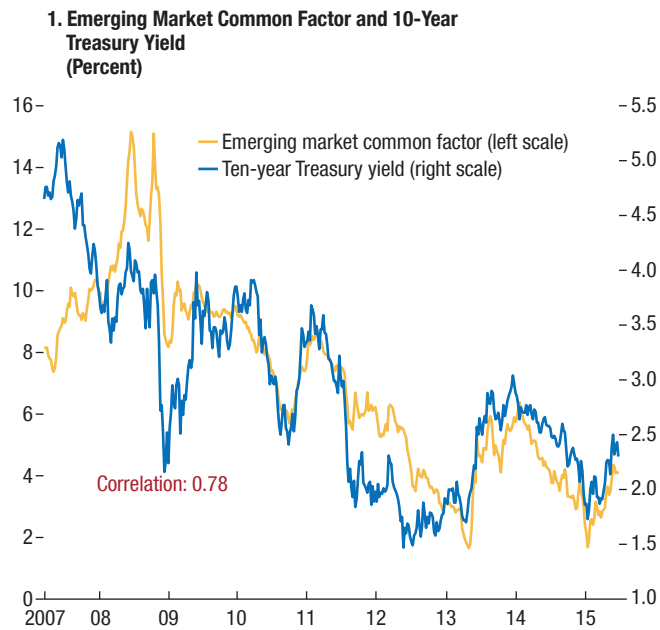


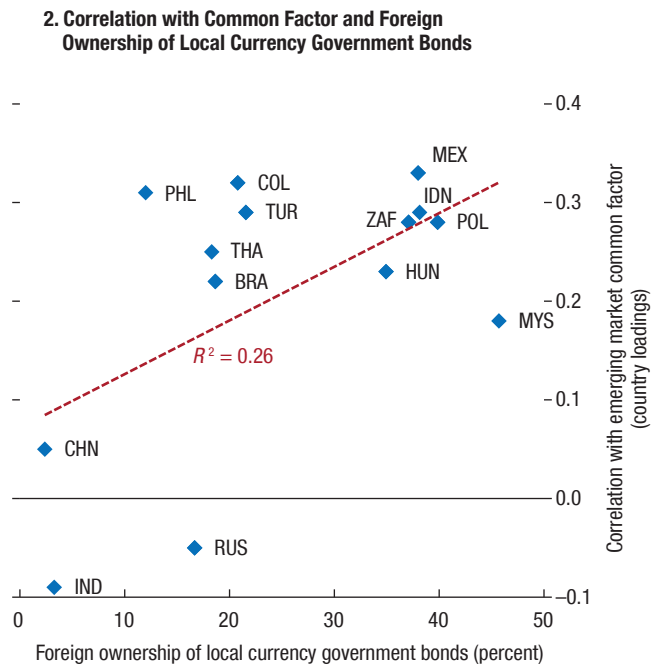
**Figure 1.21. Emerging Market Local Currency Bond Yields**

Comovements in emerging market local currency bond yields are largely explained by a common factor, which is highly correlated with the U.S. Treasury rate.



Source: IMF staff calculations.  
 Note: The emerging market common factor is the first component of 10-year government bond yields from 14 emerging market economies using principal component analysis. The common factor was transformed to have the same mean and variance as the U.S. 10-year Treasury yield.

Countries with higher foreign ownership of local currency government bonds tend to have higher sensitivity to the common factor.



Sources: Arslanalp and Tsuda (2014b); national authorities; and IMF staff calculations.  
 Note: Data labels in the figure use International Organization for Standardization (ISO) country codes.