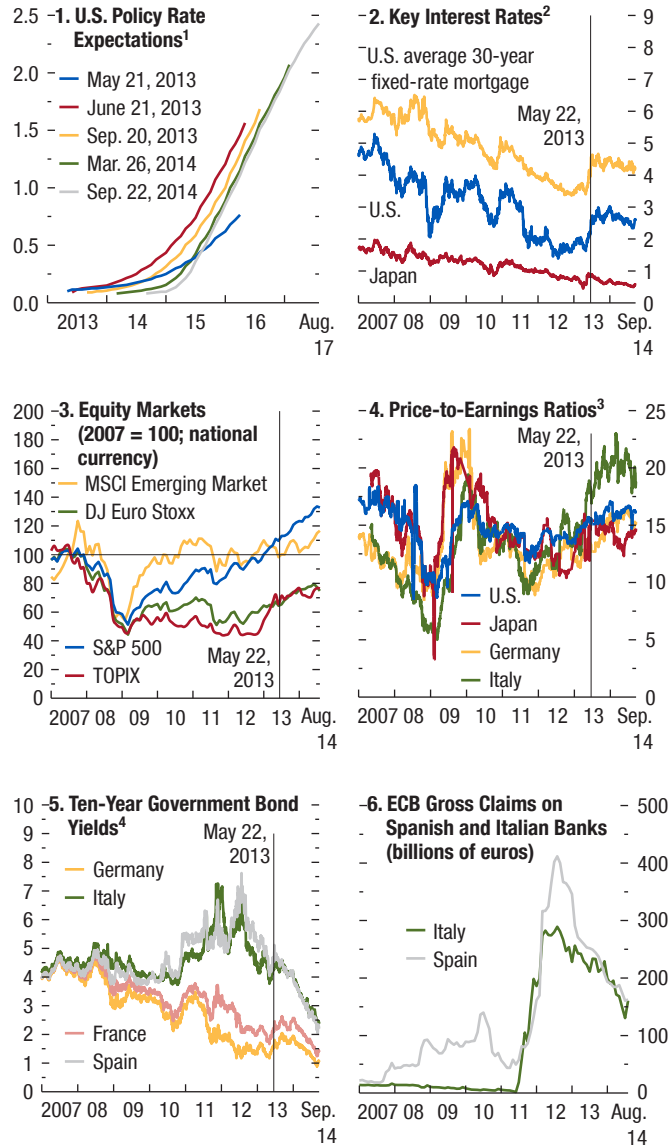


Figure 1.4. Financial Market Conditions in Advanced Economies

(Percent, unless indicated otherwise)

Markets expect the Federal Reserve to start increasing the federal funds rate by mid-2015, with the pace of the increase broadly unchanged compared with the April 2014 WEO. But longer-term interest rates in advanced economies have decreased further, likely reflecting in part expectations of lower neutral policy rates. The latter could explain part of the recent increase in equity prices.



Sources: Bank of Spain; Bloomberg, L.P.; *Financial Times*; Haver Analytics; Thomson Reuters Datastream; and IMF staff calculations.

Note: DJ = Dow Jones; ECB = European Central Bank; MSCI = Morgan Stanley Capital International; S&P = Standard & Poor's; TOPIX = Tokyo Stock Price Index.

¹Expectations are based on the federal funds rate futures for the United States.

²Interest rates are 10-year government bond yields, unless noted otherwise. Data are through September 19, 2014.

³Data are through September 18, 2014. Some observations for Japan are interpolated because of missing data.

⁴Data are through September 19, 2014.