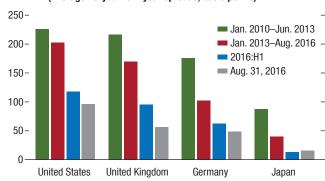
Figure 1.8. Drivers of Government Bond Yields

Flatter yield curves reflect the compression of term premiums ...

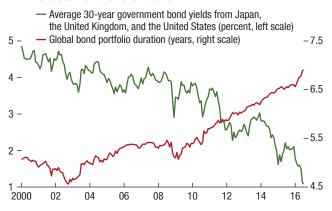
1. Sovereign Yield Spreads (Average 10-year to 1-year spreads, basis points)



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

... and private sector investors ...

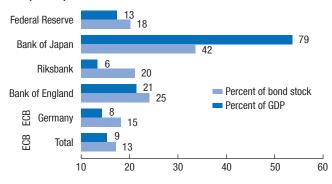
3. Global Bond Portfolio Duration



Sources: Barclays Capital; and Bloomberg L.P.

... increased demand for duration from central banks ...

2. Central Bank Bond Holdings, 2016 (Percent)

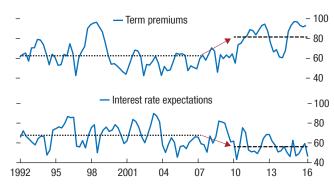


Source: Citibank.

Note: ECB = European Central Bank.

 \dots driving down term premiums across global bond markets, even as policy rates diverge.

4. Principal Component of Term Premiums and Interest Rate Expectations (Percent variation explained by the first principal component)



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