Figure 1.17. U.S. Interest Rates and Term Premiums

1. U.S. 10-Year Bond Yield and Term Premiums (Percent)

- Ten-year premium (right scale)
- Ten-year nominal rate (left scale)

Sources: Haver Analytics; and IMF staff estimates.

2. Expected Terminal Federal Funds Rate (Percent)

- FOMC median projection
- Primary dealers’ median projection
- Market-implied terminal rate

Sources: Bloomberg, L.P.; Kim and Wright (K&W) (2005, updated); and IMF staff estimates.

Note: The market-implied terminal rate is derived from the 10-year Treasury rate, the 10-year term premium (Kim and Wright 2005), and the expected months to liftoff in the federal funds rate. The pace of rate hikes is assumed to be 100 basis points per year until the terminal rate is reached. FOMC = Federal Open Market Committee.