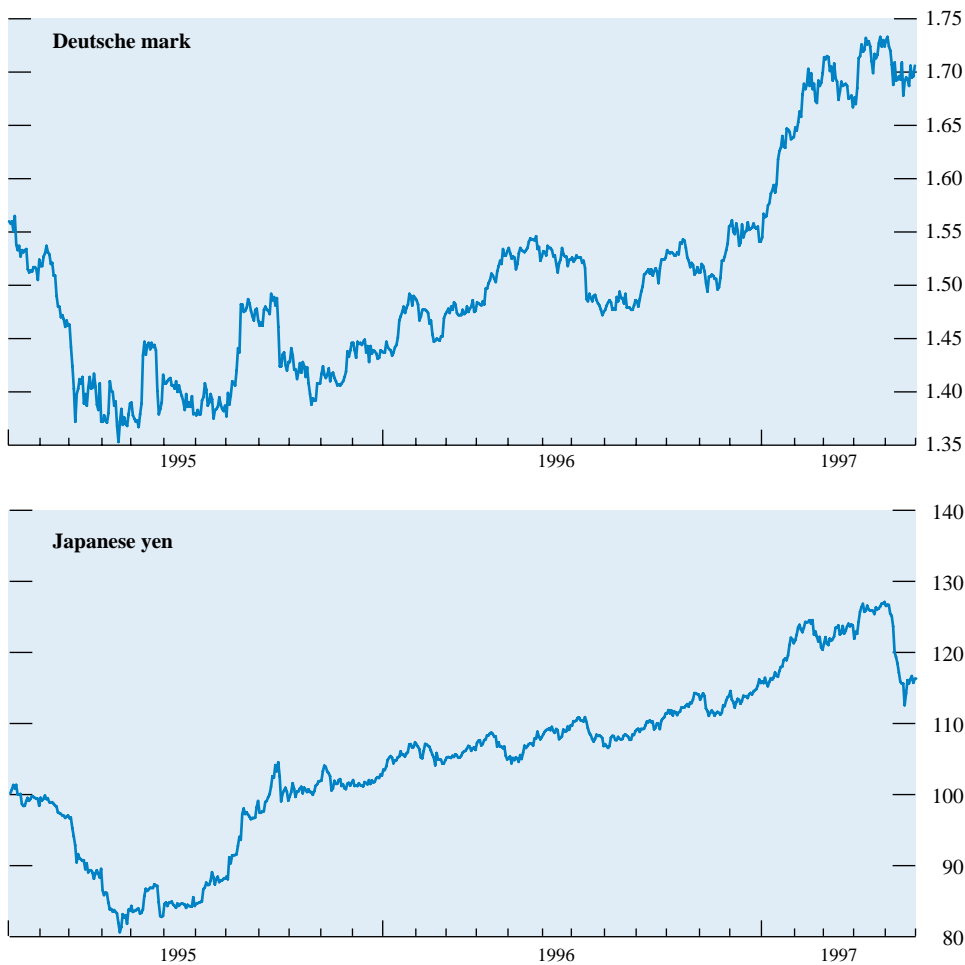


Figure 1. Spot Exchange Rates

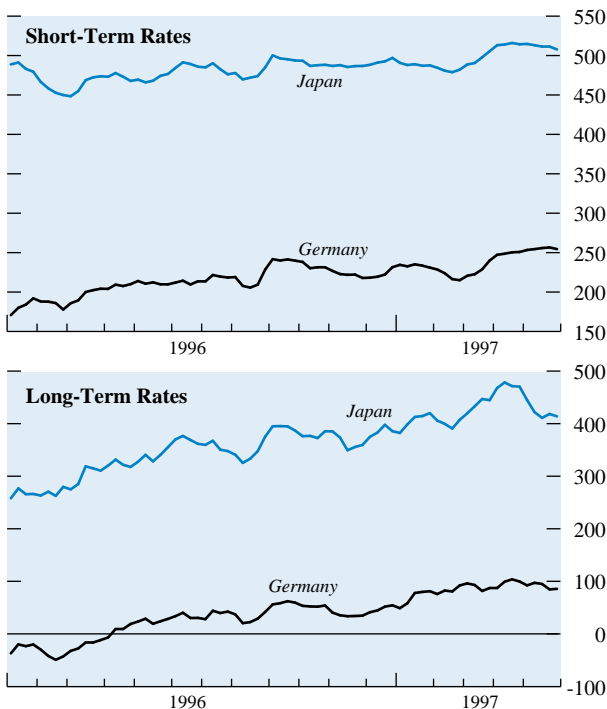
(Local currency/U.S. dollar)



Source: Bloomberg Financial Markets L.P.

Figure 2. United States, Japan, and Germany: Interest Rate Differentials¹

(In basis points)

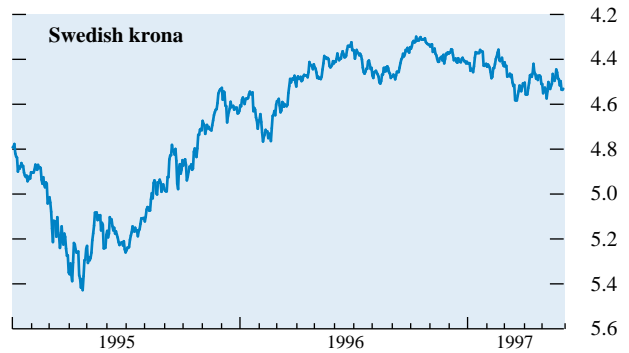
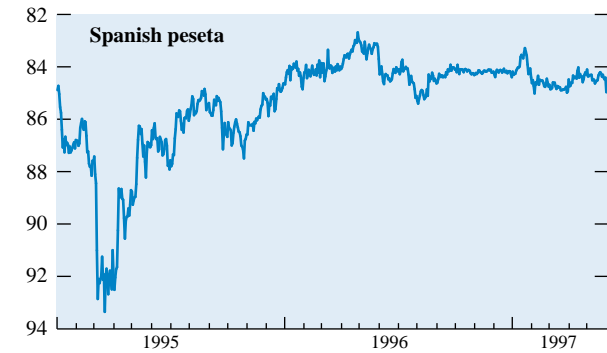
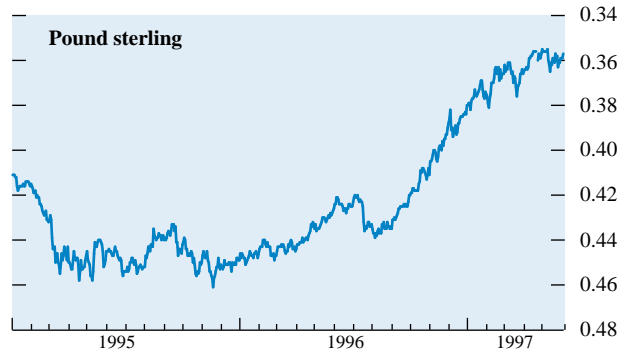
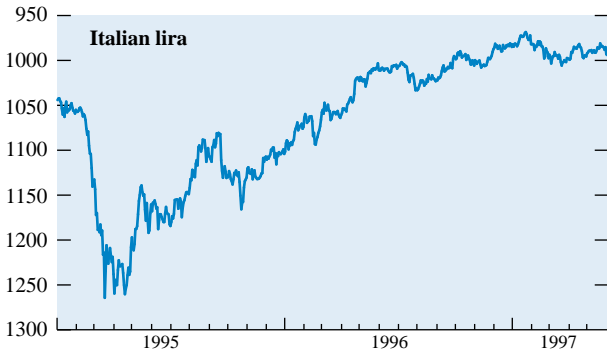
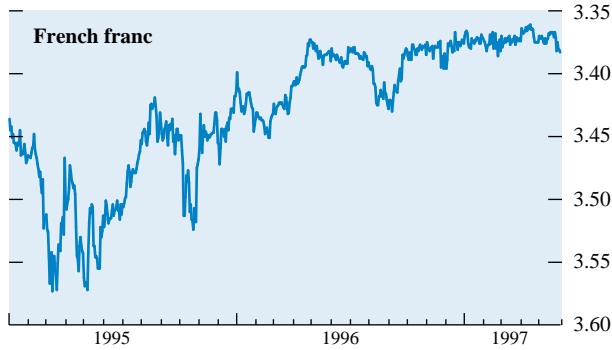


Source: International Monetary Fund.

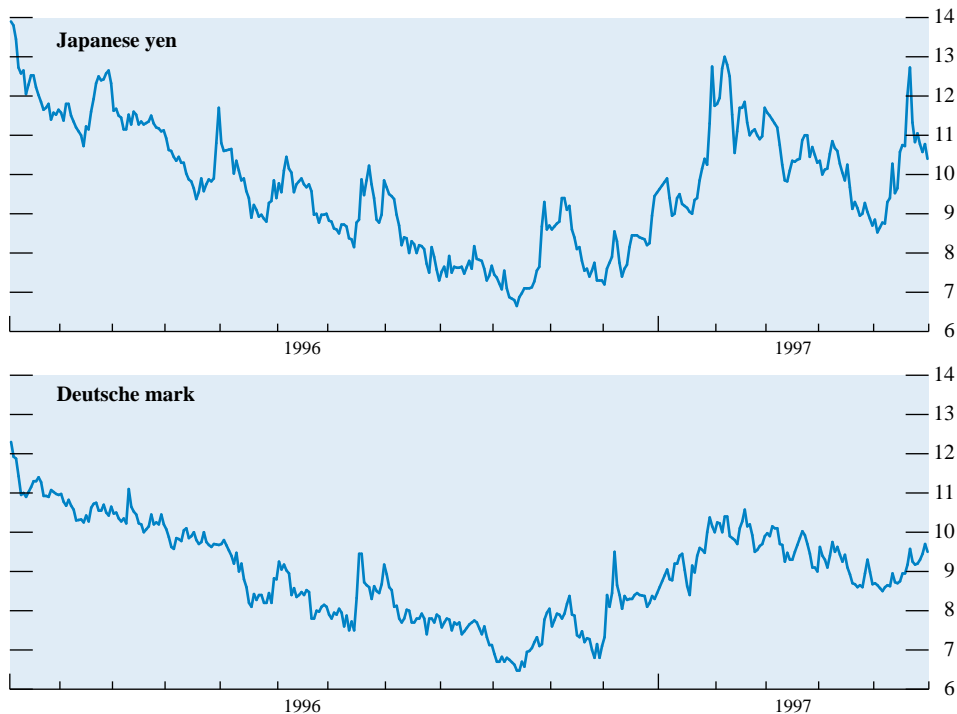
¹Interest rates in Japan and Germany are subtracted from U.S. interest rates.

Figure 3. Major European Countries: Exchange Rates vs. Deutsche Mark

(Local currency/deutsche mark)



**Figure 4. Implied Volatility: Japanese Yen and Deutsche Mark
Three-Month Forwards**

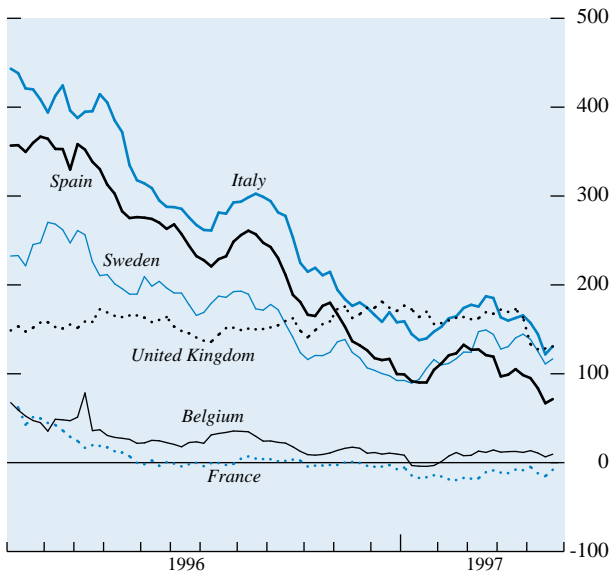


Source: Bloomberg Financial Markets L.P.

Note: Implied volatility is a measure of the expected future volatility of the currency based on market prices of the call options on forward contracts in the currency.

Figure 5. Selected European Long-Term Interest Rate Differentials with Germany

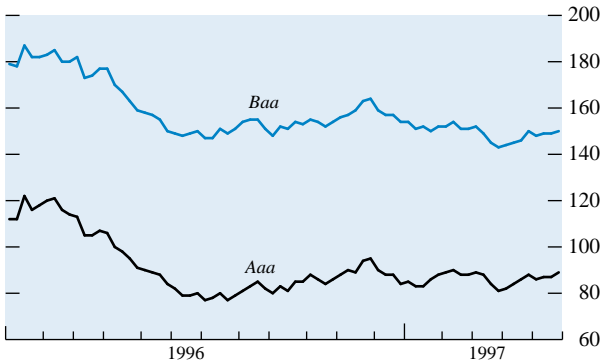
(In basis points)



Source: International Monetary Fund.

Figure 6. United States: Yield Spreads of Corporate Bonds over U.S. Treasuries¹

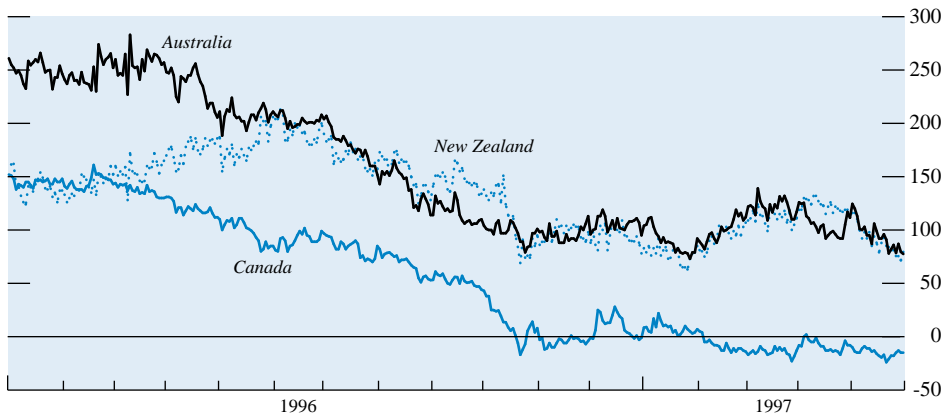
(In basis points)



Source: Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*.

¹Yields on 10-year U.S. treasury bonds of constant maturities are used for U.S. treasuries.

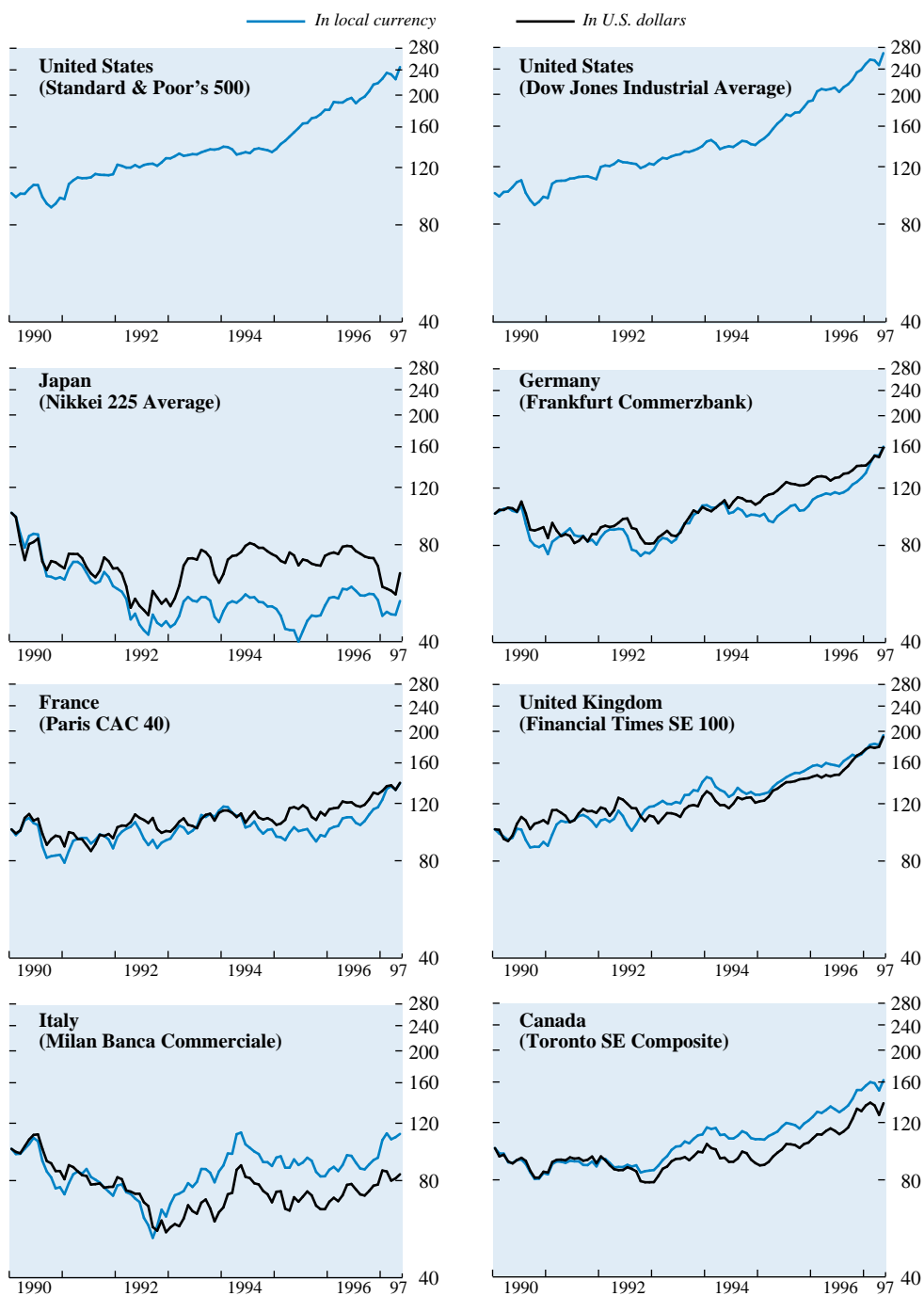
**Figure 7. Australia, Canada, and New Zealand:
Yield Differentials on 10-Year Government Bonds**
(In basis points against the yield on 10-year U.S. government bonds)



Source: Bloomberg Financial Markets L.P.

Figure 8. Stock Market Indices: Major Industrial Countries¹

(Indices, January 1990 = 100)



Source: International Monetary Fund.

¹Monthly averages of daily observations, January 1990 through May 1997.

