Stress Test Issues

Robert Macrae, SRC

Date	Name	Issue
Nov-15	Credit Cycle	Deterioration of credit metrics
Oct-15	Momentum Trends	Global unwind in momentum assets
Sep-15	Productivity Growth	Impact on different countries
Aug-15	Liquidity Worries	Crowded trades?
Jul-15	Emerging Markets Debt	Impact of Fed rate rise
Jun-15	Diverging Europe	Early termination of ECB stimulus
Apr-15	China Growth Inflection	Hard landing or stimulus?
Apr-15	Strong Dollar	Where is it going, what does it hit?
Mar-15	UK Election	Possible outcomes
Mar-15	Style Rotation	Potential quant deleveraging event?
Feb-15	Greece Debt Crisis	Contagion and domino effect
Feb-15	Yield Curve Flattening	Possible Fed rate trajectories
Jan-15	European Sovereign QE	Aggressive or inaction?
Dec-14	QQE	Impact of Kuroda's policies
Nov-14	Oil Price Slide	Freefall or boomerang?
Oct-14	Ebola Trauma	Local tragedy or global pandemic?
Oct-14	China Policy Conundrum	Rumours of low growth and RE collapse
Sep-14	ECB Policy	Euro deflation?
Sep-14	Ukraine/Russia Revisited	Conflict and escalation
Aug-14	Fed Tightening	Impact of early Fed rise
Aug-14	Return of Volatility	Volatility jumps back to normal?

- These microprudential stress scenarios were considered by Blackrock during 2014 and 2015.
- Note their breadth, spanning the range from fully endogenous to the financial system, via policy issues on the boundaries, to fully exogenous.
- Note also that most did not happen or were not too serious. This is healthy. We are not forecasting! Good tests must come from outside recent experience and must be considered somewhat unlikely if they are to pose any real stress.
- Taken together these properties of breadth and novelty make selecting a good stress test hard and analysing second order effects even harder.