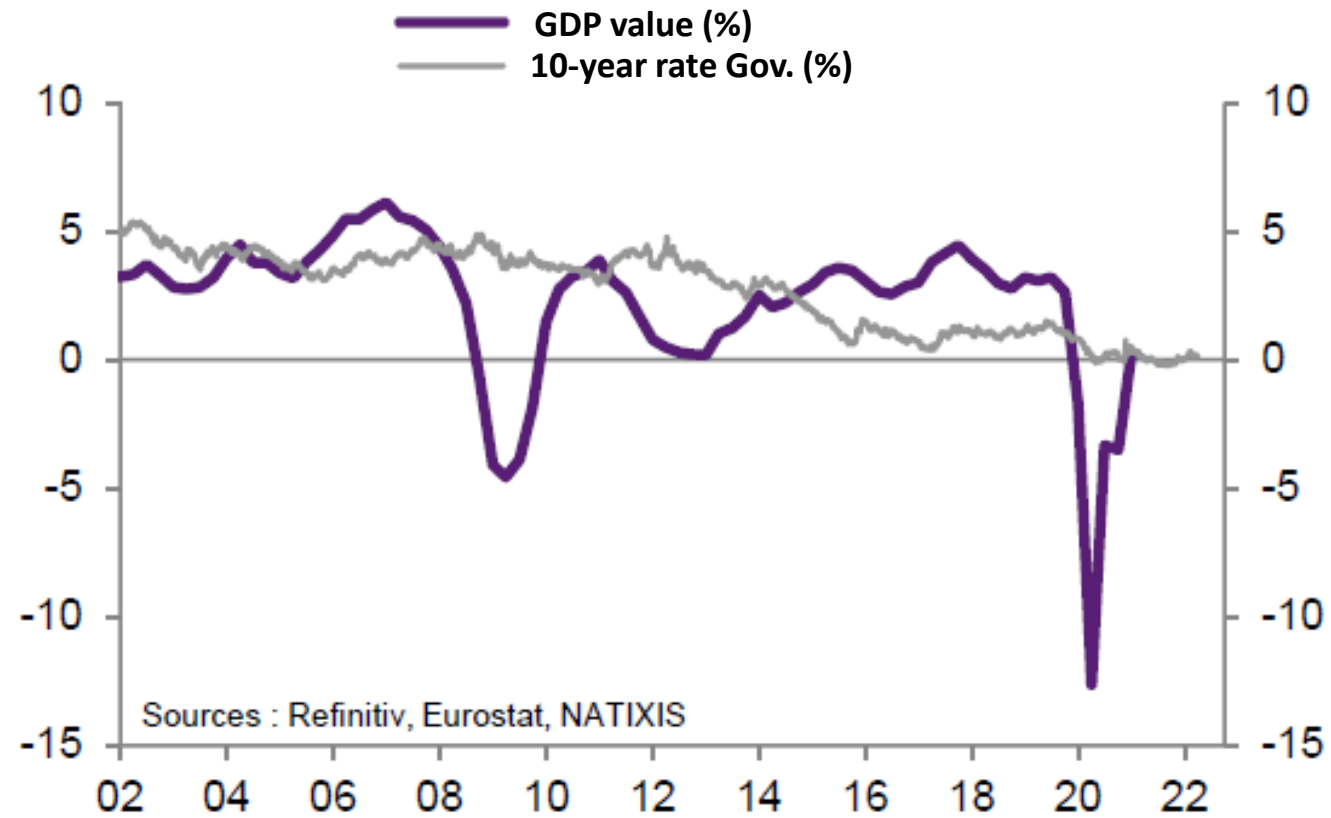
## France : OAT 10 years\*

\*OATs (Obligations assimilables du Trésor) are government bonds issued by Agence France Trésor (French Treasury)