Figure 9. Stock Market Indices: Smaller European Countries¹

(Indices, January 1990 = 100)

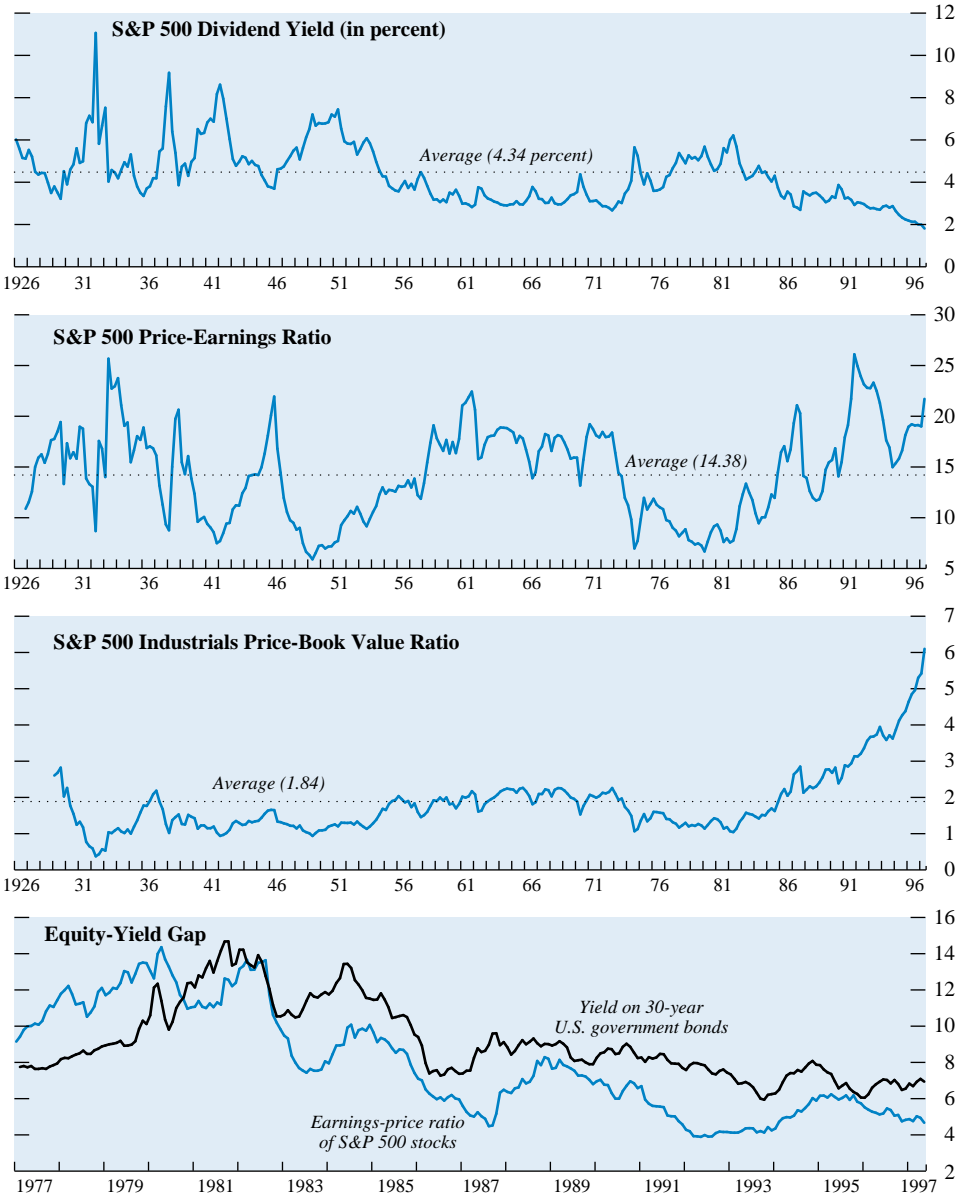


Sources: Bloomberg Financial Markets L.P.; Brussels Stock Exchange; International Monetary Fund; and The WEFA Group.

¹Data for January 1990 through May 1997.

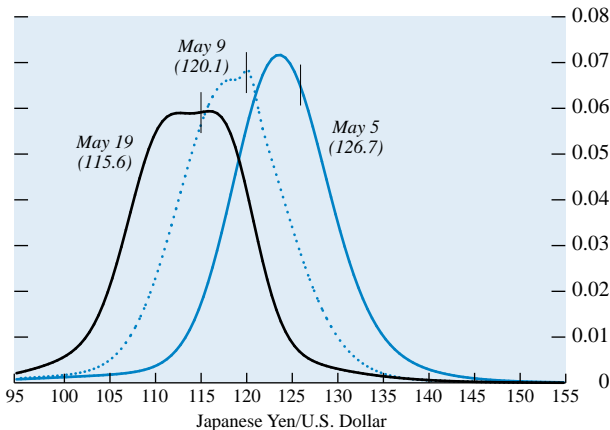
²January 1991 = 100.

Figure 10. United States: Equity Market Performance



Sources: Board of Governors of the Federal Reserve System; Bloomberg Financial Markets L.P.; and Standard & Poor's.

Figure 11. Distribution for Yen/Dollar Exchange Rate in Early September 1997 Implied by Options Prices on May 5, 9, and 19, 1997

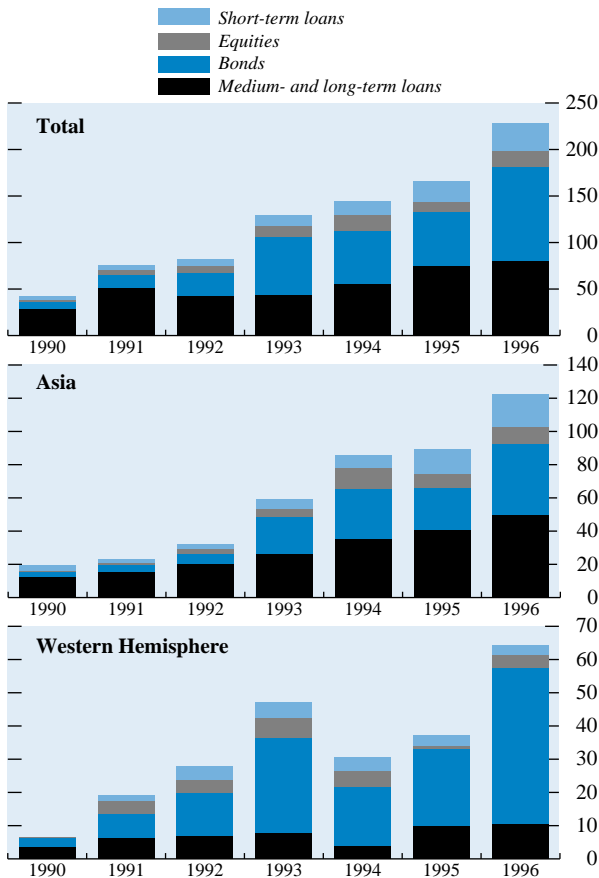


Sources: Bloomberg Financial Markets L.P.; and IMF staff calculations using data from the Chicago Mercantile Exchange.

Note: Spot exchange rates are shown in parentheses and indicated by vertical lines.

Figure 12. Private Market Financing for Emerging Markets¹

(In billions of U.S. dollars)

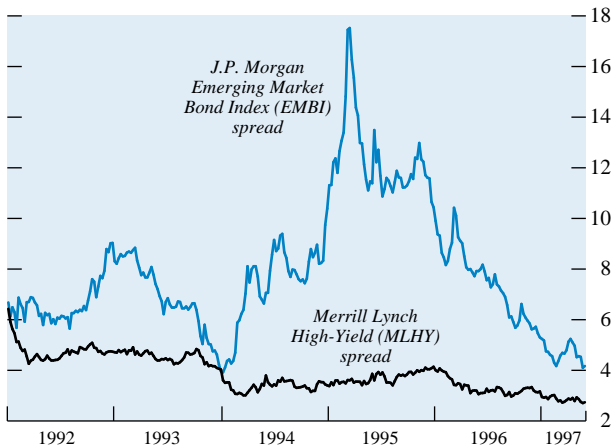


Source: Capital Data Loanware and Bondware.

¹Gross primary market financing.

Figure 13. Yield Spreads: Emerging Market and High-Yield U.S. Corporate Bonds

(In percent)



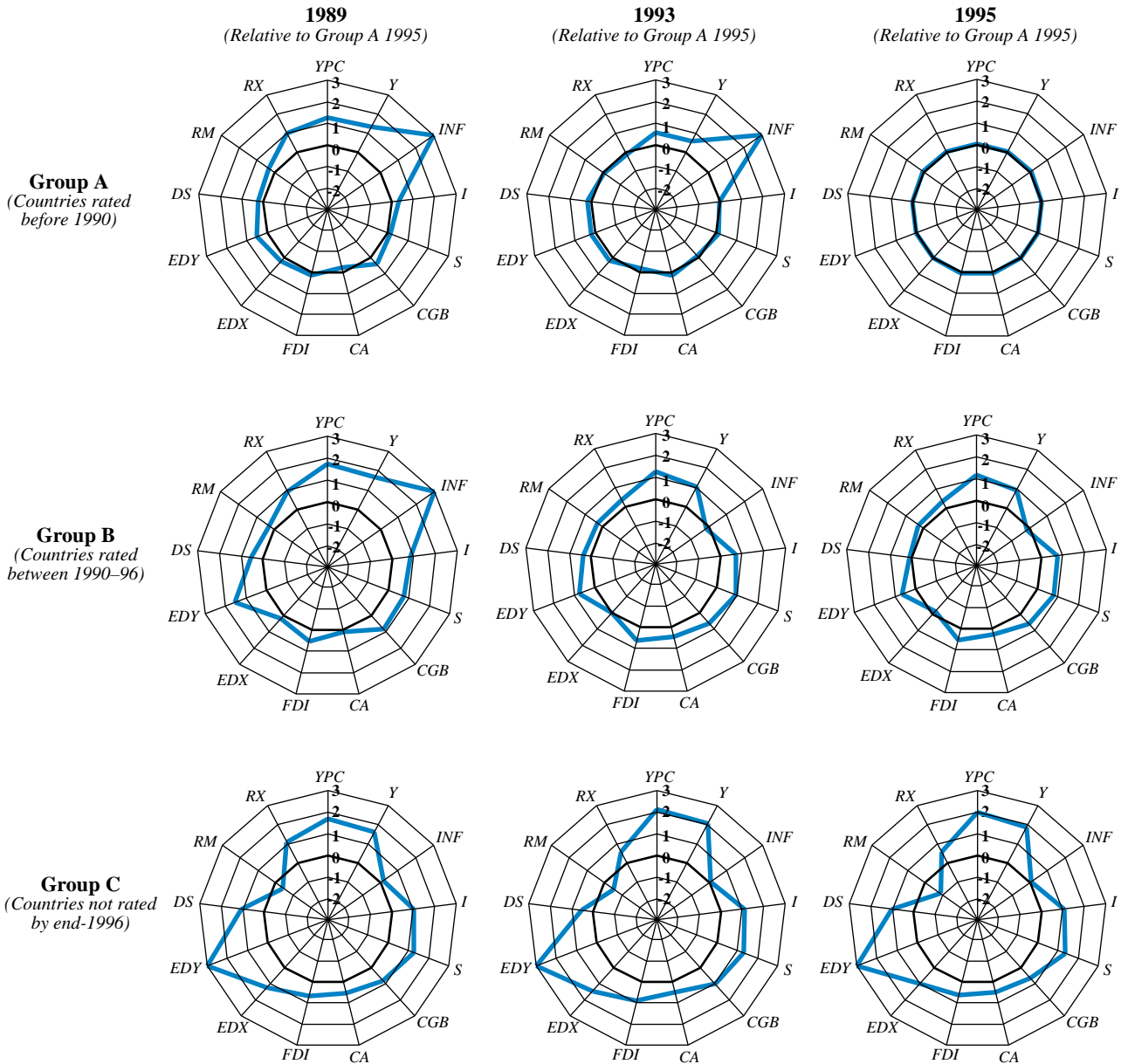
Source: Bloomberg Financial Markets L.P.

Figure 14. Emerging Markets: Sovereign Ratings and Fundamentals¹

Legend

- YPC GDP per capita growth rate, 5-year moving average
- Y GDP growth rate, 5-year moving average
- INF CPI inflation rate
- I Gross fixed capital formation as a percent of GDP
- S Gross saving as a percent of GDP
- CGB Central government balance as a percent of GDP
- CA Current account as a percent of GDP

- FDI Foreign direct investment as a percent of GDP
- EDX Total external debt as a percent of exports
- EDY Total external debt as a percent of GDP
- DS Debt-service ratio
- RM Total foreign exchange reserves as a percent of broad money
- RX Total foreign exchange reserves as a percent of exports



Source: International Monetary Fund, *World Economic Outlook*.

¹See text explanation.

Figure 15. Bank Receipts and Payments Arising from Forward Contract Operations¹

Step 1. Forward Contract = Currency Mismatch

Receipt		Payment	
Domestic currency (DC) in one month	2,500	100	U.S. dollars (\$) in one month

Step 2. Forward Contract + Spot Sale = Maturity Mismatch

Receipt		Payment	
DC in one month	2,500	2,500	DC in two days (spot)
\$ in two days (spot)	100	100	\$ in one month (forward)

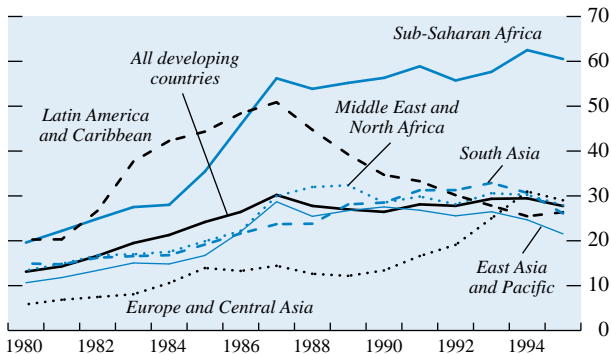
Step 3. Forward + Spot + Swap = Balanced Position

Receipt		Payment	
DC in one month (forward)	2,500	2,500	DC in one month (swap)
DC in two days (swap)	2,500	2,500	DC in two days (spot)
\$ in one month (swap)	100	100	\$ in one month (forward)
\$ in two days (spot)	100	100	\$ in two days (swap)

¹Assuming a spot exchange rate of DC 25 = \$1.

Figure 16. External Long-Term Public and Publicly Guaranteed Debt Outstanding

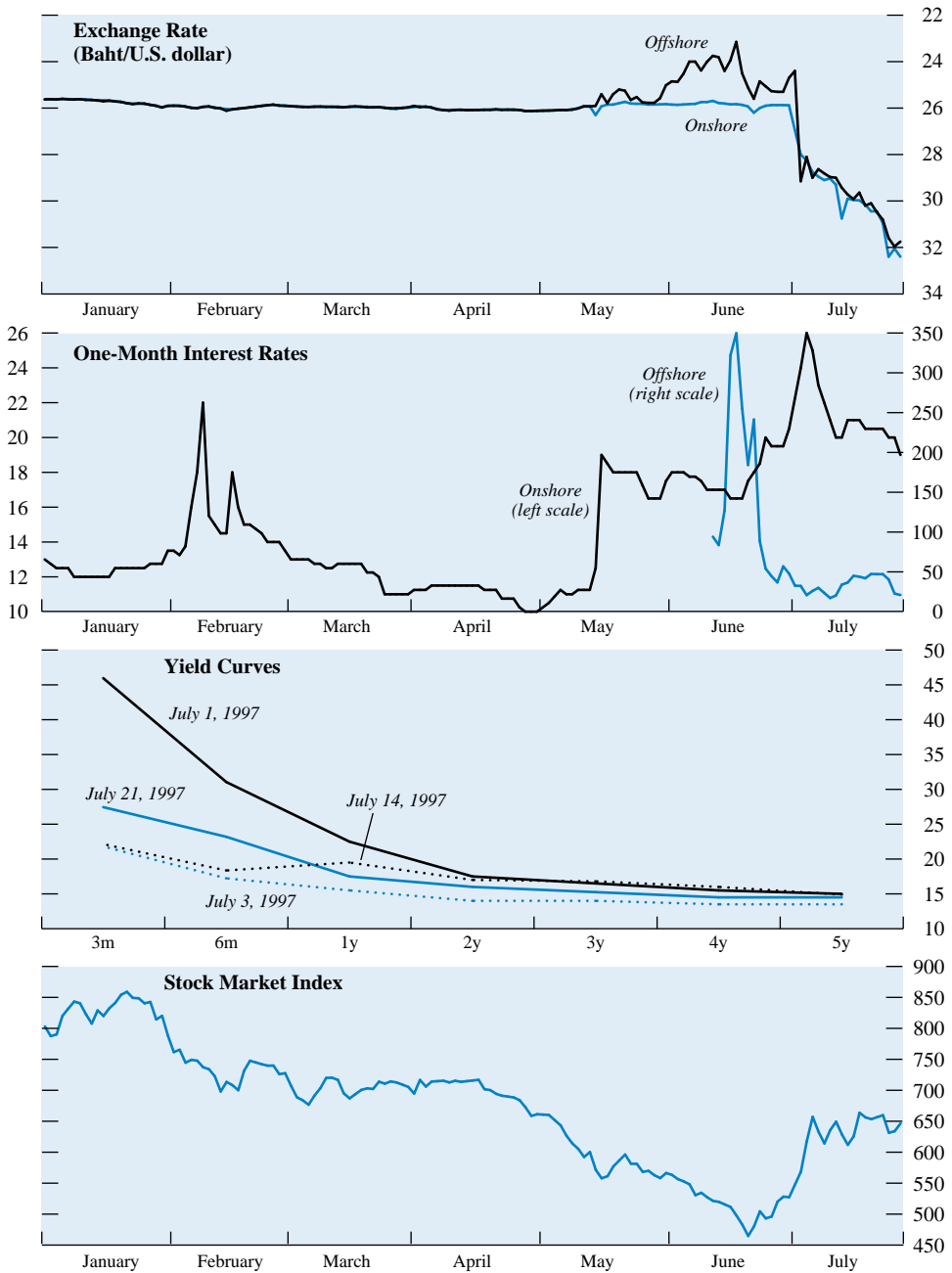
(In percent of GNP)



Source: World Bank, Global Development Finance database.

