Figure 1.5. US Inflation Expectations and Term Premium

Term premiums have moved lower, and uncertainty about future inflation has declined.

1. US Term Premium and Dispersion of 10-Year-Ahead Inflation Expectations (Percent)

Markets are not pricing in sharply higher inflation.

2. Market-Implied Probability of High Inflation (Percent chance of CPI inflation > 3 percent over five years)

Sources: Bloomberg Finance L.P.; Federal Reserve Bank of Minneapolis; and IMF staff estimates.
Note: In panel 2, euro area options are illiquid. CPI = consumer price index.