Figure 1.1. Global Market Developments

After posting negative returns in 2018, asset prices rebounded this year ... 

1. Returns by Asset Class
   (Percent)

   - Equities
   - Commodities
   - Fixed income

   2018 to current performance

   US VIX
   Standard deviation of global EPS forecasts (right scale)

   US MOVE
   Five-year term premium (right scale)

2. Global Equity Prices and Forward EPS Forecasts
   (Index and annual percent changes)

   MSCI World index
   Forward global EPS growth (right scale)

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   ... despite continued downward revisions in corporate earnings forecasts.

3. Expected Federal Funds Rate versus FOMC Dots
   (End of period, percent)

   FOMC median dots (Mar. 2019)
   FOMC median dots (Sep. 2018)

   Federal funds rate futures (Mar. 2019)
   Federal funds rate futures (Sep. 2018)

   ... and yields are expected to stay low for longer.

4. US Treasury Yield Curve
   (Percent)

   Previous GFSR (September 30, 2018)
   January 2019 FOMC (January 30, 2019)
   Post March 2019 FOMC (March 26, 2019)

   3.50
   3.25
   3.00
   2.75
   2.50
   2.25
   2.00
   1.75
   1.50

   Maturity (years)

   0 1 2 3 4 5 6 7 8 9 10

   2019 2020 Longer run

   This has resulted in reduced market volatility and uncertainty around earnings forecasts ...

5. US VIX and Dispersion of Global EPS Forecasts
   (Percent and index)

   - US VIX
   - Standard deviation of global EPS forecasts (right scale)

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   ... as well as reduced interest rate volatility and a compressed term premium.

6. US MOVE and Term Premium
   (Percent and basis points)

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   Sources: Bloomberg Finance L.P.; ICE Data Indices, LLC; Moody’s; MSCI; Standard & Poor’s Leveraged Commentary and Data; Thomson Reuters Datastream; Thomson Reuters I/B/E/S; and IMF staff calculations.

Note: In panel 3, the downward slope of the federal funds rate futures may in part reflect a negative term premium. AEA = American Economic Association; corp = corporate; EM = emerging market; EPS = earnings per share; FOMC = Federal Open Market Committee; GFSR = Global Financial Stability Report; govt = governments; HY = high yield; IG = investment grade; JGB = Japanese government bond; MOVE = Merrill Option Volatility Estimate; sov = sovereign; T-bills = Treasury bills; VIX = Chicago Board Options Exchange Volatility Index.