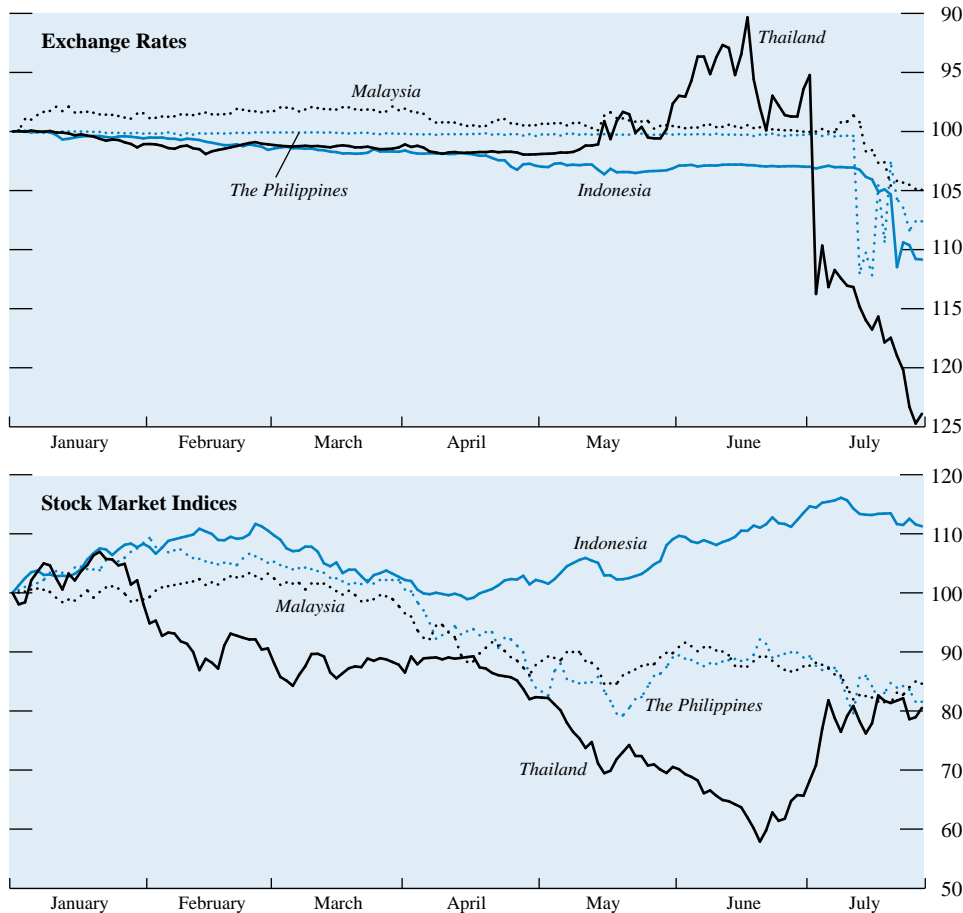
Note: The groupings are as shown in the source.

Figure 17. Thailand: Selected Financial Indicators, 1997



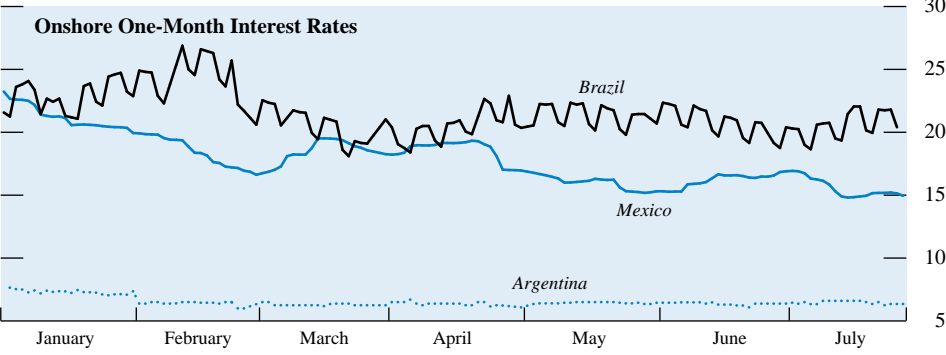
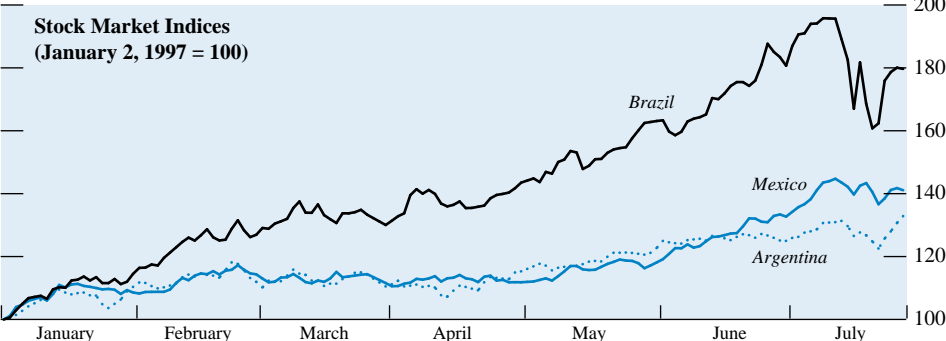
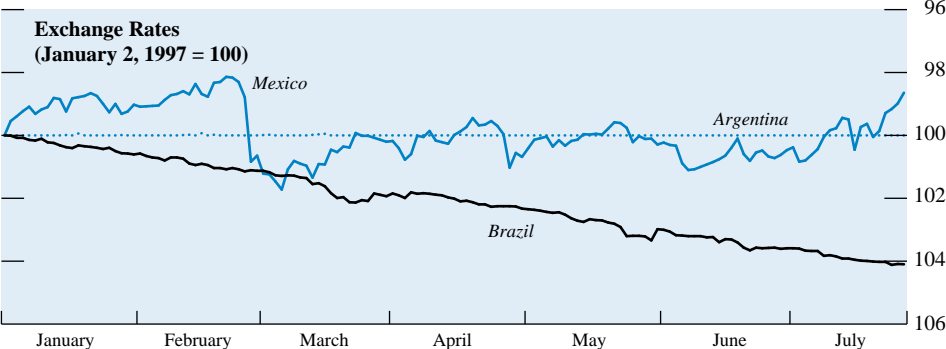
Sources: Bloomberg Financial Markets L.P.; Reuters; and IMF staff estimates.

Figure 18. Financial Market Developments in Selected Asian Countries, 1997
(January 2, 1997 = 100)



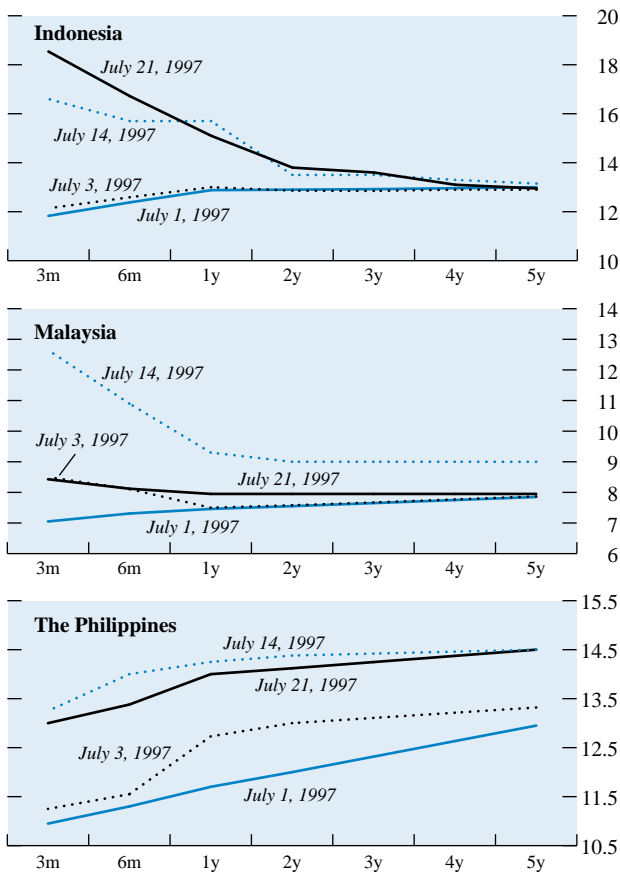
Source: Bloomberg Financial Markets L.P.

Figure 19. Financial Market Developments in Selected Latin American Countries, 1997



Source: Bloomberg Financial Markets L.P.

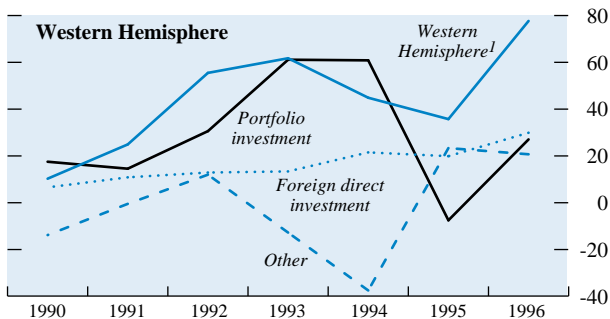
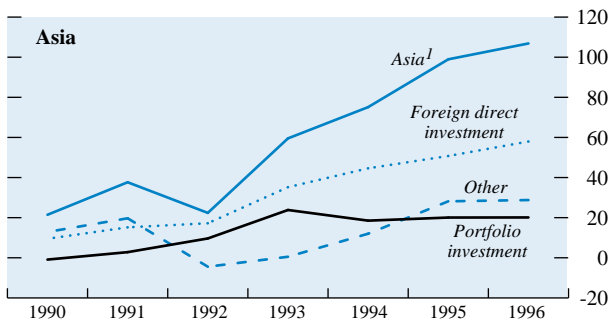
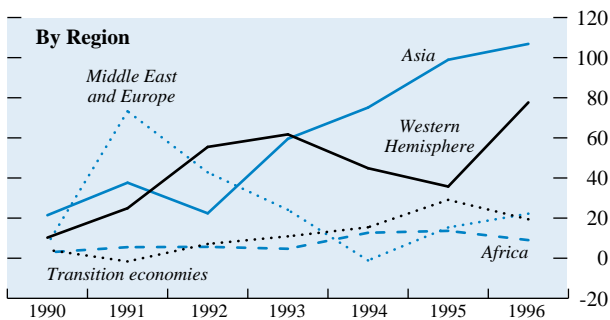
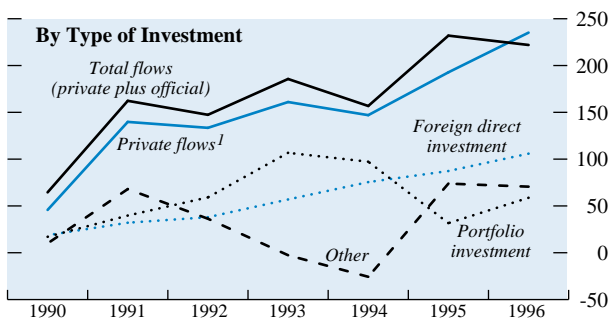
Figure 20. Yield Curves in Selected Emerging Markets, July 1997



Source: Bloomberg Financial Markets L.P.

Figure 21. Net Private Capital Flows to Emerging Markets

(In billions of U.S. dollars)

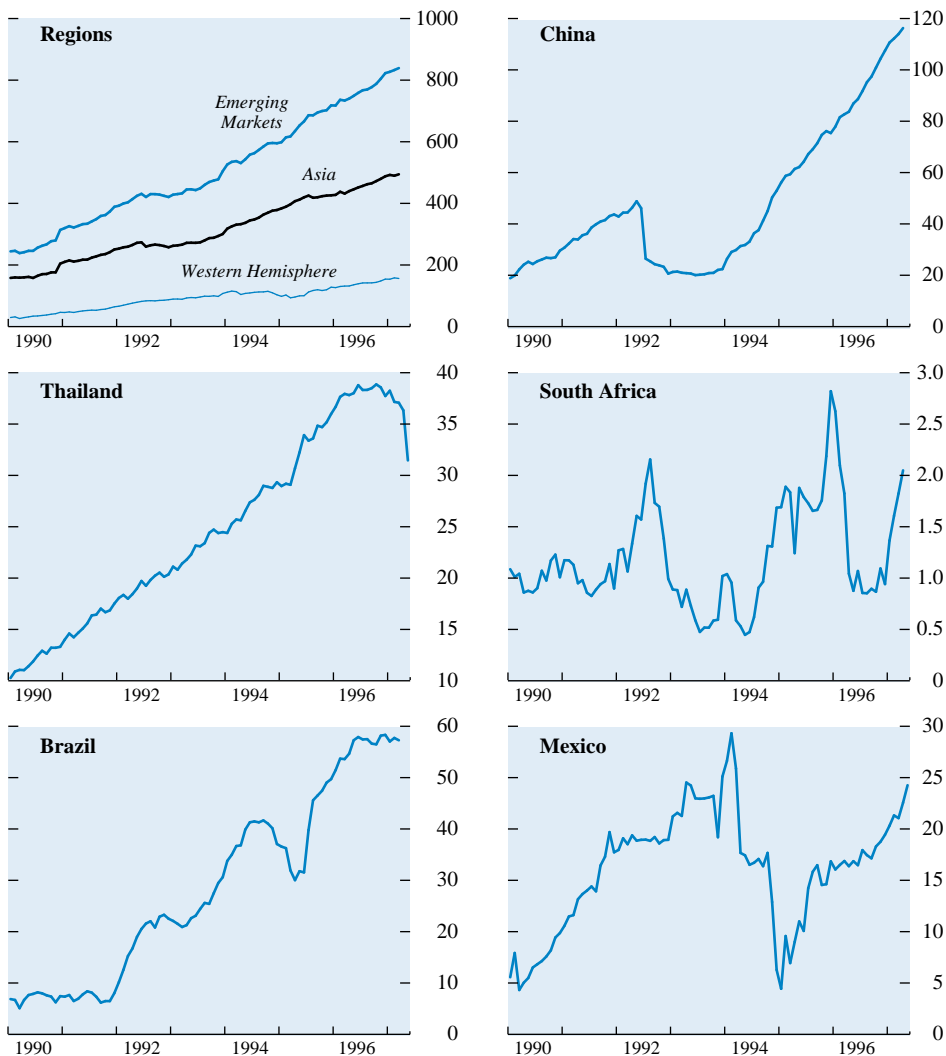


Sources: International Monetary Fund, *World Economic Outlook*; and IMF staff estimates.

¹Total net private capital inflows equal net foreign direct investment plus net portfolio investment plus net other investment.

Figure 22. Total Reserves Minus Gold of Selected Emerging Markets, January 1990–May 1997

(In billions of U.S. dollars)



Source: International Monetary Fund, *International Financial Statistics*.

Figure 23. Exchange Rates of Selected Emerging Markets, January 1990–May 1997

(Local currency/U.S. dollar)

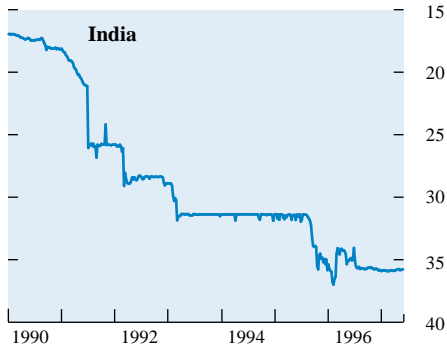
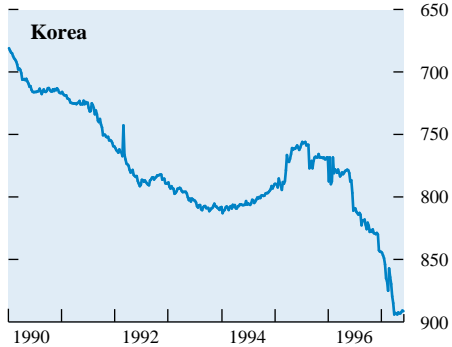
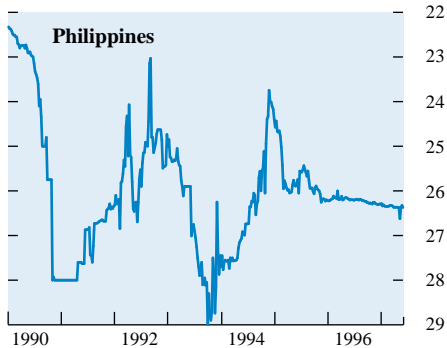
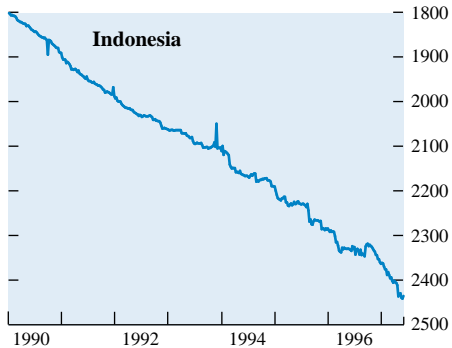
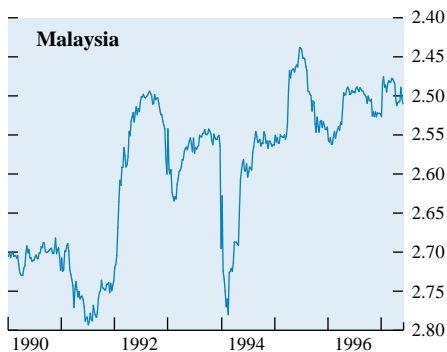
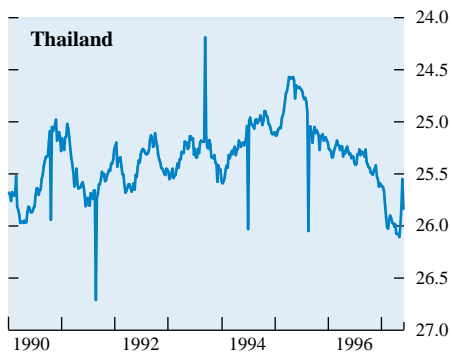


Figure 23 (concluded)