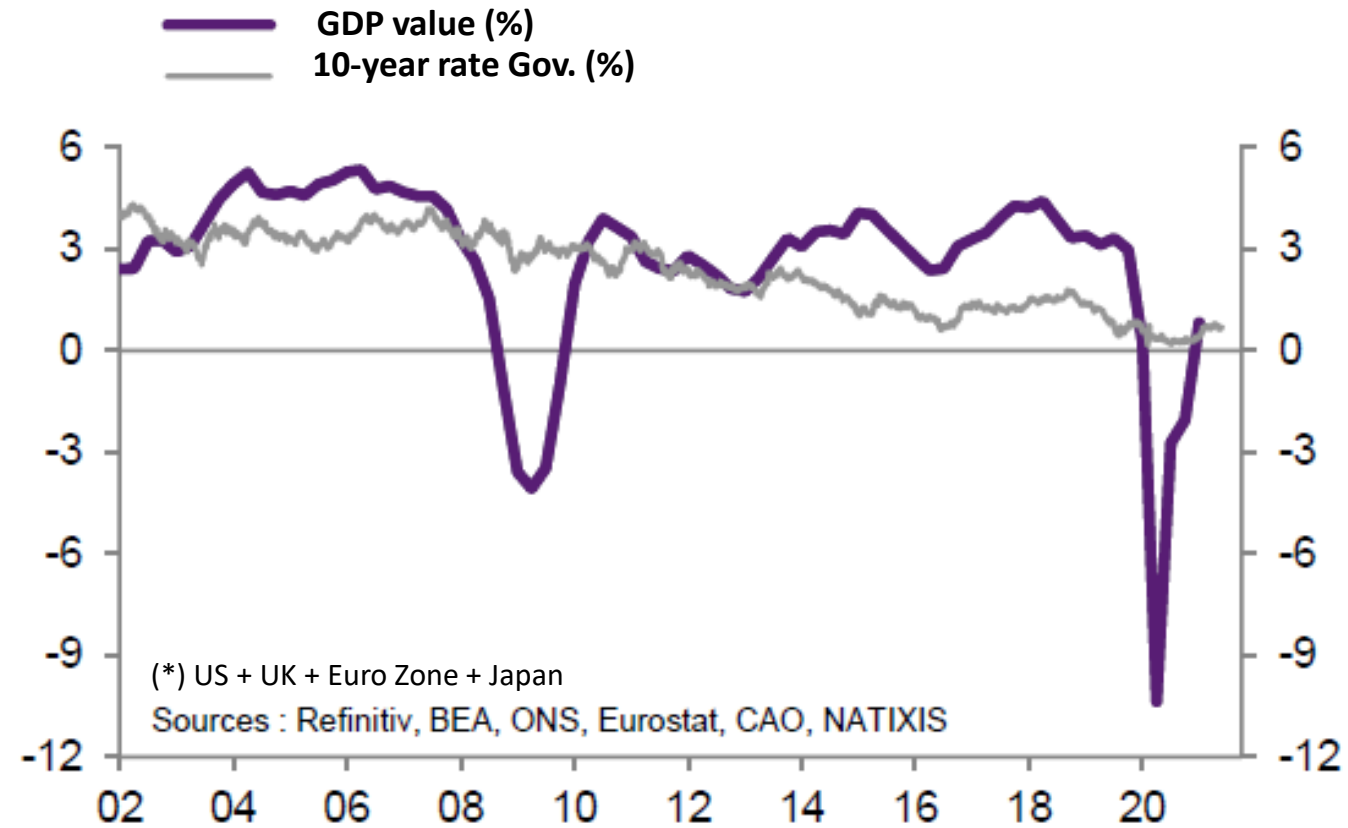


(Source : Facset)

