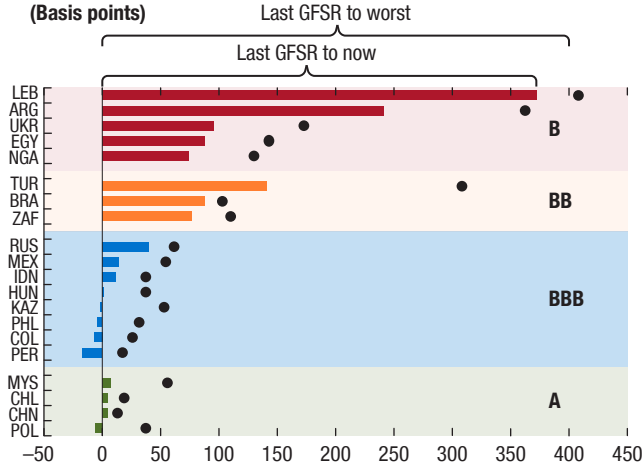


Figure 1.12. Investor Differentiation among Emerging Markets

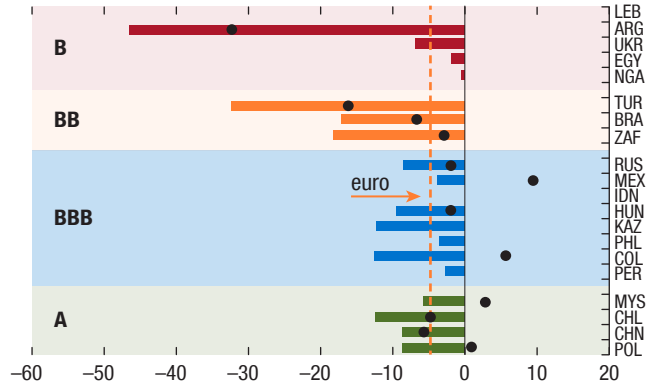
In credit markets, spreads of lower-rated borrowers have widened more than their peers.

1. EMBIG Spread Change (Basis points)



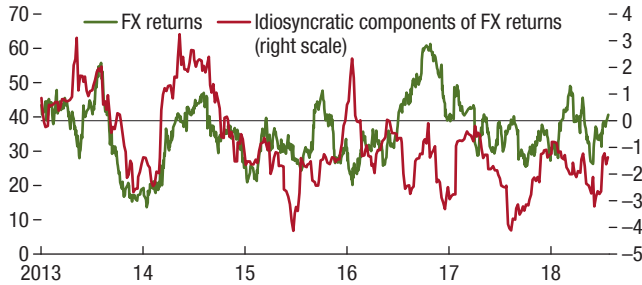
Idiosyncratic factors explain a large proportion of exchange rate changes in cases of large currency depreciations.

2. EM FX: Changes since April 2018 and Their Idiosyncratic Components (Percent; black dots represent idiosyncratic components)



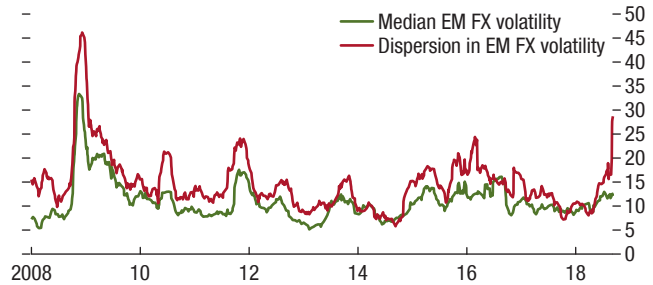
EM exchange rates have become more correlated since early July, but correlation between idiosyncratic components is low/negative.

3. EM Currencies: Correlation between FX Returns, and Idiosyncratic Components of FX Returns (Median of pairwise correlations, percent)



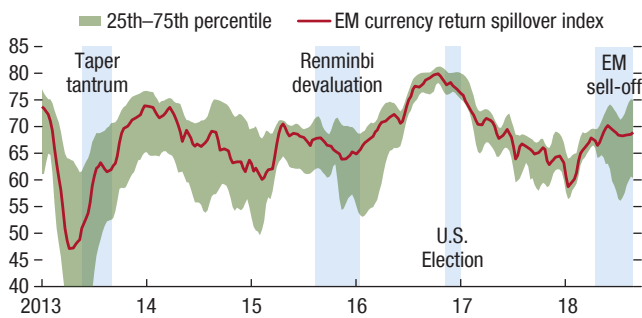
While median EM foreign exchange volatility has inched up recently, there is a significant dispersion across countries.

4. EM Currency Volatility (Median and Dispersion) (Percentage points)



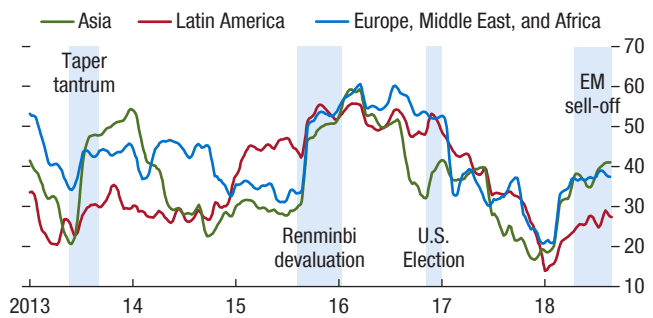
The directional spillover indices show a modest increase in the level of spillovers but a large variation.

5. Emerging Market Currency Return Spillover Index (Percent)



Spillovers in equity markets have increased as well but have remained below levels seen in past sell-offs.

6. Emerging Market Regional Equity Return Spillovers Indices (Percent)



Sources: Bloomberg Finance L.P.; and IMF staff estimates.

Note: In panel 2, the idiosyncratic risk premiums are the unexplained residuals from the model, in which emerging market currency returns are regressed on two systematic factors (a carry factor and the U.S. dollar) (see footnote 10). Panel 4 plots 60-day realized volatility: dispersion is calculated as the difference between the 90th and 10th percentiles. In panels 5 and 6, the spillover indices are based on the methodology by Diebold and Yilmaz (2009), using emerging market equity returns (MSCI indices) and currency returns (local currency versus USD exchange rates), respectively (see footnote 11). Data labels in the figure use International Organization for Standardization (ISO) country codes. EM = emerging market; EMBIG = JPMorgan EMBIG Bond Index Global; FX = foreign exchange; MSCI = Morgan Stanley Capital International.