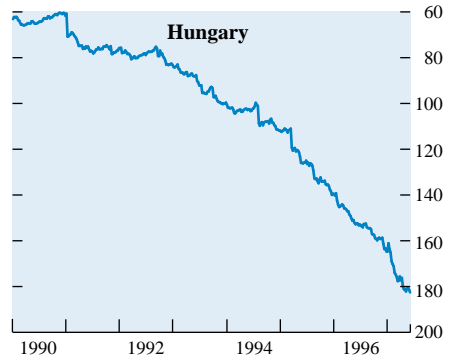
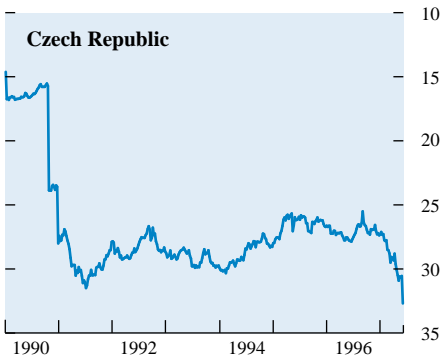
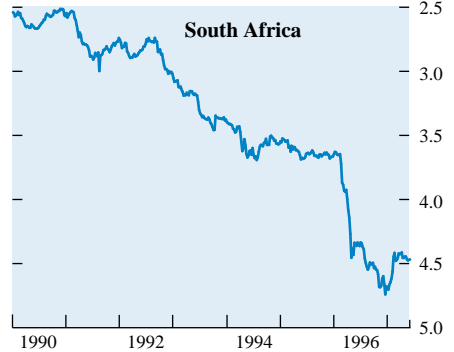
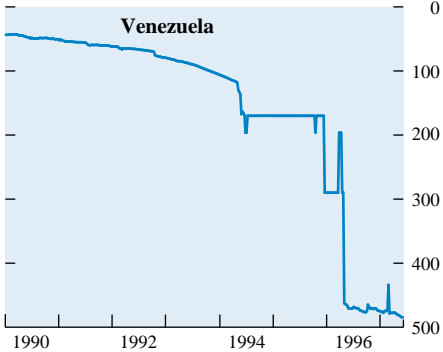
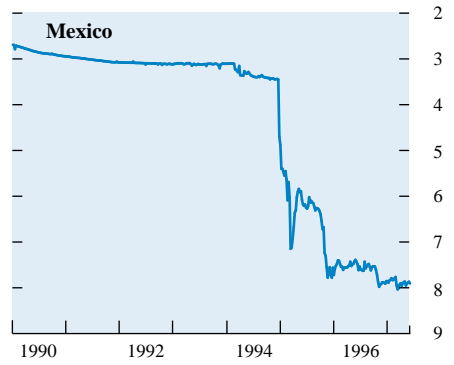
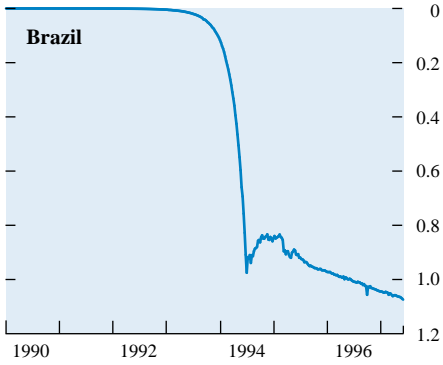
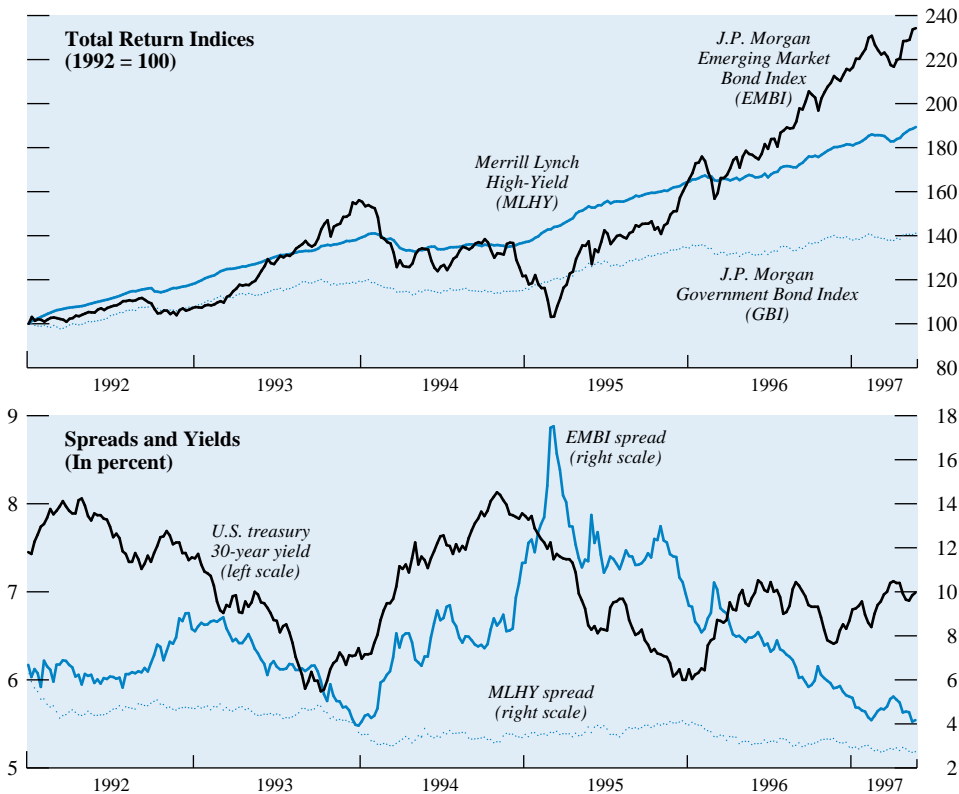


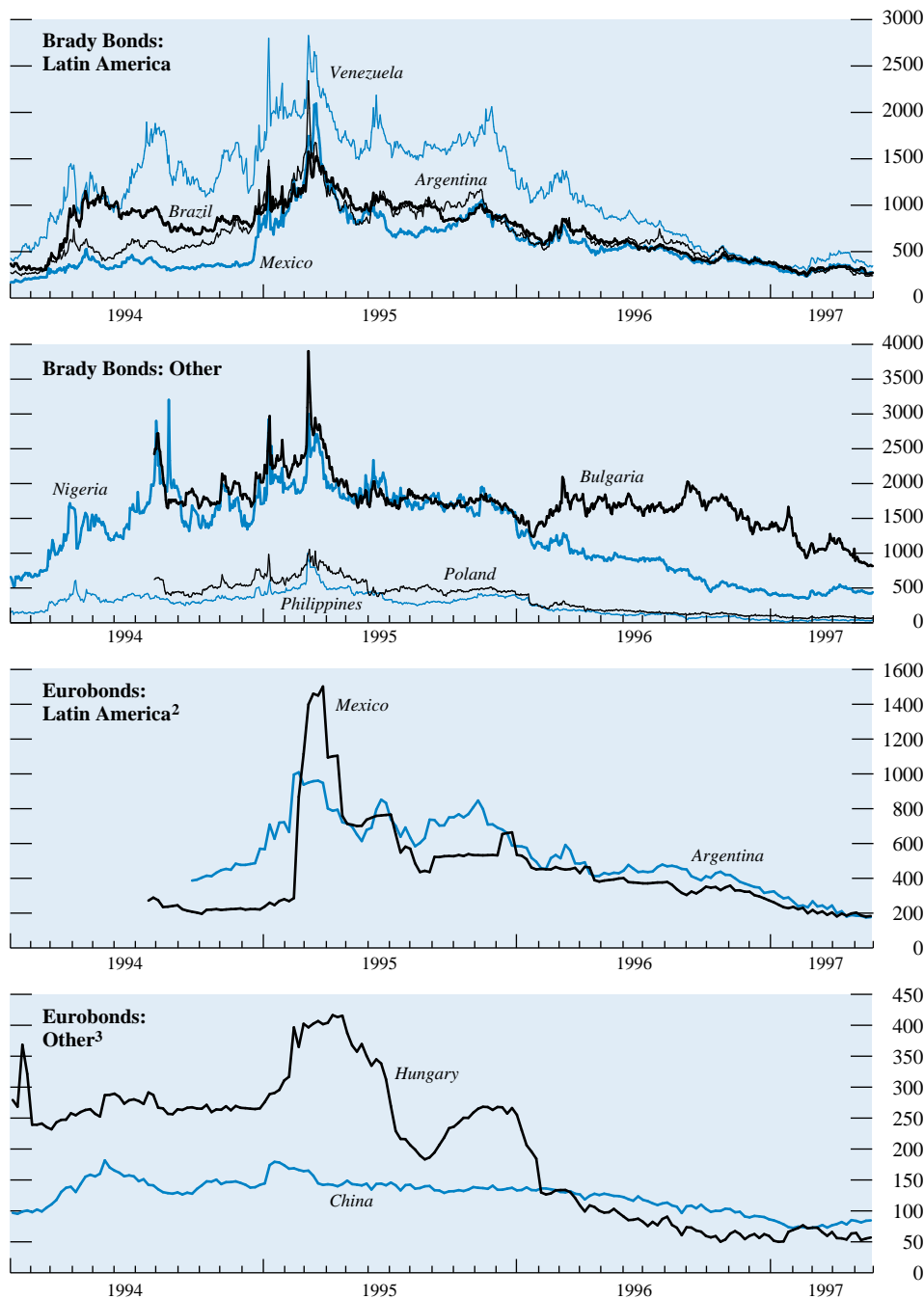
Figure 24. Bond Markets: Selected Returns, Yields, and Spreads



Source: Bloomberg Financial Markets L.P.

Figure 25. Yield Spreads for Selected Brady Bonds and U.S. Dollar-Denominated Eurobonds¹

(In basis points)



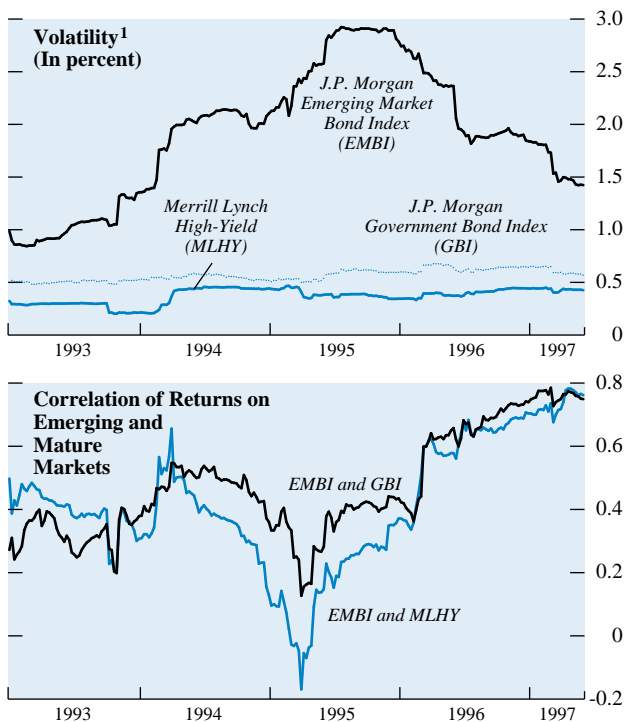
Sources: Bloomberg Financial Markets L.P.; Salomon Brothers; and IMF staff estimates.

¹Yield spreads on Brady bonds are “stripped” yields.

²Latin America: Republic of Argentina bond due 12/03 and United Mexican States bond due 9/02.

³Other: National Bank of Hungary bond due 6/98 and People’s Republic of China bond due 11/03.

Figure 26. Emerging Market Debt: Volatility and Correlation of Returns with Mature Markets

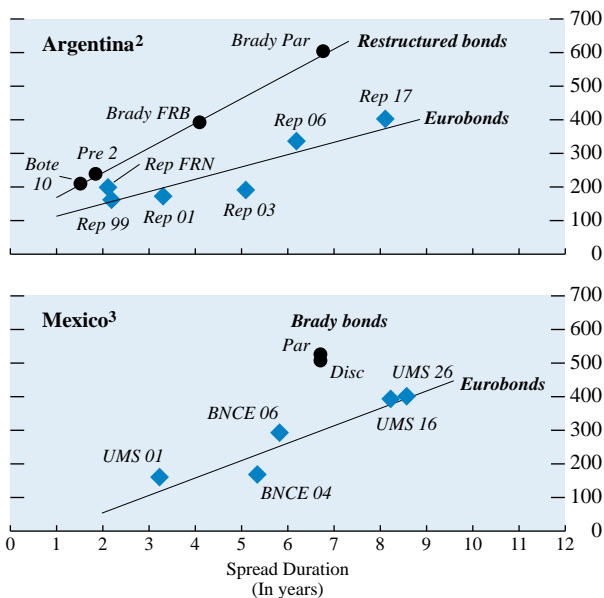


Sources: Bloomberg Financial Markets L.P.; and IMF staff estimates.

¹Computed as the standard deviation of weekly changes in (the logarithm of) the total return index over the preceding year.

Figure 27. Brady and Eurobond Spreads¹

(In basis points)



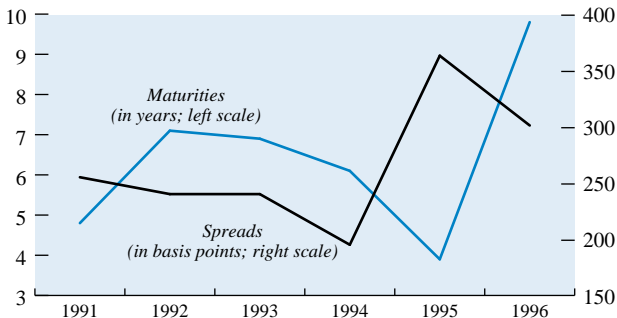
Source: J.P. Morgan.

¹As on April 11, 1997.

²Restructured bonds: Brady Par = Brady par bonds due 2023; Brady FRB = floating rate bond due 2005; Pre 2 = U.S. Pensioner I due 2001; and Bote 10 = 10-year U.S. dollar-denominated domestic government debt due 2000. Eurobonds: Rep 99, etc. = Republic of Argentina bond due 1999; and Rep FRN = floating-rate note due 1999.

³Brady bonds: Par = par bond and Disc = discount bond due 2019. Eurobonds: UMS 01, etc. = United Mexican States bond due 2001; and BNCE 04, etc. = Banco Nacional de Comercio Exterior bond due 2004.

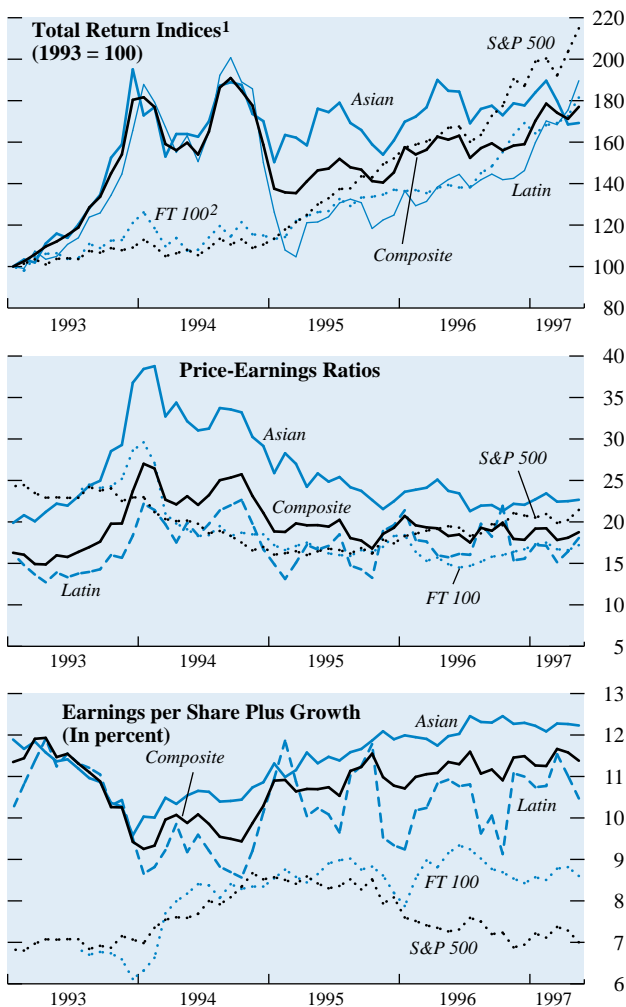
Figure 28. Spreads and Maturities for Sovereign Borrowers¹



Source: Capital Data Bondware.

¹Unenhanced U.S. dollar-denominated bonds.

**Figure 29. Emerging Equity Markets:
Selected Returns, Price-Earnings Ratios, and
Expected Returns**

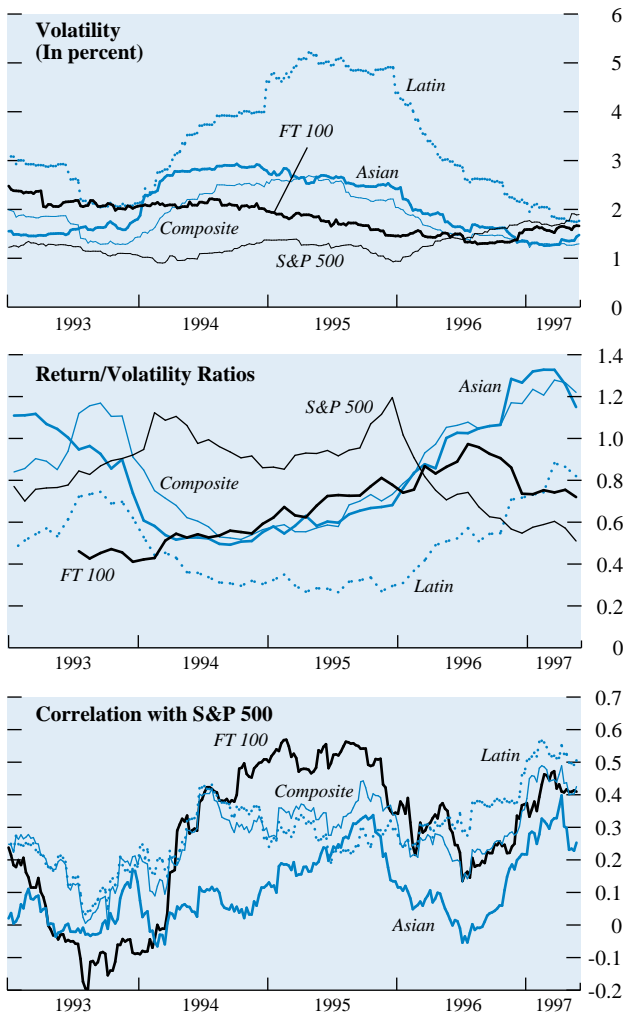


Sources: Bloomberg Financial Markets L.P.; International Finance Corporation (IFC), and Emerging Markets Data Base.

¹All return indices are expressed in U.S. dollars.

²Price index.

