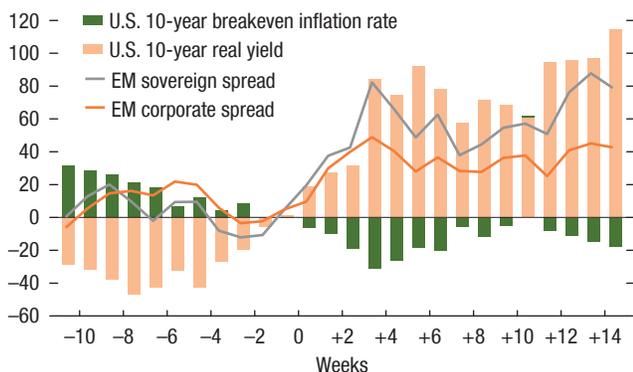


**Figure 1.12. Emerging Market Economies: Asset Prices and Fundamentals**

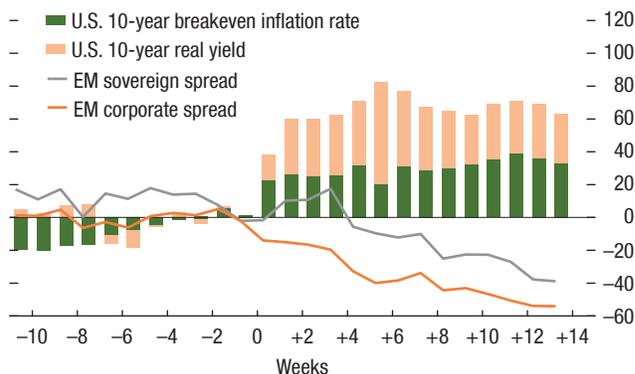
Emerging market assets were hurt during the taper tantrum in May 2013 as higher U.S. real yields did not signal higher U.S. growth.

This time is different: a brighter U.S. outlook and reflation support the assets of emerging market economies.

**1. U.S. Rates and Emerging Market Spreads**  
(Cumulative basis point change; May 22, 2013 = 0)



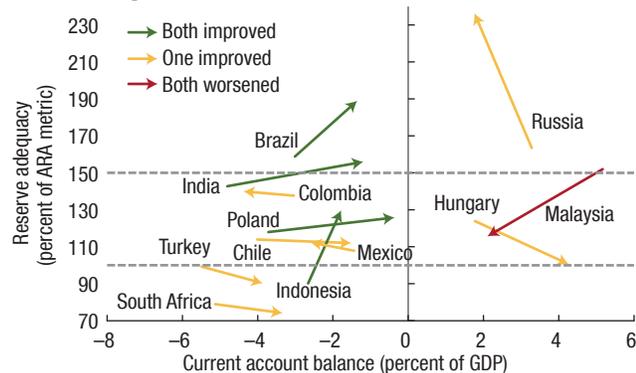
**2. U.S. Rates and Emerging Market Spreads**  
(Cumulative basis point change; Nov. 7, 2016 = 0)



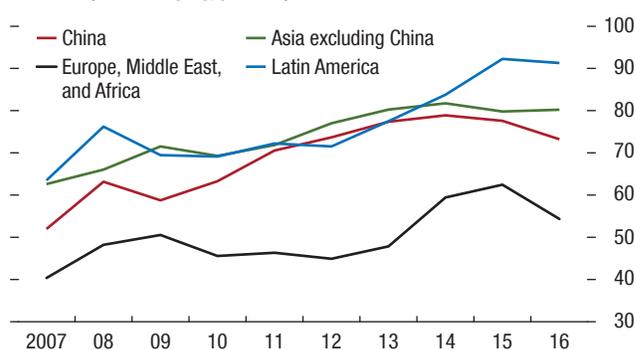
Emerging market external balances have improved since the taper tantrum, reinforcing positive financial market sentiment.

Emerging market corporate leverage has moderated but still remains elevated, especially in Latin America.

**3. Current Account and Foreign Reserves Adequacy, Change 2012 to 2016**



**4. Emerging Market Economy Corporate Leverage, 2007–16**  
(Debt to equity, percent)



Sources: Bloomberg L.P.; Haver Analytics; IMF, World Economic Outlook database; JPMorgan Chase & Co.; S&P Capital IQ; and IMF staff calculations. Note: ARA = Assessing Reserve Adequacy; EM = emerging market.