

**U.S. Investment in Global Bonds:  
As the Fed Pushes, Some EMEs Pull**

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**Abstract**

We analyze reallocations within the international bond portfolios of US investors. The most striking empirical observation is a steady increase in US investors' allocations toward emerging market local currency bonds, unabated by the global financial crisis and accelerating in the post-crisis period. Part of the increase in EME allocations is associated with global "push" factors such as low US long-term interest rates and unconventional monetary policy as well as subdued risk aversion/expected volatility. But also evident is investor differentiation among EMEs, with the largest reallocations going to those EMEs with strong macroeconomic fundamentals such as more positive current account balances, less volatile inflation, and stronger economic growth. We also provide a descriptive analysis of global bond markets' structure and returns.