## Euro zone: GDP value and 10-year interest rate on government bonds



## OECD\*: GDP value and 10-year interest rate on government bonds






**If interest rates are too low for too long, with good steady growth:**

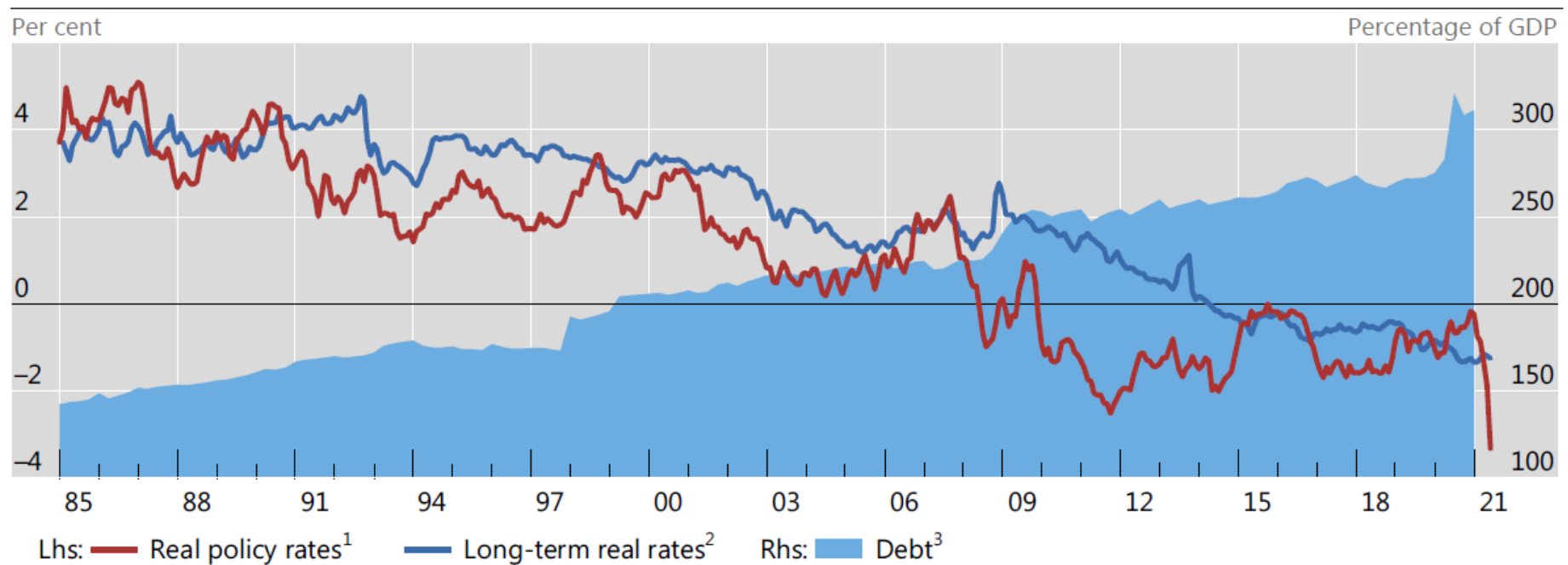
1) For borrowers (businesses and households, but also governments):

- demand for credit 
- leveraged debt 
- share buybacks 

**AND**

2) For lenders and financial investors, the search for yield at the cost of increased risk:

- risk perception 
- Risk taking  (less selectivity) and risk premiums 
- Loans and investments become longer and less liquid
- credits are less protected (guarantees and covenants of lesser quality)



<sup>1</sup> Nominal rate less headline consumer price inflation. Unweighted average of United States, euro area and Japan. <sup>2</sup> Simple average of index-linked 10-year government bond yields of the United States, France, Japan and the United Kingdom. <sup>3</sup> General government debt and non-financial sector debt, in percent of nominal GDP. Weighted average of G7 economies plus China based on GDP and PPP exchange rates.

Sources: Bloomberg; Datastream; national data; BIS calculations.

