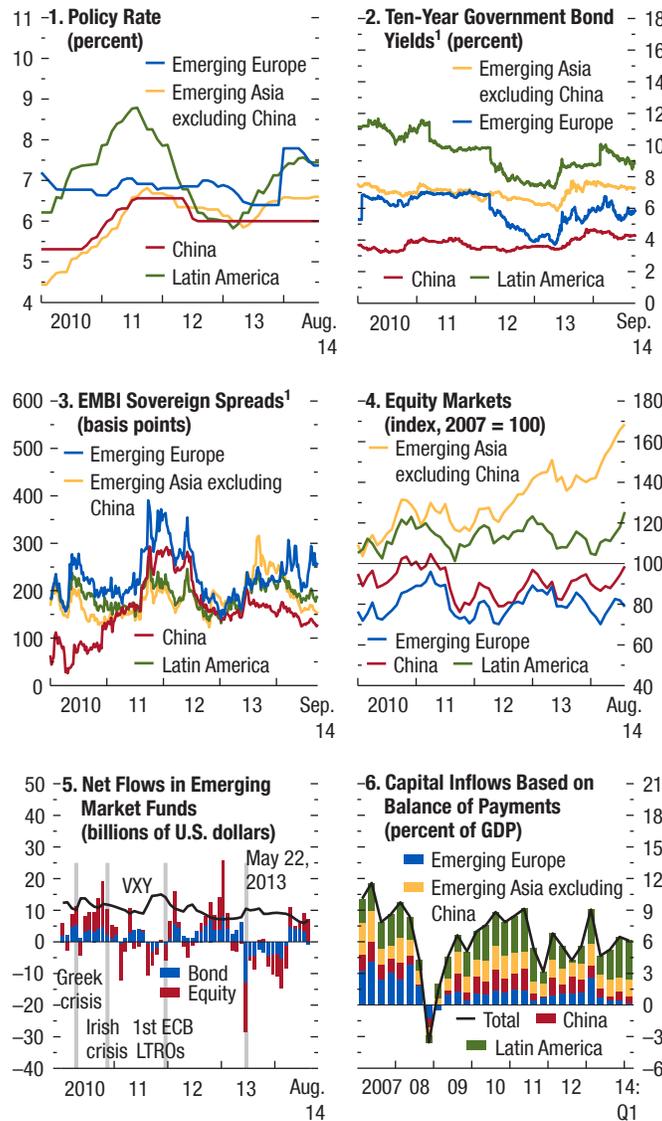


Figure 1.5. Financial Market Conditions and Capital Flows in Emerging Market Economies

Mirroring developments in advanced economies, financial conditions have also eased in emerging market economies since April 2014. Equity prices have declined, longer-term interest rate increases seen in the first quarter of 2014 have typically been more than fully reversed, and risk spreads have broadly declined. Gross capital inflows to emerging markets have also picked up again.



Sources: Bloomberg, L.P.; EPFR Global; Haver Analytics; IMF, International Financial Statistics database; and IMF staff calculations.

Note: ECB = European Central Bank; EMBI = J.P. Morgan Emerging Markets Bond Index; LTROs = longer-term refinancing operations; VXY = J.P. Morgan Emerging Market Volatility Index; emerging Asia excluding China includes India, Indonesia, Malaysia, the Philippines, and Thailand; emerging Europe comprises Poland, Romania (capital inflows only), Russia, and Turkey; Latin America includes Brazil, Chile, Colombia, Mexico, and Peru.

¹Data are through September 19, 2014.