



## EMs diverge on rising US yields

Some central banks hiked rates; others bought more bonds

### AUTHORS:

**Adam Wolfe**

+44(0) 7073 0739

adam.wolfe@absolute-strategy.com

### Emerging markets are under pressure from rising US bond yields

Investors tend to buy EM assets when US yields rise, since higher yields are usually driven by improving growth expectations. The current selloff looks to be an exception, although it's not clear yet if this is a Taper Tantrum-like event.

### Weaker EMs could be in trouble, others are better insulated

Brazil, Russia and Turkey hiked rates last week. Speculative-grade EM Eurobond issuance has dried up. But most of the major EMs have stronger national balance sheets and well-contained inflation, leaving them with more policy options.

### EM monetary policy is likely to see wider divergences

Six EM central banks bought domestic bonds this month. This appears to have protected their markets from the broader sell off. If portfolio outflows persist, others may launch or restart their own bond buying programs.

### RELATED RESEARCH:

[‘Will higher yields hurt?’](#), Economics Weekly 16<sup>th</sup> Mar 2021

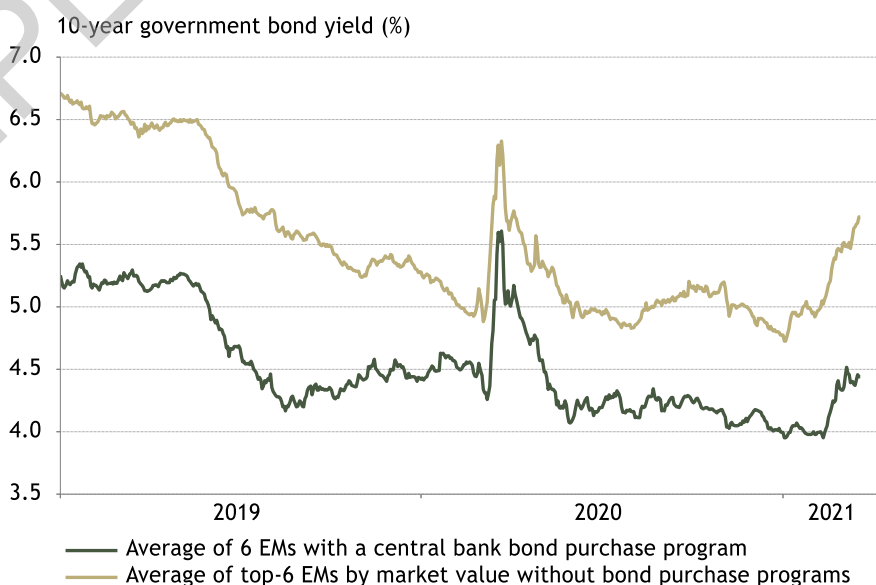
[‘A trillion dollars here or there...’](#), Economics Monthly 9<sup>th</sup> Mar 2021

[‘US overheating: a FAIT accompli?’](#), Economics Weekly 16<sup>th</sup> Feb 2021

[‘EM default risk: euphoria and reality’](#), Economics Weekly 2<sup>nd</sup> Feb 2021

[‘How to gauge EM austerity pressure’](#), Economics Weekly 20<sup>th</sup> Oct 2020

### Key chart: EM bond purchase programs appear to be effective



Source: ASR Ltd. / Refinitiv Datastream