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.

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

   - U.S. 10-year breakeven inflation rate
   - U.S. 10-year real yield
   - EM sovereign spread
   - EM corporate spread

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

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

   - U.S. 10-year breakeven inflation rate
   - U.S. 10-year real yield
   - EM sovereign spread
   - EM corporate spread

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


   - Both improved
   - One improved
   - Both worsened

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

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

   - China
   - Europe, Middle East, and Africa
   - Asia excluding China
   - Latin America

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.