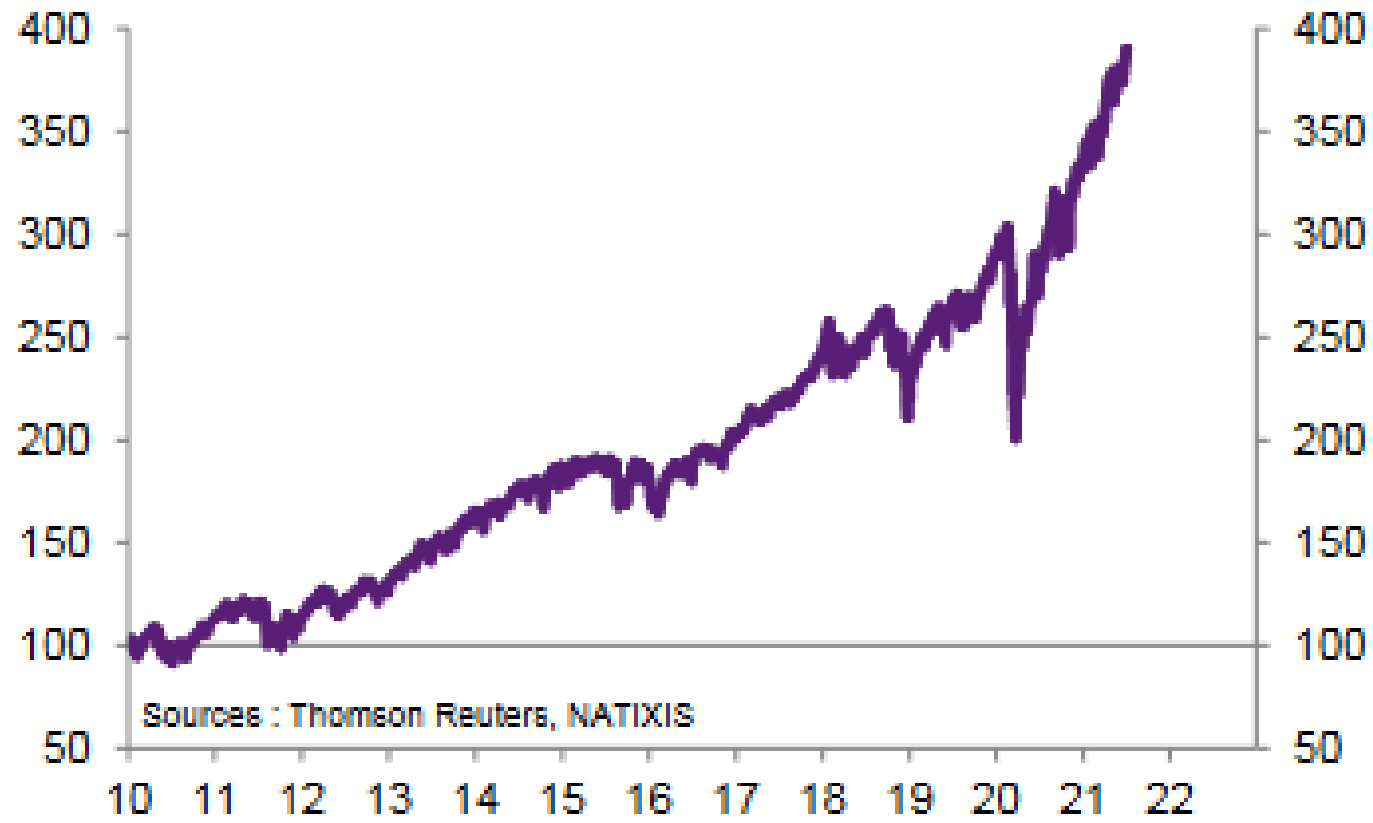
## Eurostoxx 50 evolution

### Base 100 jan 2010



(Source : Facset)

