Topical events …

Early 2014 – the Emerging Markets meltdown and the flow-over effects to the equities markets
It all started with currency devaluations in certain emerging markets

Financial Times source: 1/30/14:

Emerging markets: Fear of contagion

By James Kynge

Policy makers from Argentina to Turkey are scrambling to defend their currencies
A lot of this, but not all, is clearly linked to the risk-on, risk-off betting triggered and then ended by QE3 and the 2014 tapering of QE3.

1. Initially during QE3 and China strength, low yields in US encouraged risk-on bets and investment money flowed into Argentina and Brazil.

2. But now with China cooling (probably) and QE3 tapering underway, capital is leaving as fast as it arrived, especially from Argentina.
EM ETPs are contributing, much the picture is more complicated than the media is making it sound ...
... many of these Ems have shifted from current account surpluses to deficit ... in all cases their situations have deteriorated

This is partly due to their loss of export markets and a considerable amount is linked to the slowdown in China ...
And some of these countries have limited foreign exchange reserves (mostly $$)

This means (a) they are unable to use central bank intervention to prevent further devaluations, and (b) at some point they may be unable to pay for critical imported products like fuels and foods …
... and this devaluation triggers high rates of domestic inflation

... at a time when the rest of the world worries about deflation. Popular subsidy programs in Argentina and Turkey are jeopardized. Political regimes are threatened.
... and we know there has been a flight to quality

Funds rush out of the market ....

... and into Treasuries, like TLT, pushing this to ridiculous levels.

PS: Your teacher thinks this is largely a Ricardian event for us (not them – for them it is terrible).