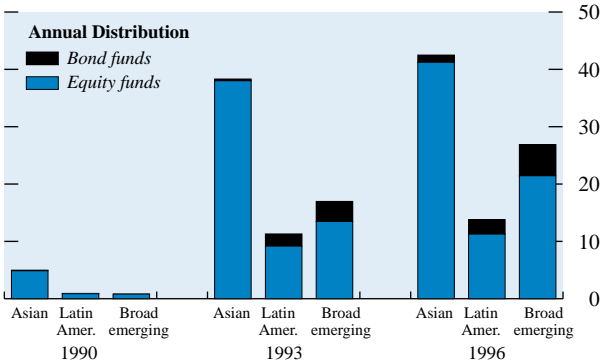
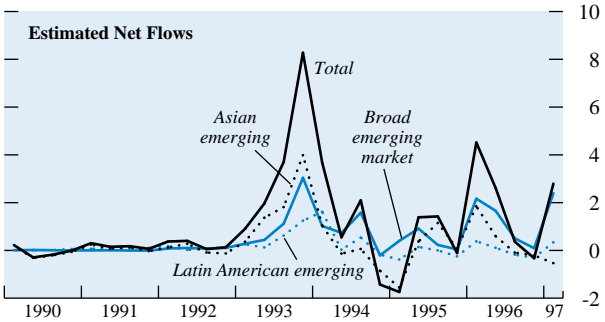
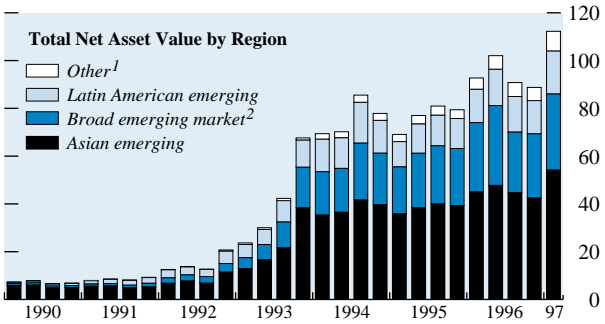
Figure 30. Emerging Equity Markets: Selected Volatilities, Return-Volatility Comparisons, and Correlations



Sources: Bloomberg Financial Markets L.P.; and IMF staff estimates.

Figure 31. Emerging Market Mutual Funds

(In billions of U.S. dollars)



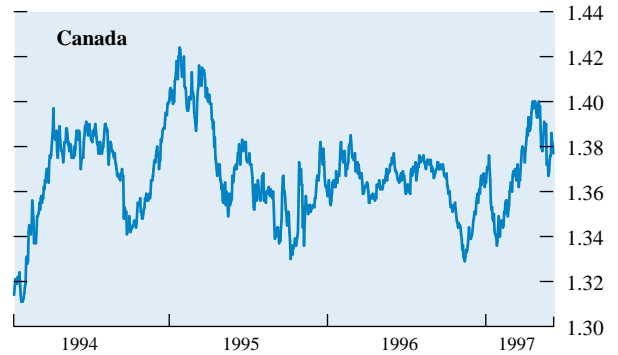
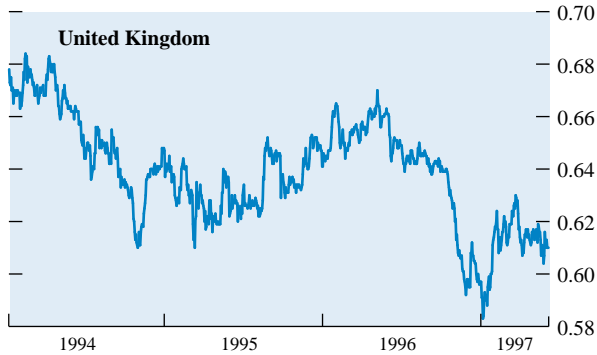
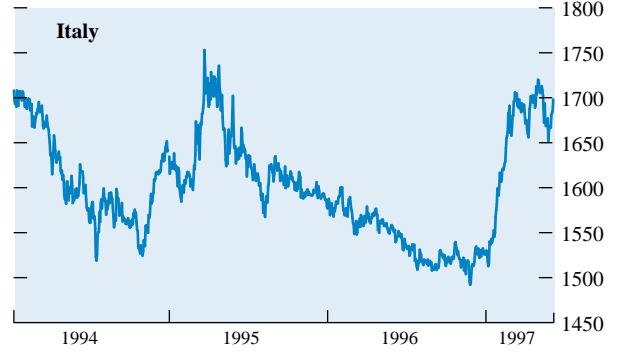
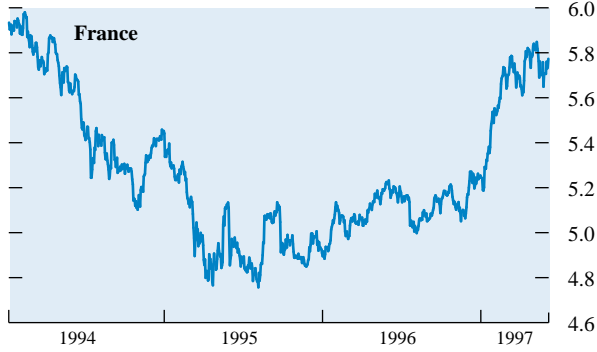
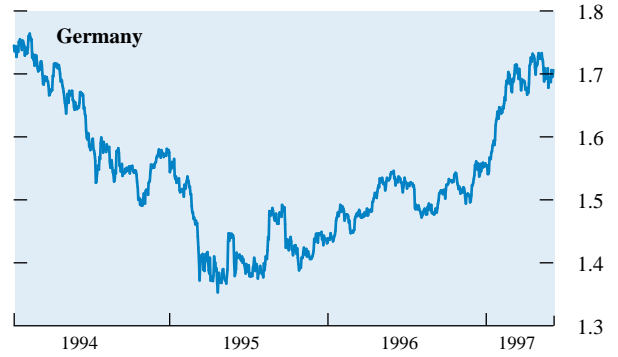
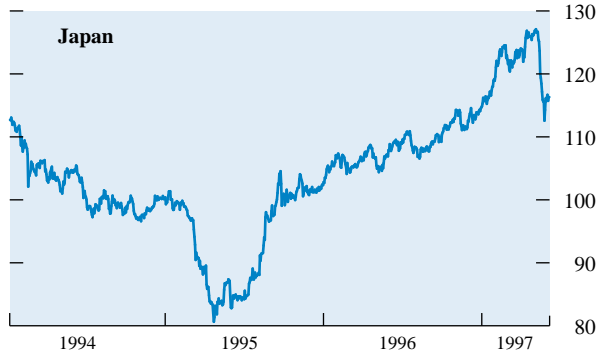
Source: Lipper Analytical Services, Inc.

¹Africa, Europe, and Middle East.

²Non-region-specific funds dedicated to emerging markets.

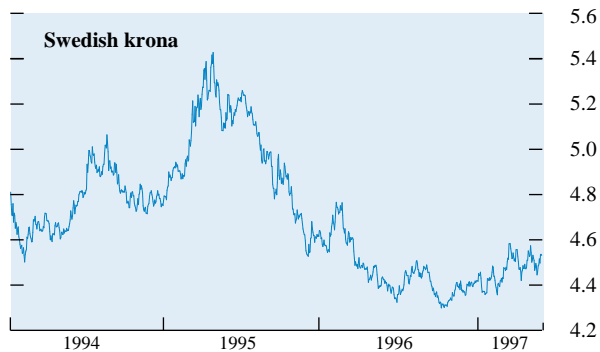
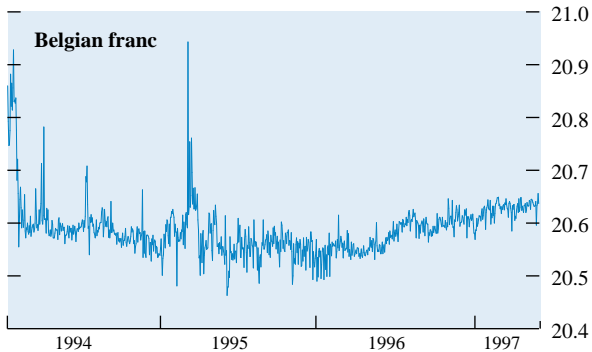
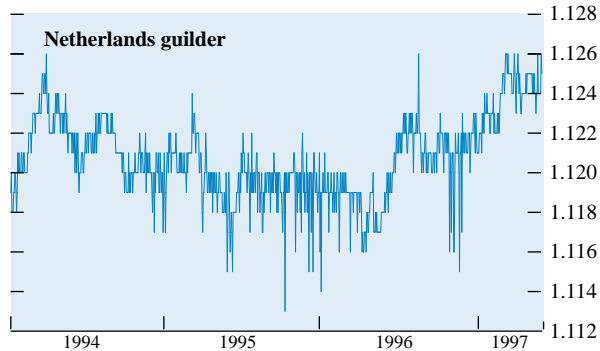
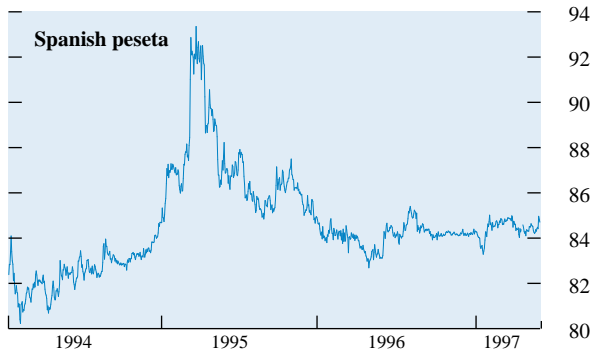
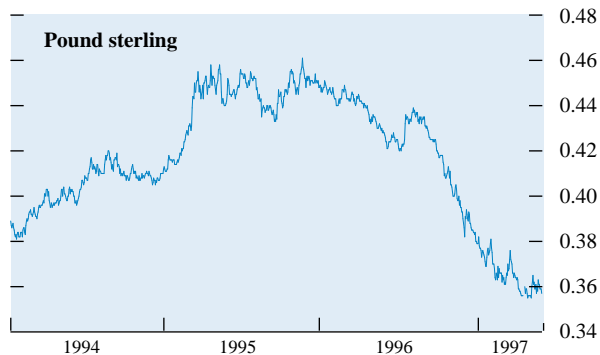
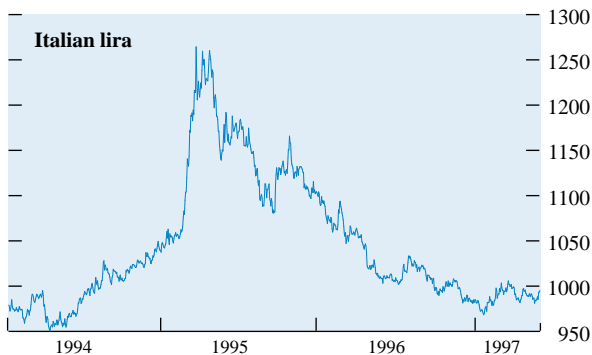
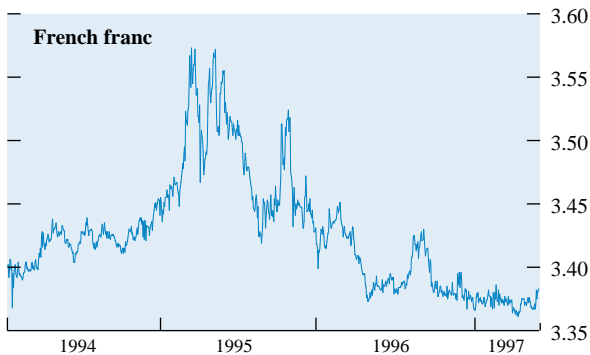
Figure 32. Major Industrial Countries: Exchange Rates, January 1994–May 1997

(Local currency/U.S. dollar)



Source: Bloomberg Financial Markets L.P.

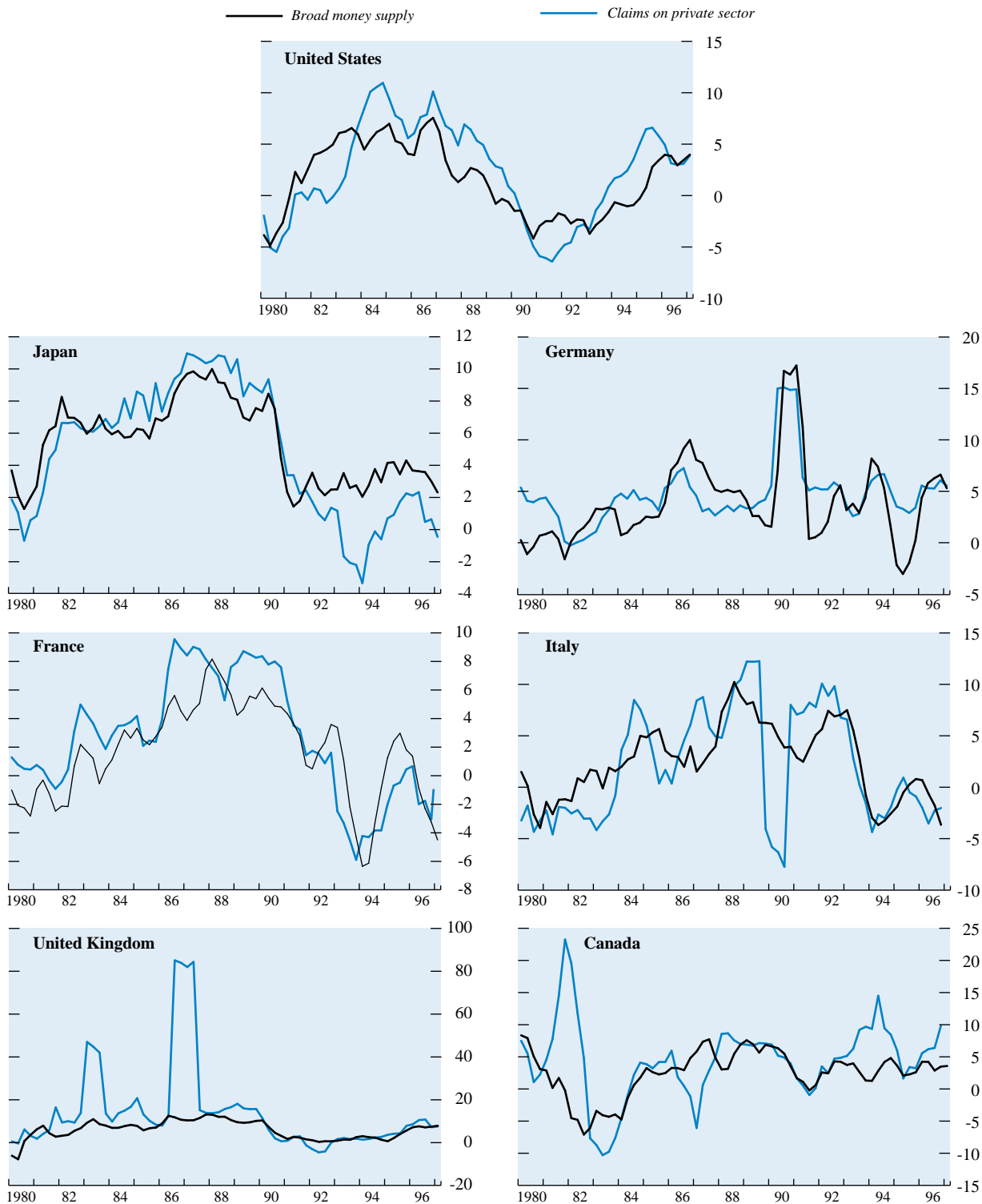
Figure 33. Major European Countries: Local Currency vs. Deutsche Mark, January 1994–May 1997



Source: Bloomberg Financial Markets L.P.

Figure 34. Major Industrial Countries: Real Growth in Broad Money Supply and Claims on Private Sector¹

(In percent from four quarters earlier)

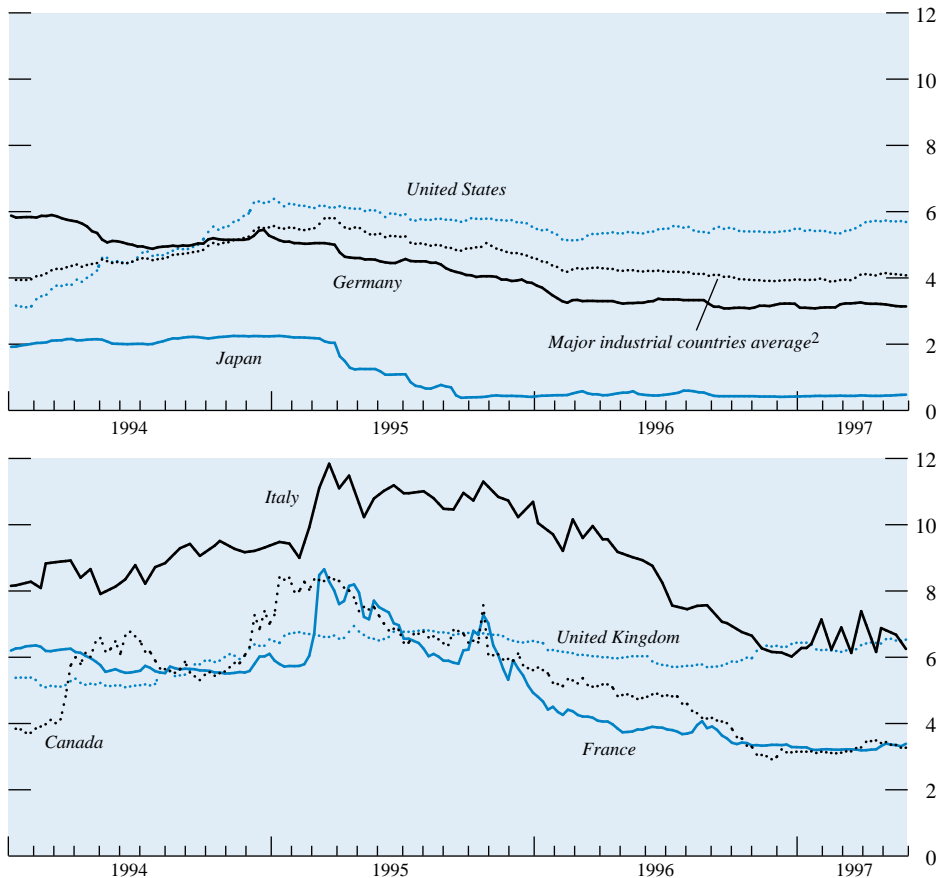


Sources: International Monetary Fund, *International Financial Statistics* database; and The WEFA Group.

¹M3 for broad money supply for all countries except the United Kingdom, for which M4 is used. Claims on private sector are taken from International Monetary Fund, *International Financial Statistics* (line 32d). Data for 1980: Q1 through 1997: Q1.

