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.

1. Emerging Market Common Factor and 10-Year Treasury Yield (Percent)

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

2. Correlation with Common Factor and Foreign Ownership of Local Currency Government Bonds

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.

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.