**US: S&P stock index  
(100 in 2010:1)**





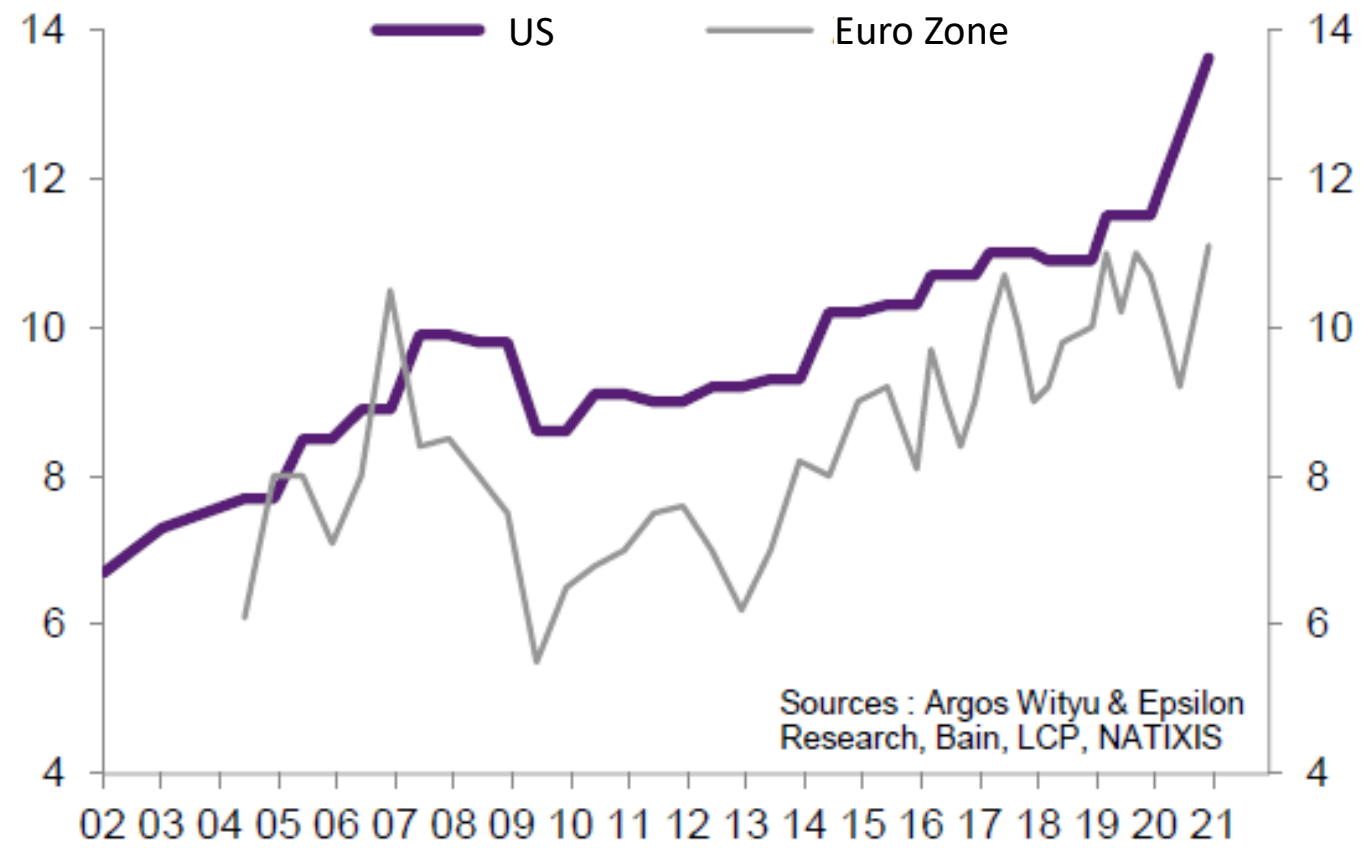
## S&P 500 CAPE ratio now above 1929 levels for the only time apart from 1998-2001