Figure 35. Major Industrial Countries: Short-Term Interest Rates¹

(In percent a year)

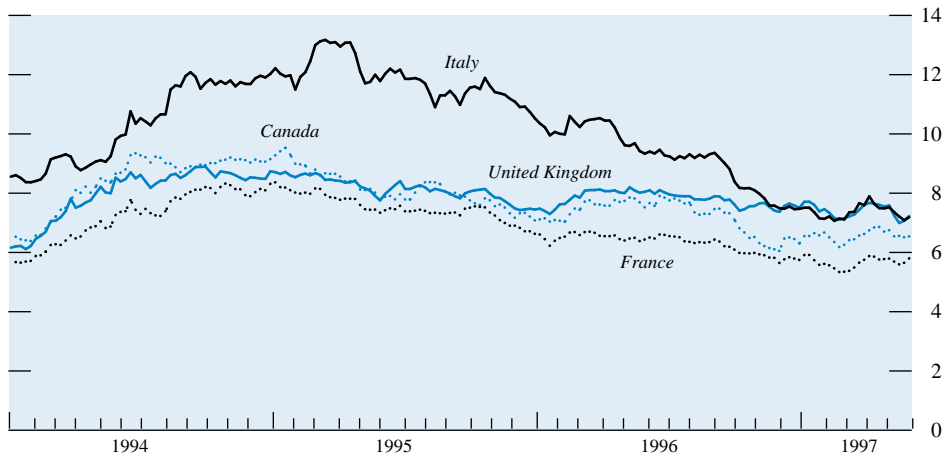
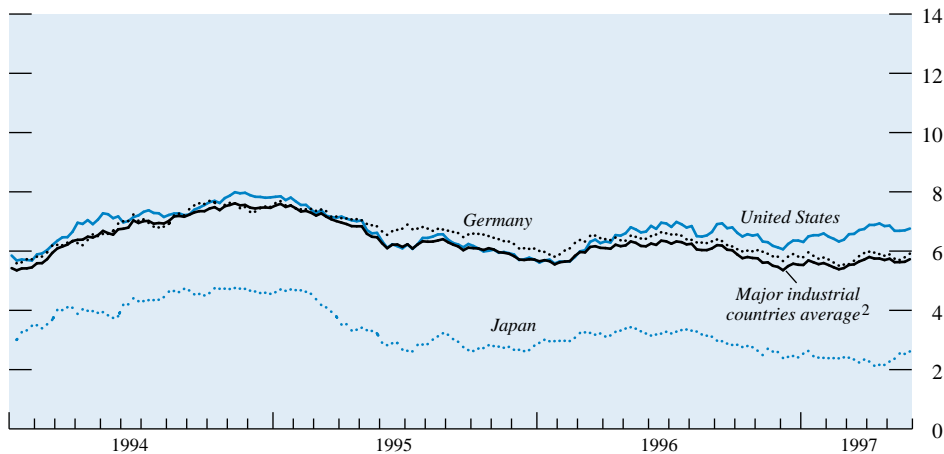


¹Three-month certificate of deposit rates for the United States and Japan; three-month treasury bill rate for Italy; rate on three-month prime corporate paper for Canada; and three-month interbank deposit rates for other countries. Weekly averages of daily observations are plotted for all countries other than Italy and Canada. For Italy, results of fortnightly treasury bill auctions are shown. For Canada, weekly observations are plotted.

²1987 GDP weights.

Figure 36. Major Industrial Countries: Long-Term Interest Rates¹

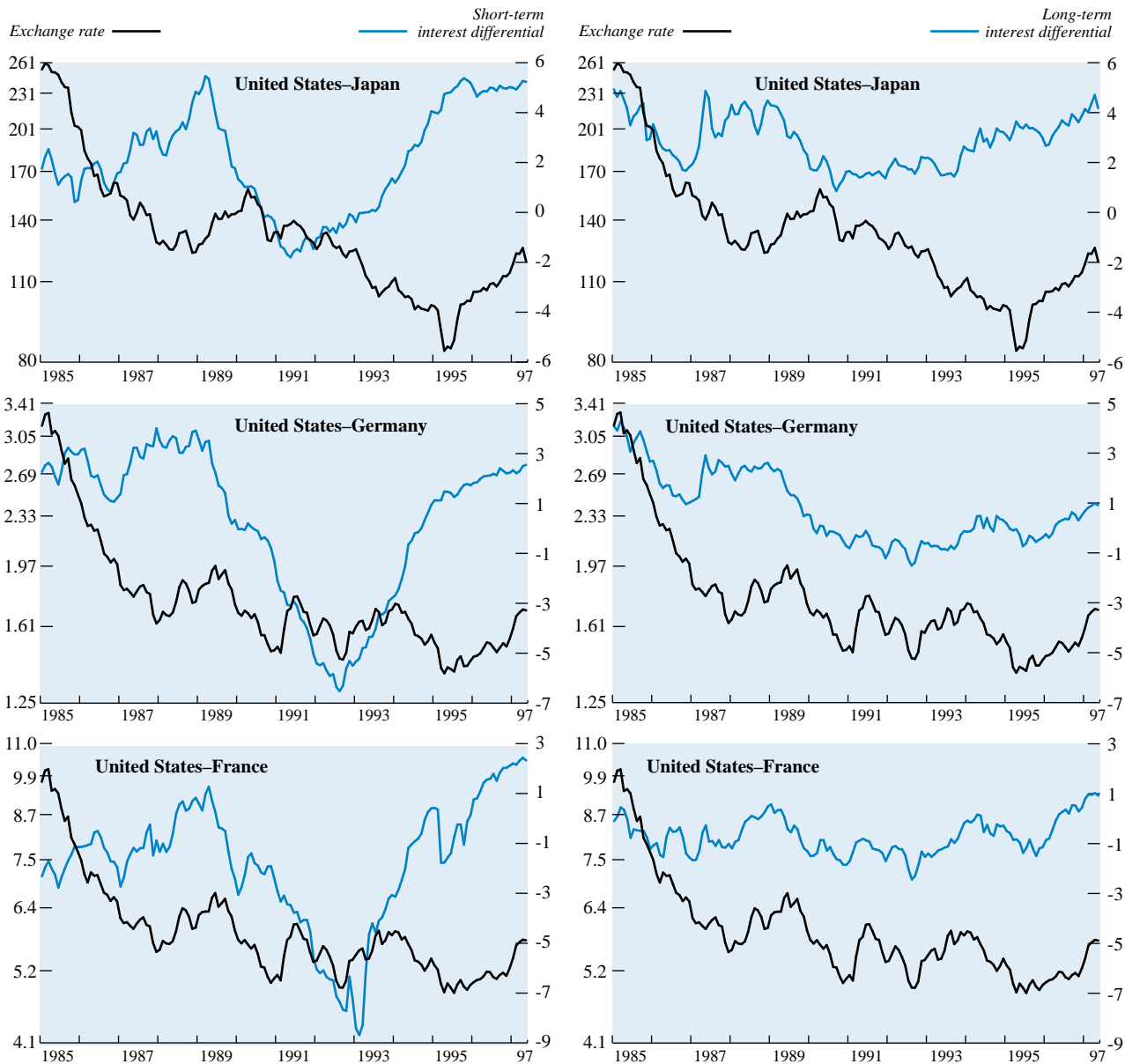
(In percent a year)



¹Yields on government bonds with residual maturities of 10 years or nearest. Weekly averages of daily observations.

²1987 GDP weights.

Figure 37. Bilateral Exchange Rates and Short-Term and Long-Term Interest Differentials vis-à-vis the U.S. Dollar¹

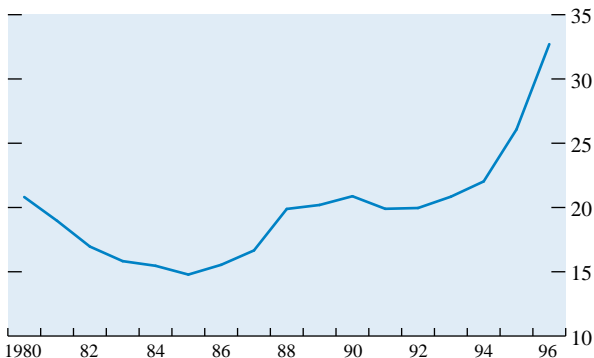


Source: International Monetary Fund.

¹Interest differentials shown are U.S. interest rates minus domestic interest rates in percent a year. Exchange rates are drawn on logarithmic scales and are defined in terms of national currency units per U.S. dollar, except for the United Kingdom, where it is defined as U.S. dollars per pound sterling. The figures show monthly averages of daily data from January 1985 through May 1997.

Figure 38. Foreign and International Holdings of U.S. Public Debt¹

(Percentage of gross marketable public debt)



Source: Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*.

¹Foreign and international holdings are U.S. Treasury estimates and consist of investments of foreign balances and international accounts in the United States.

Figure 39. RiskMetrics Daily Price Volatility for U.S. Dollar Spot Exchange Rates, January 19, 1995–May 30, 1997

(In percent)

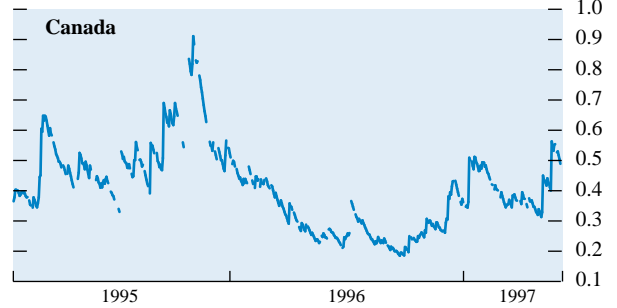
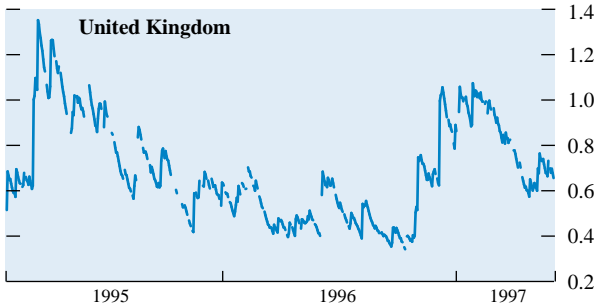
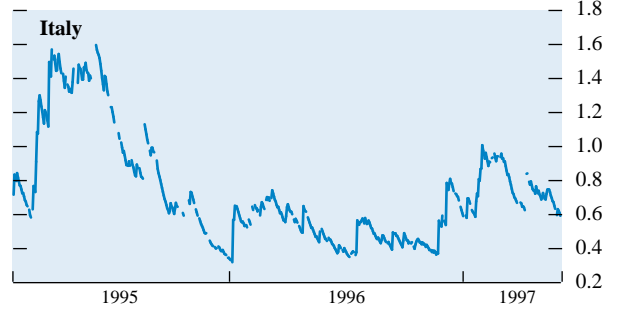
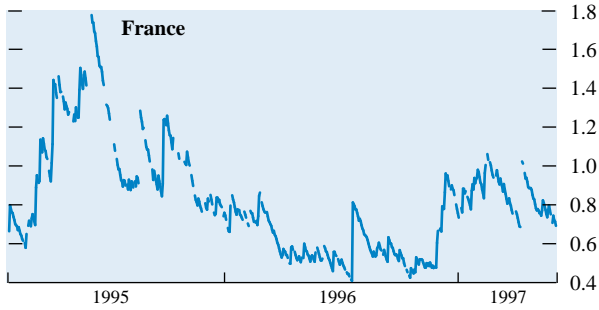
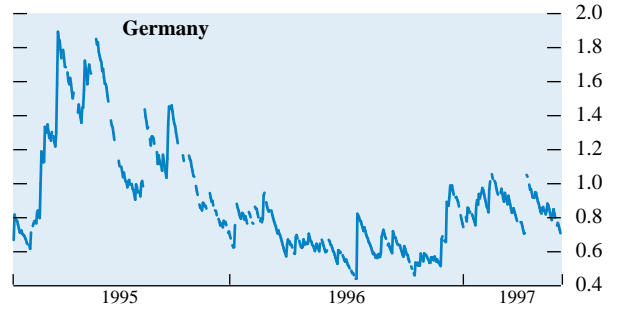
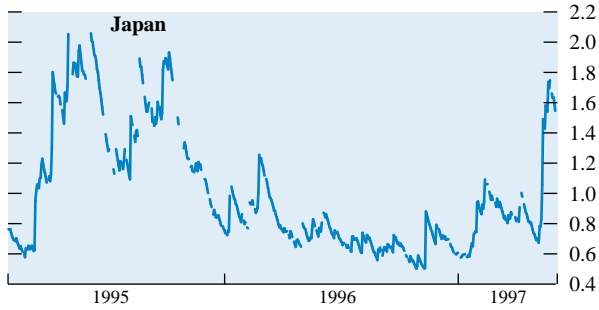
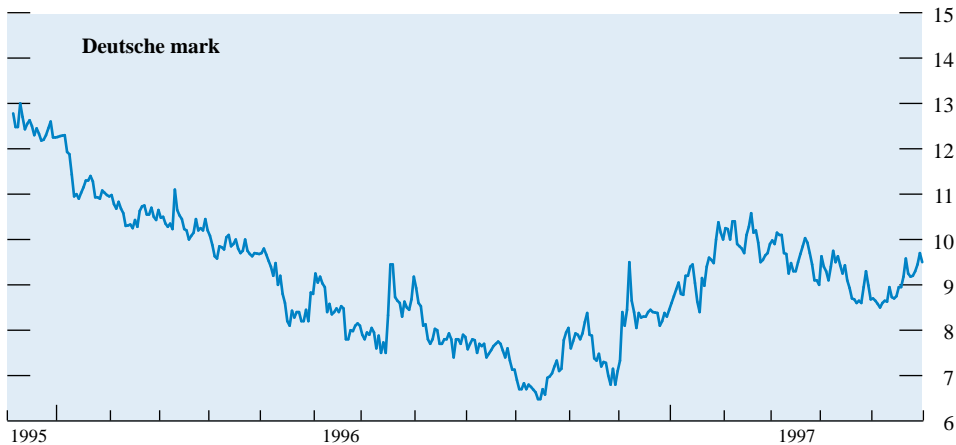
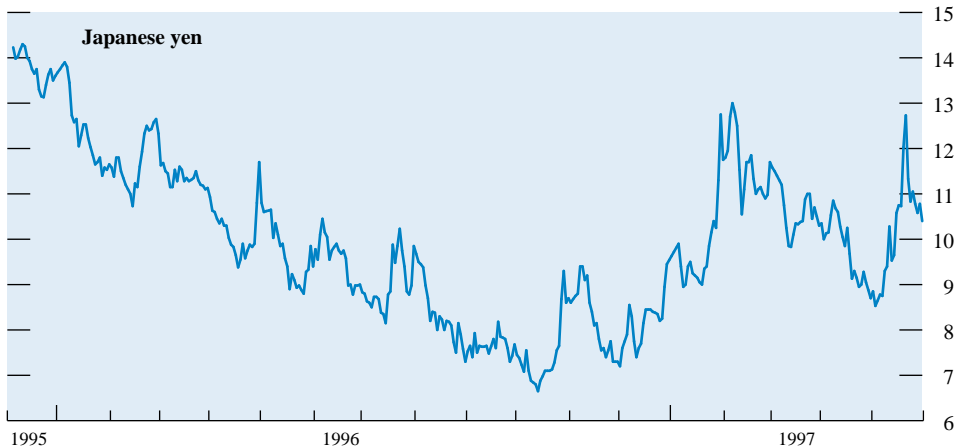


Figure 40. Implied Volatility: Yen and Deutsche Mark Three-Month Forwards

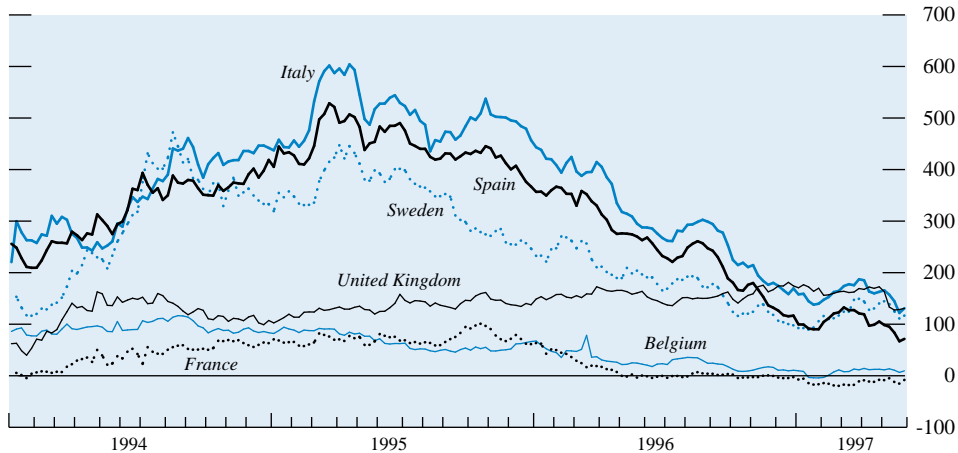


Source: Bloomberg Financial Markets L.P.

Note: Implied volatility is a measure of the expected future volatility of the currency based on market prices of the call options on forwards on the currency.

Figure 41. Selected European Long-Term Interest Rate Differentials with Germany

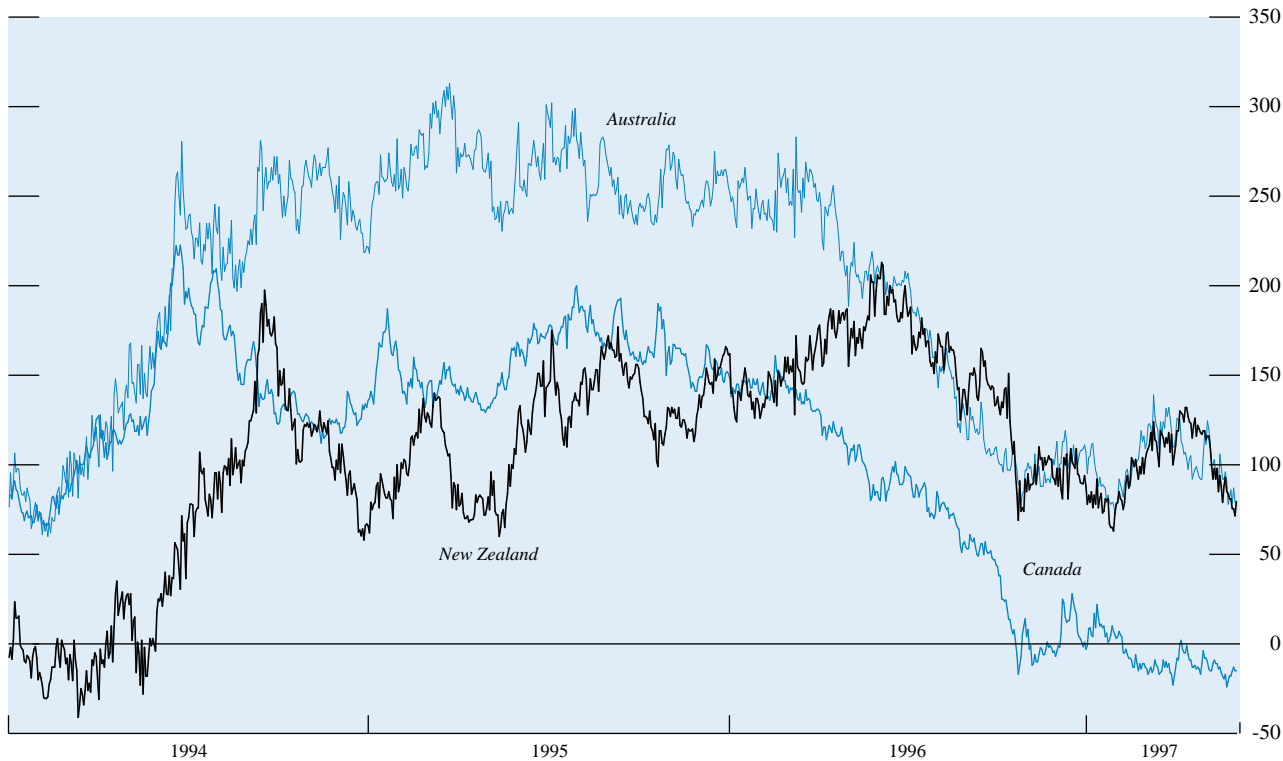
(In basis points)



Source: International Monetary Fund.

