Figure 2.6. Precrisis and Postcrisis Geographic Correlation Networks from Banks' Stock Returns

Correlation network
1998–2007

Correlation network
2010–14

- ■ Medium negative correlation
- ■ Weak negative correlation
- ■ Weak positive correlation
- ■ Medium positive correlation
- ■ Strong positive correlation
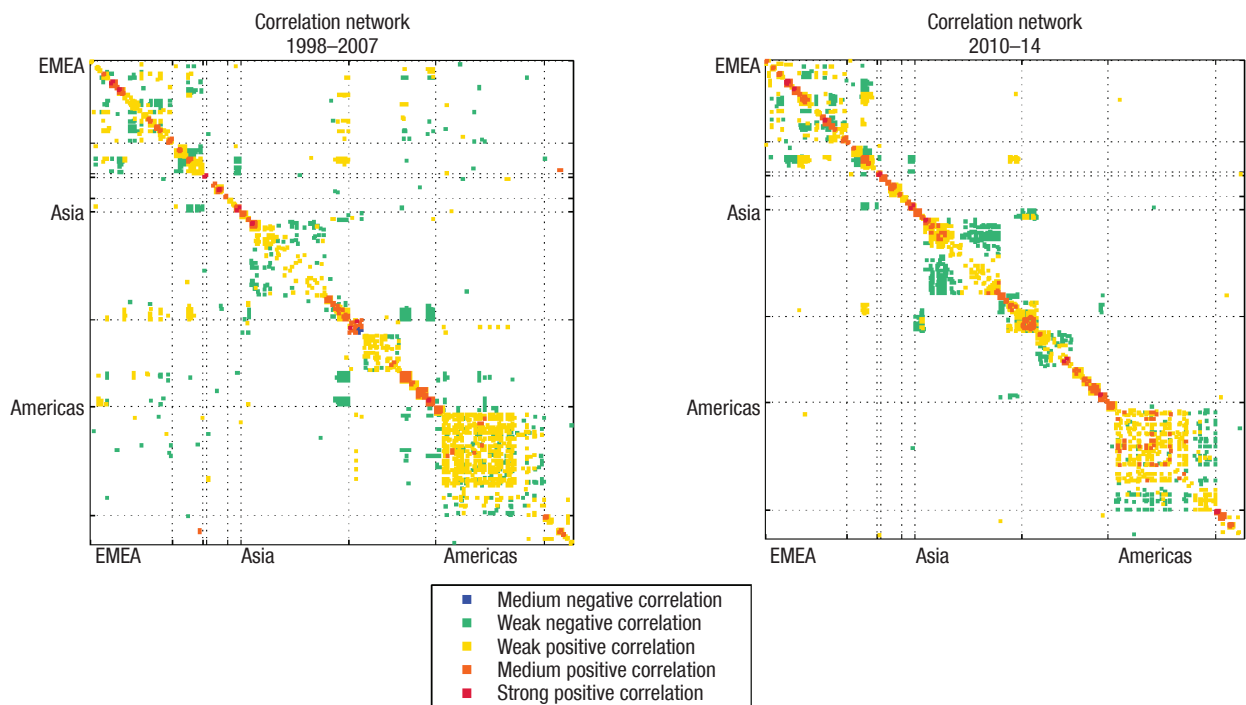
Sources: Bloomberg, L.P.; and IMF staff estimates.

Note: The networks are constructed from daily stock returns of 506 banks located in 62 countries. Each colored square represent a bilateral correlation between two banks after removing the effect of strong common factors. The matrix is symmetric, which allows for identifying clusters by square areas. The banks are grouped into nine sub-regions and three regions (Europe, Middle East, and Africa; Asia; and Americas), then sorted by country (alphabetically) and size (market capitalization) within each region. The nine sub-regions are advanced European economies, emerging and developing Europe, Commonwealth of Independent States, advanced Asian economies, emerging and developing Asia, advanced American economies, Latin America and the Caribbean, Middle East, North Africa, Afghanistan, and Pakistan, and sub-Saharan Africa. The sub-regions follow the country classification in the *World Economic Outlook*. EMEA = Europe, Middle East, and Africa.