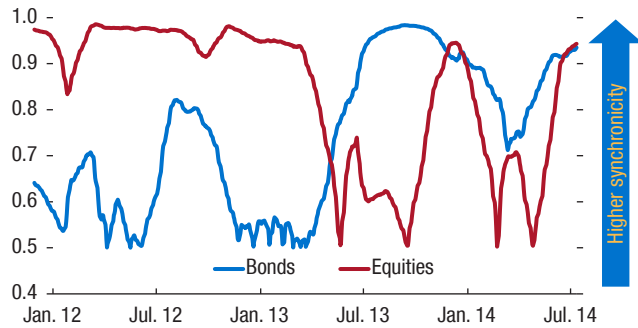


**Figure 1.25. Volatility Developments**

Advanced economy and emerging market asset prices are increasingly synchronized.

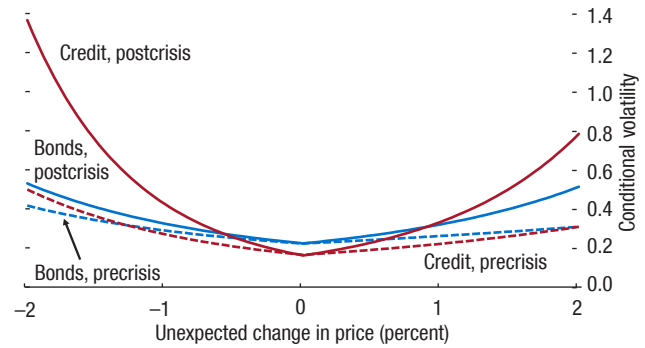
**1. Portion of Total Variation Explained by the First Principal Component of Levels of Emerging Market and Advanced Economy Bonds and Equities (Six-month moving window)**



Sources: Bloomberg L.P.; JPMorgan Chase & Co.; and IMF staff calculations.

Volatility has become more sensitive to price declines for sovereign bond and credit markets ...

**2. News Impact on Asset Volatility**

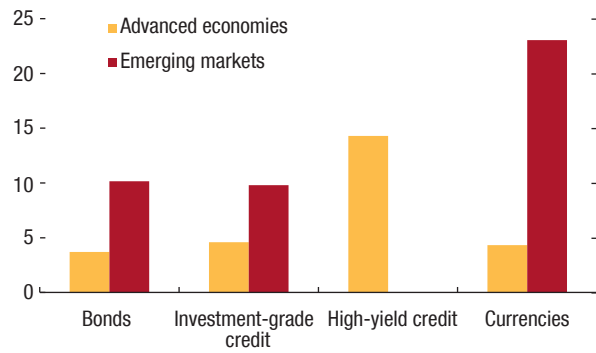


Source: IMF staff calculations.

Note: See Annex 1.4 for more information.

... and volatility increases a lot more for emerging market than for advanced economy assets during periods of high risk aversion.

**3. Increase in Volatility between Low and High Volatility Regimes (Multiples)**

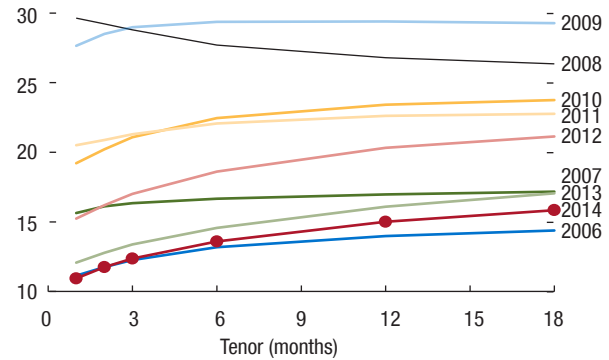


Source: IMF staff calculations.

Note: See Annex 1.4 for more information.

Longer-term implied volatility remains very low.

**4. S&P 500 Implied Volatility Term Structure (Daily average)**



Sources: Bloomberg L.P.; and IMF staff calculations.