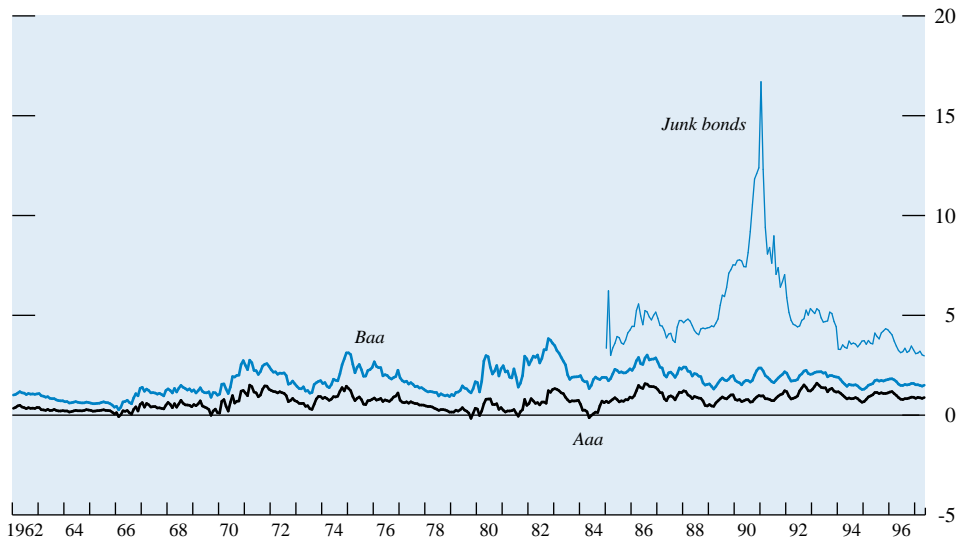
Figure 42. Yield Differential for the 10-Year Government Bonds of Australia, Canada, and New Zealand

(In basis points against the yield on 10-year U.S. government bonds)



Source: Bloomberg Financial Markets L.P.

Figure 43. United States: Yield Spreads of Corporate Bonds over U.S. Treasuries¹
(In percent)

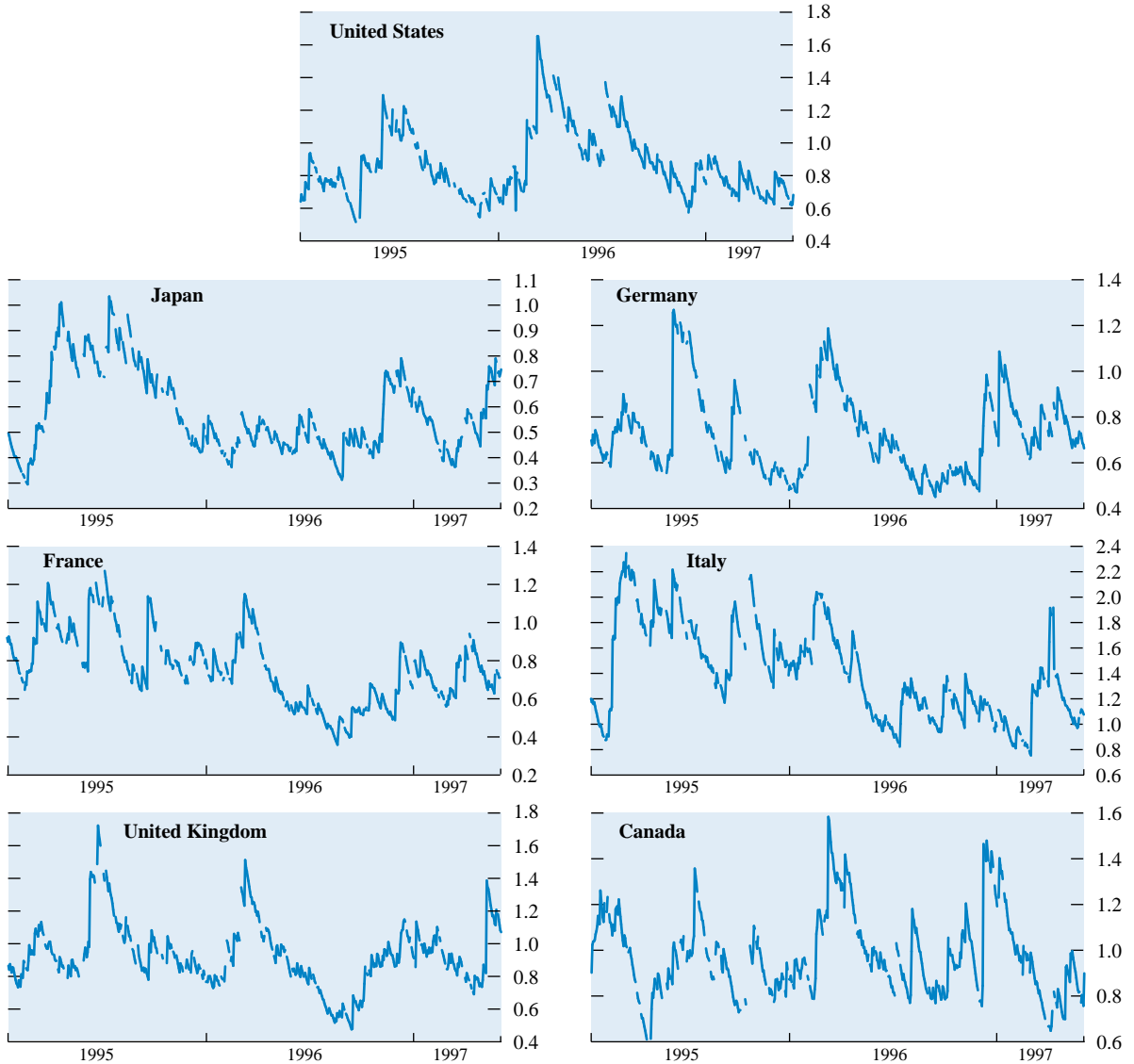


Sources: Bloomberg Financial Markets L.P.; Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*; and Merrill Lynch.

¹Yields on 10-year U.S. treasury bonds of constant maturities are used for U.S. treasuries. Junk bonds are all high-yield bonds weighted by par value.

Figure 44. RiskMetrics Daily Price Volatility for 10-Year Government Bonds, January 19, 1995–May 30, 1997

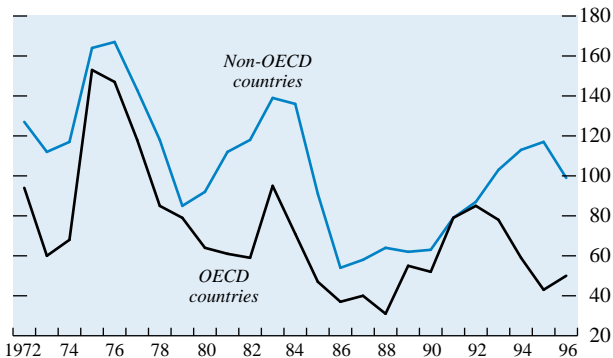
(In percent)



Source: J.P. Morgan.

Figure 45. Spreads on Eurocredits¹

(In basis points)

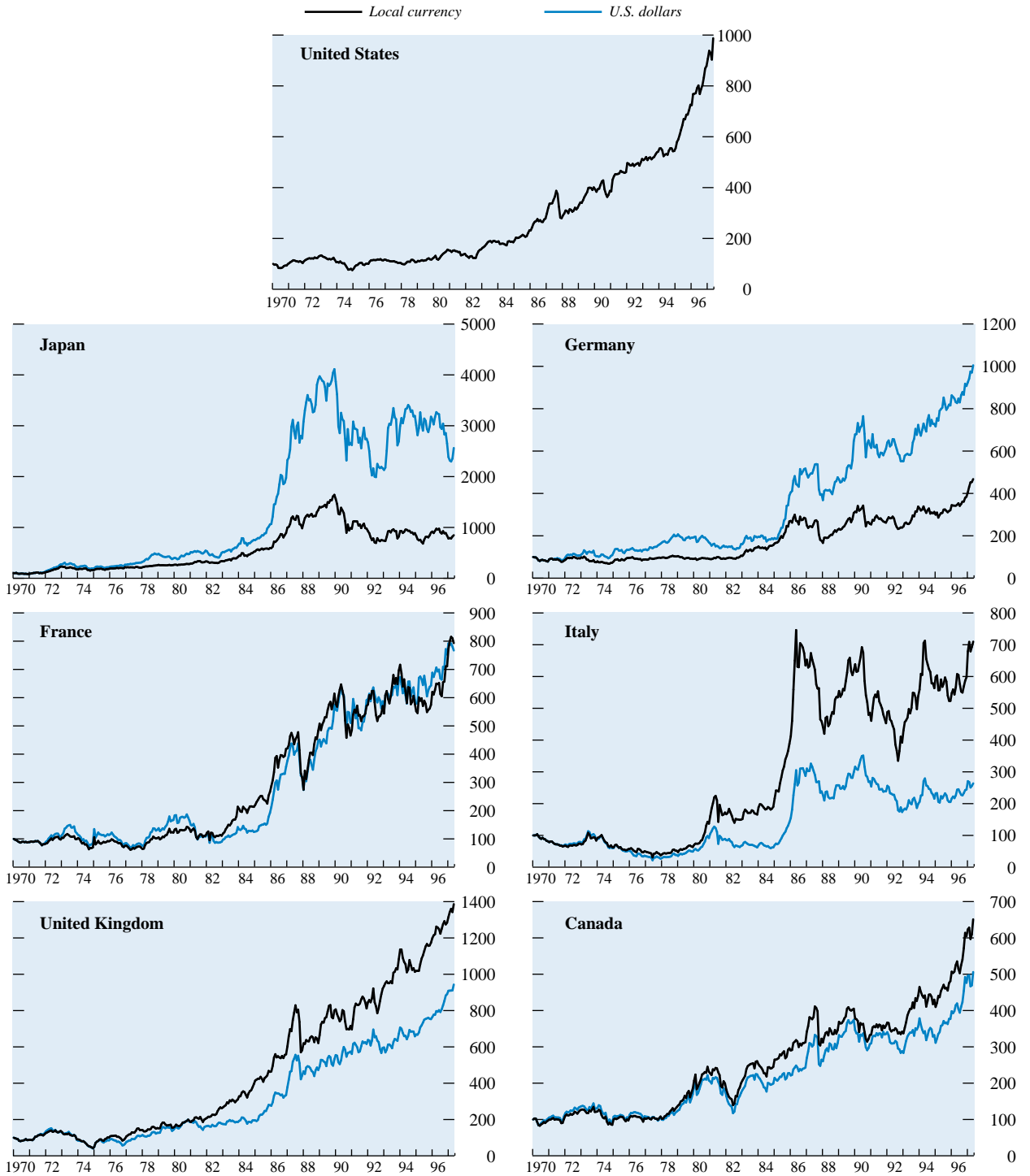


Source: Organization for Economic Cooperation and Development (OECD).

¹Weighted average of spreads (over LIBOR) applied to Eurocredits signed during the period. Tax-sparing loans as well as facilities classified under “other debt facilities” are excluded.

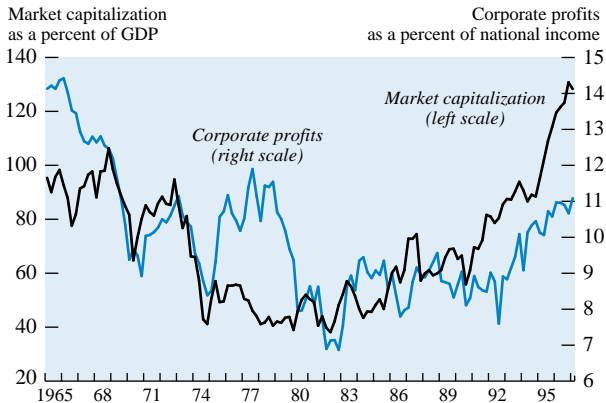
Figure 46. Major Industrial Countries: Stock Market Indices¹

(Indices, January 1970 = 100)



Sources: Bloomberg Financial Markets L.P.; International Monetary Fund, *International Financial Statistics* database; and The WEFA Group.
¹Monthly averages of daily observations from January 1970 through May 1997.

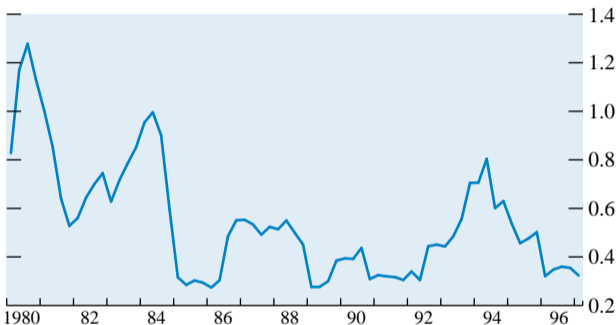
Figure 47. United States: Corporate Profits and Market Capitalization¹



Source: The WEFA Group.

¹Corporate profits are before deducting the federal, state, and local taxes. Data for 1965:Q1 to 1997:Q1.

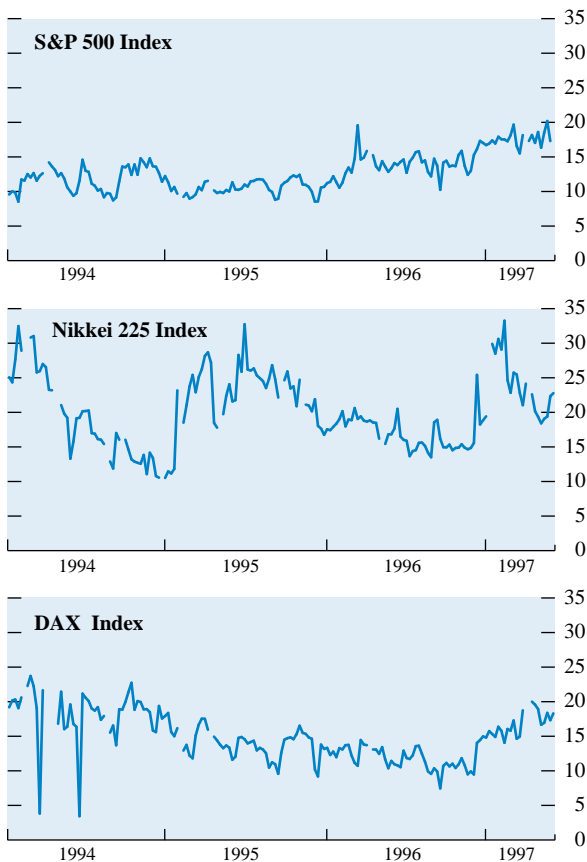
Figure 48. United States: Corporate Profits Volatility¹



Source: IMF staff calculations using data from The WEFA Group.

¹Calculated as standard deviation for the previous two years ending in the quarter shown of corporate profits (in percent of national income). Data for 1980:Q1 to 1997:Q1.

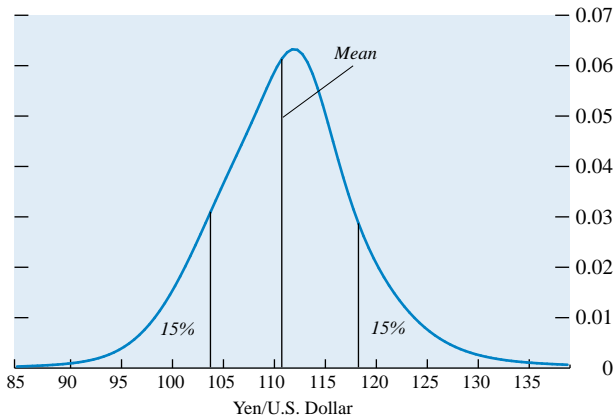
Figure 49. Implied Volatility: S&P 500, Nikkei 225, and DAX Indices



Source: Bloomberg Financial Markets L.P.

Note: Implied volatility is a measure of the expected future volatility of the index based on market prices of the call options on futures on the index. The annualized percent rate of change plotted in the figure is a weighted average of the estimates of the implied volatility of call option futures.

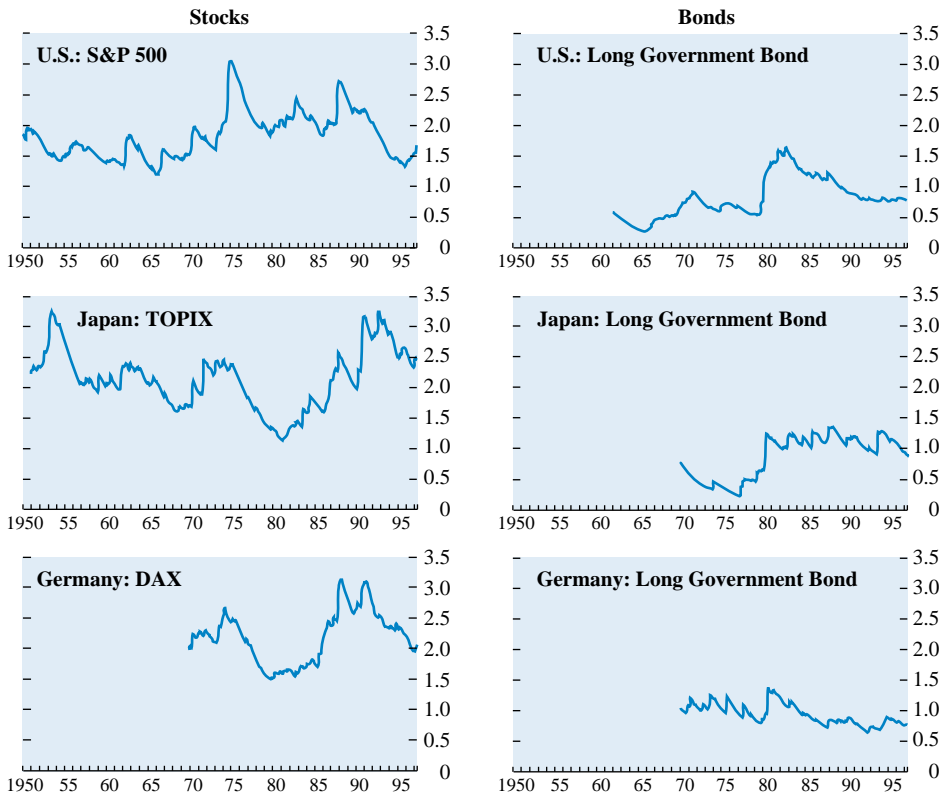
Figure 50. Distribution for Yen-Dollar Exchange Rate in Early September 1997 Implied by Options Prices on May 20, 1997



Source: Bloomberg Financial Markets L.P; and IMF staff calculations using data from the Chicago Mercantile Exchange.

