Figure 1.10. Correlations and Interconnectedness

In the United States, correlations between individual stocks and across sectors have picked up.

1. Average Correlations
   (90-day rolling versus S&P 500; cap weighted)

   - Across sectors
   - Within sectors

   Presidential election
   Tax reform bill introduced

2. Average Correlations
   (Versus the United States; five-year rolling window)

   Advanced economies
   EMs excluding China
   China

   2001 03 05 07 09 11 13 15 17
   Taper tantrum
   US election
   Brexit

3. Average Correlations with S&P 500

   - Commodities
   - US Treasuries
   - US credit

   1990 92 94 96 98 2000 02 04 06 08 10 12 14 16 18

4. Corporate Bond Market Turnover
   (Ratio of trading volumes to amounts outstanding, percent)

   - Investment-grade bonds
   - High-yield bonds

   2005 07 09 11 13 15 17 18

The average correlations across major asset classes have remained relatively high ...

... while market turnover has been relatively low.

Sources: Bloomberg Finance L.P.; Haver Analytics; Market Axess; and IMF staff estimates.

Note: In panel 4, data are as of end-February 2018. EM = emerging market. S&P = Standard & Poor’s.