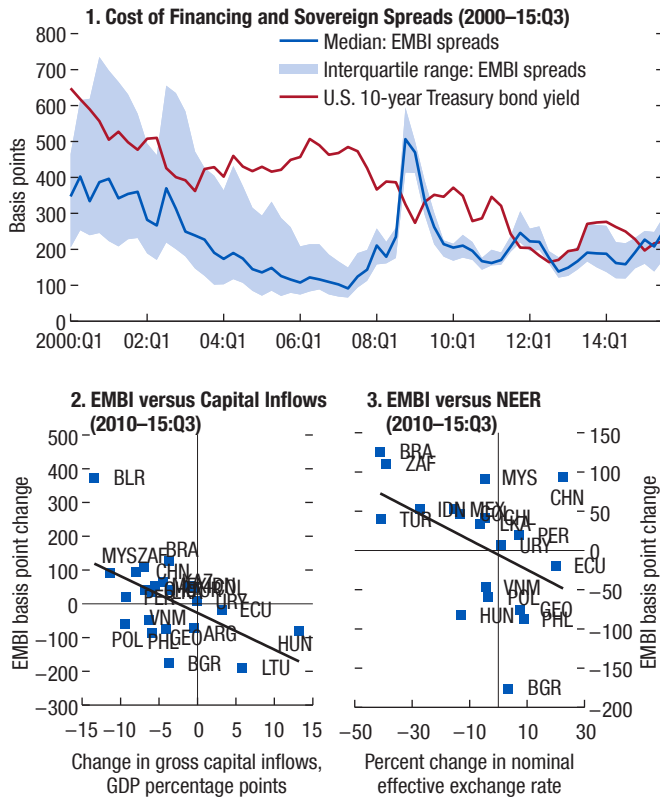


**Figure 2.9. Cost of Financing, Sovereign Spreads, and Capital Flows in Emerging Market Economies**

The cost of financing, defined as the sum of the 10-year U.S. Treasury bond yield and EMBI spreads, remains well below historical peaks, but has increased in recent quarters. Recent increases in sovereign spreads are positively associated with (1) net capital inflow slowdowns and (2) exchange rate depreciations.



Sources: Bloomberg L.P.; CEIC Asia database; CEIC China database; Haver Analytics; IMF, *Balance of Payments Statistics*; IMF, *International Financial Statistics*; World Bank, World Development Indicators database; and IMF staff calculations.

Note: See Annex 2.1 for the complete list of sample countries included in each panel. EMBI = J.P. Morgan Emerging Market Bond Index; NEER = nominal effective exchange rate. Data labels in the figure use International Organization for Standardization (ISO) country codes.