Figure 51. Historical Stock and Bond Price Volatility in the United States, Japan, and Germany¹

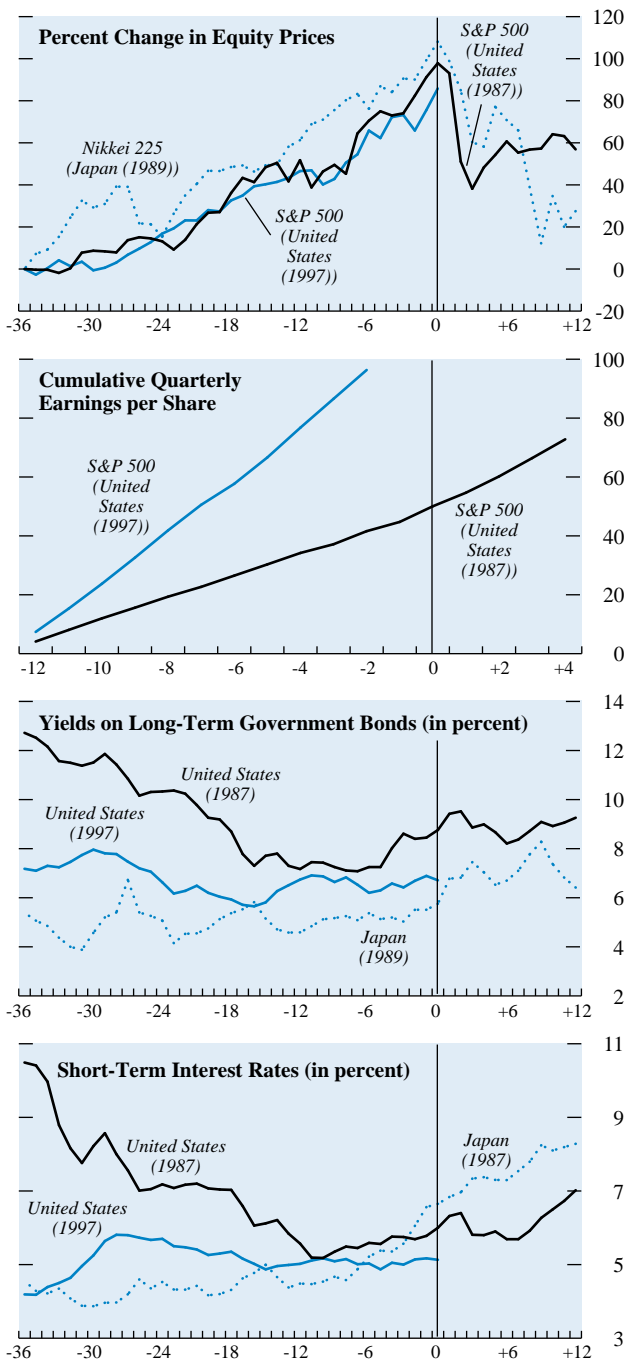
(In percent)



Sources: IMF staff calculations based on data from Bloomberg Financial Markets L.P.; and The WEFA Group.

¹Weekly standard deviation in stock and bond price changes, computed as follows: standard deviations are calculated from a weighted moving average of past weekly squared returns. The weights decline exponentially starting with a coefficient of .01 producing relatively smooth curves designed to highlight long-run changes. Returns are weekly percentage changes in prices. Bond prices are calculated assuming a coupon rate equal to the yield.

Figure 52. United States and Japan: Developments in Equity, Bond, and Money Markets Surrounding Significant Stock Market Increases

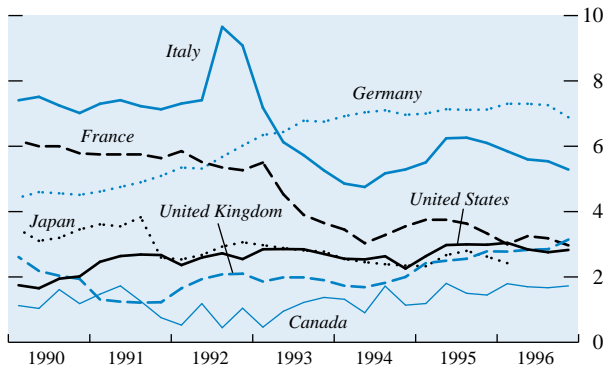


Sources: Bloomberg Financial Markets L.P.; and The WEFA Group.

Note: Stock markets peaked on August 25, 1987, in the United States and on December 29, 1989, in Japan. The figures show developments taking place in the respective markets 36 months prior to and 12 months after these dates. Earnings per share data for the United States are available only on a quarterly basis and are not available for Japan.

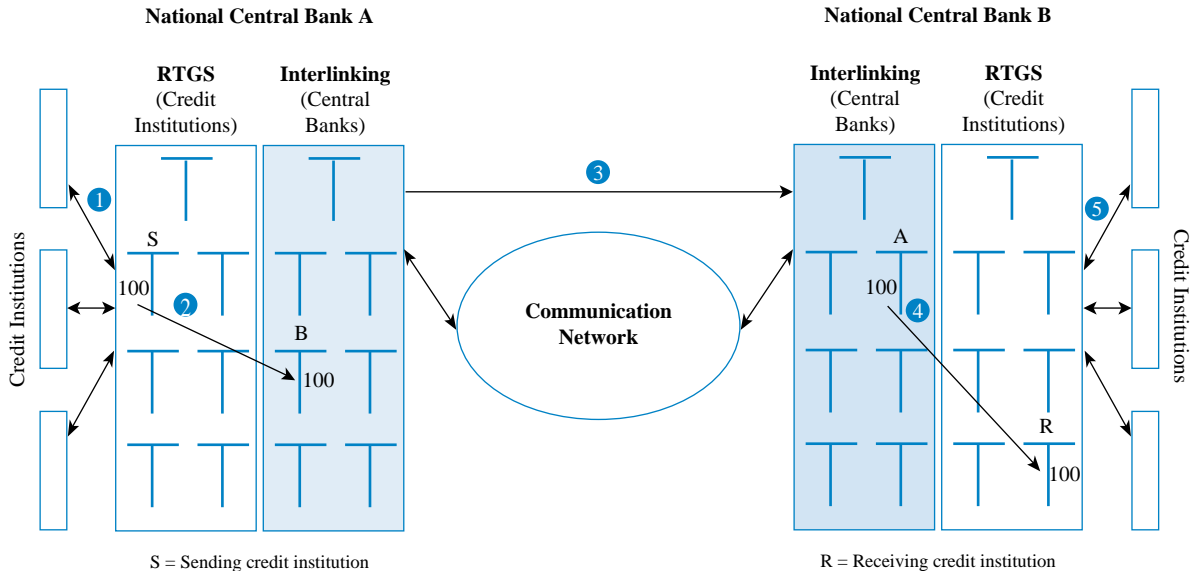
Figure 53. Major Industrial Countries: Intermediation Spreads

(Average lending interest rate minus average deposit interest rate)



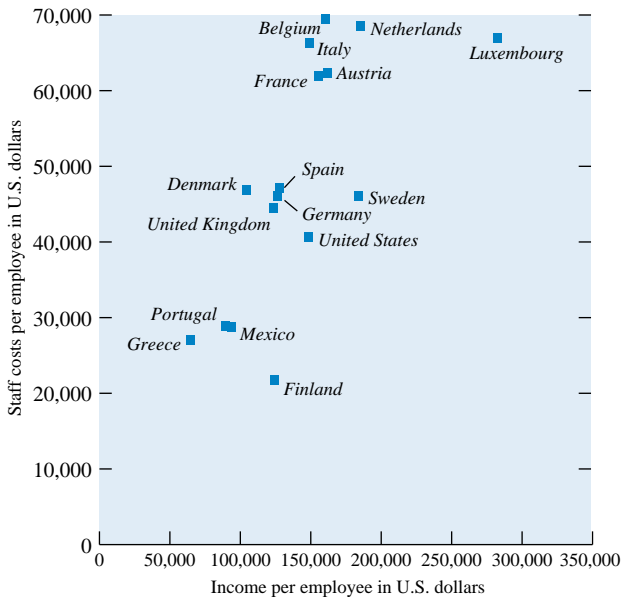
Source: International Monetary Fund, *International Financial Statistics*.

Figure 54. Cross-Border TARGET Payment



Source: European Monetary Institute (1997).

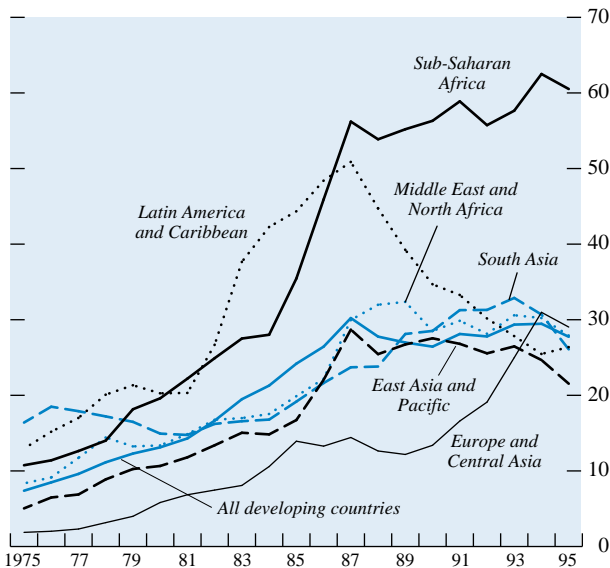
Figure 55. Labor Costs and Productivity in Banking, 1994



Source: Organization for Economic Cooperation and Development (OECD), *Bank Profitability: Financial Statements of Banks 1985–1995* (Paris: OECD, 1996).

Figure 56. External Long-Term Public and Publicly Guaranteed Debt Outstanding

(In percent of GNP)

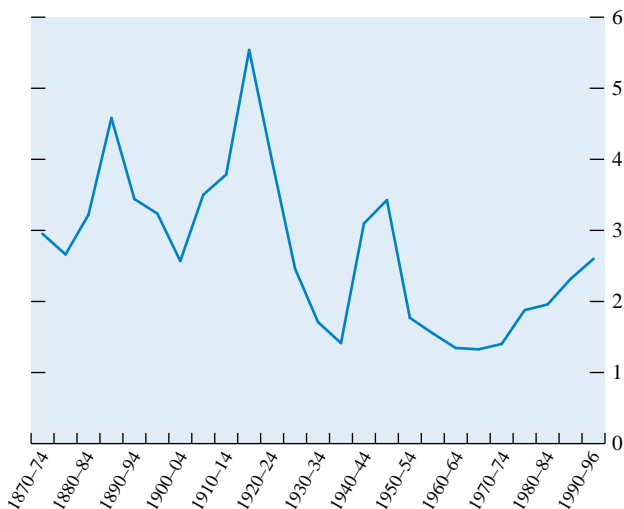


Source: World Bank, *Global Development Finance* database.

Note: The groupings are as shown in the source.

Figure 57. Capital Mobility Index¹

(In percent of GDP)



Source: Taylor (1996).

¹The index is defined as the average of the absolute values of current accounts relative to GDP for major capital-importing and capital-exporting countries. The countries include Argentina, Australia, Canada, Denmark, France, Germany, Italy, Japan, Norway, Sweden, the United Kingdom, and the United States.

Figure 58. Net Capital Outflows, 1880–1913

(In percent of GDP)

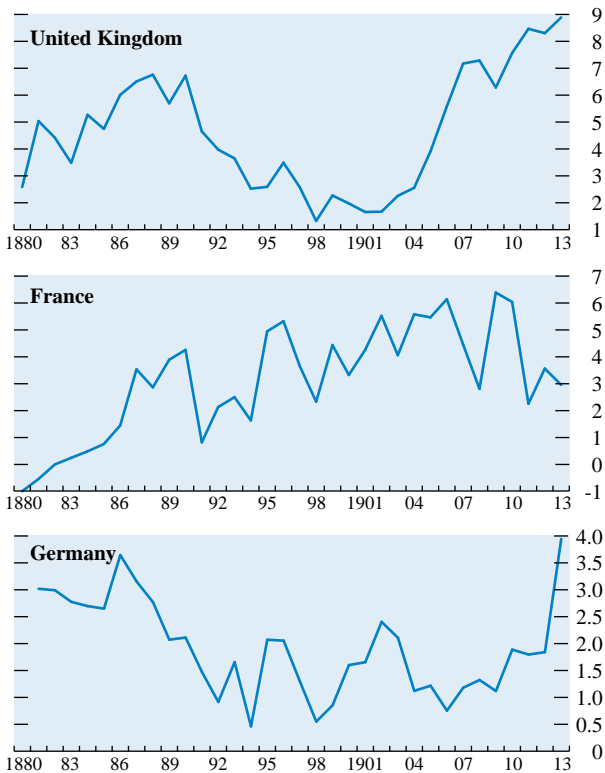
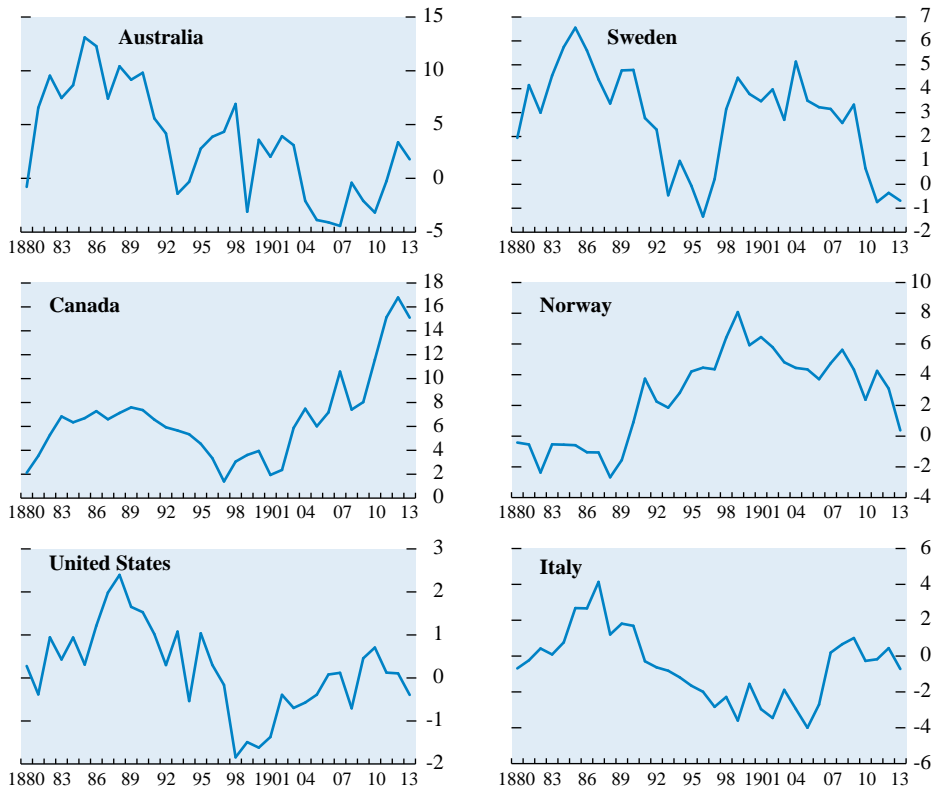


Figure 59. Net Capital Inflows, 1880–1913

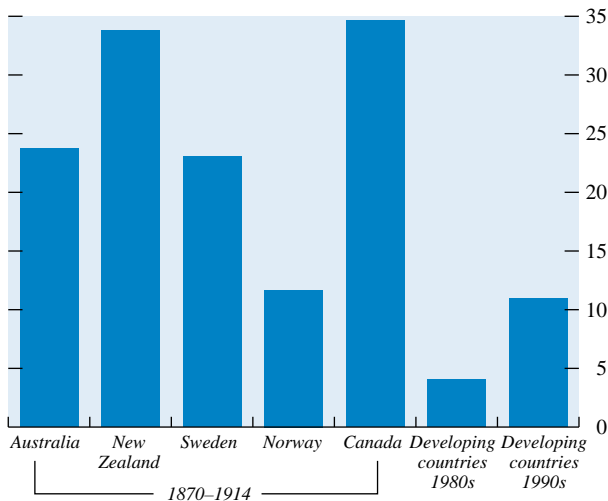
(In percent of GDP)



Source: Bloomfield (1968).

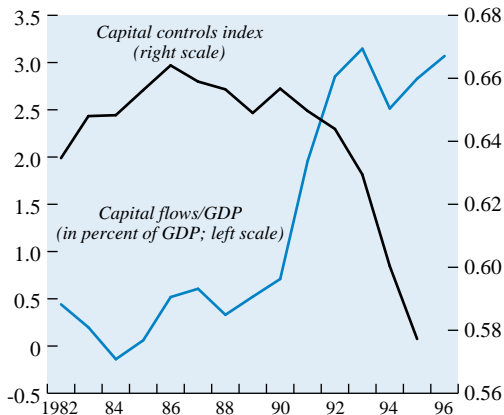
Figure 60. Contributions of Capital Flows to Investment, 1870–1914 versus 1980–90s

(Ratio of capital flows to investment)



Sources: Bloomfield (1968); and International Monetary Fund, *World Economic Outlook*.

Capital Controls in and Flows to Emerging Markets



Sources: International Monetary Fund, *Annual Report on Exchange Arrangements and Exchange Restrictions*; and *World Economic Outlook*.