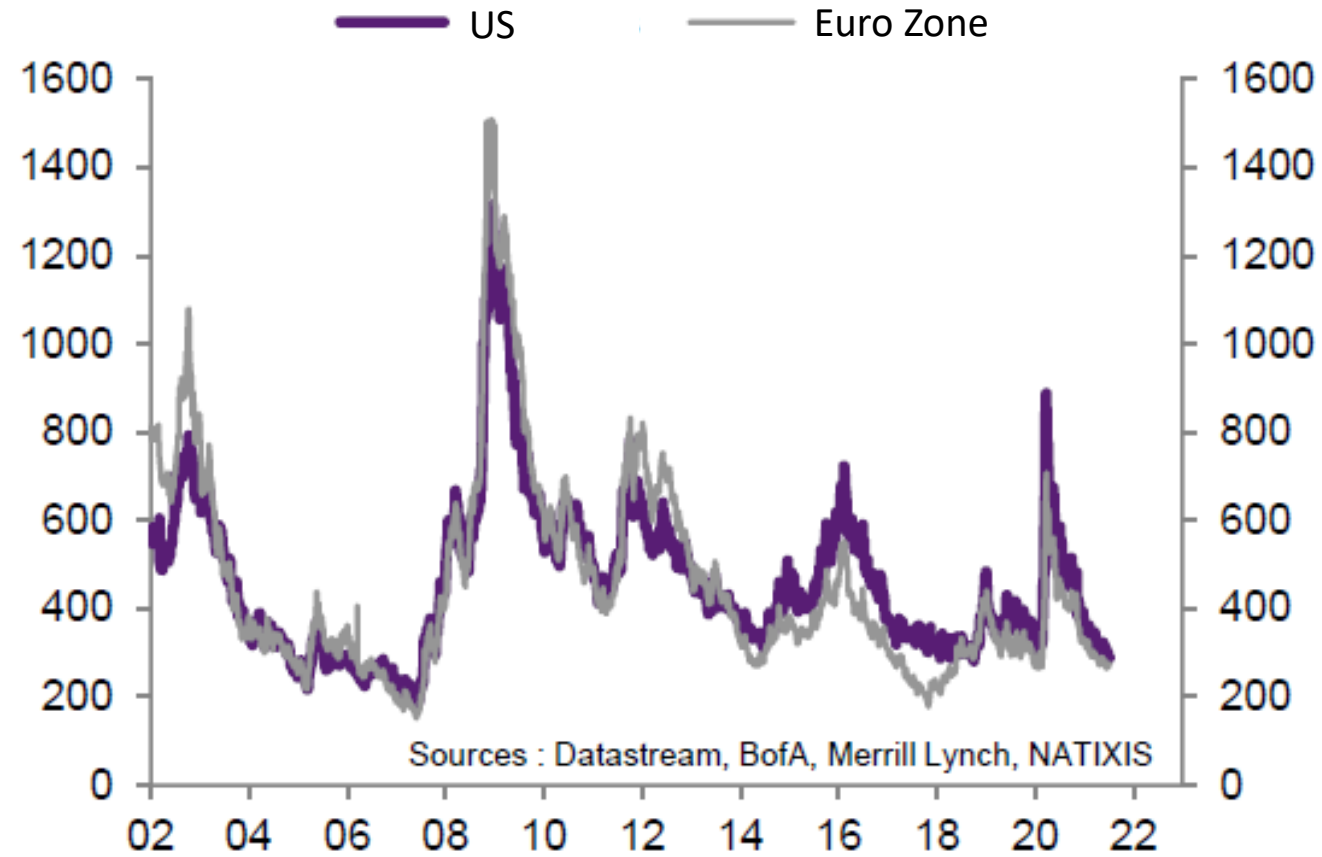
Note : Cyclically Adjusted Price Earnings Ratio P/E 10 or CAPE

Source : robert Shiller, Bloomberg Finance LP, Deutsche Bank

## Multiples of private equity transactions (EBITDA multiples)



## High Yield credit spread



## OECD: Residential Real estate prices (100 in 1995:1)

