Figure 1.4. Market Interest Rates, Central Bank Balance Sheets, and US Financial Indicators

Easy global financial conditions are underpinned by advanced economy central banks’ large asset holdings.

1. Change in Central Banks’ Balance Sheet Assets
(Trillions of US dollars)

Term premiums have remained compressed in major economies and are near historic lows.

3. Estimated 10-Year Term Premiums
(Percent)

Policy rate expectations still point to gradual rate hikes.

2. Estimated Average Short-Term Interest Rates through Two Years
(Percent)

US financial conditions have continued to ease despite policy rate hikes ...

4. Financial Conditions and US Federal Funds Rate

... while the US dollar has weakened ...

5. US Real Effective Exchange during Federal Reserve Hiking Cycles
(Index)

... and measures of inflation compensation have remained relatively muted.

6. Five-Year, Five-Year-Ahead Inflation Swaps
(Percent)

Sources: Bloomberg Finance L.P.; and IMF staff calculations.
Note: Panel 3 is based on IMF staff estimates of four-factor term structure models based on the Adrian, Crump and Moench (2013) model, using underlying Bloomberg fitted yield curve series from the early 1990s.