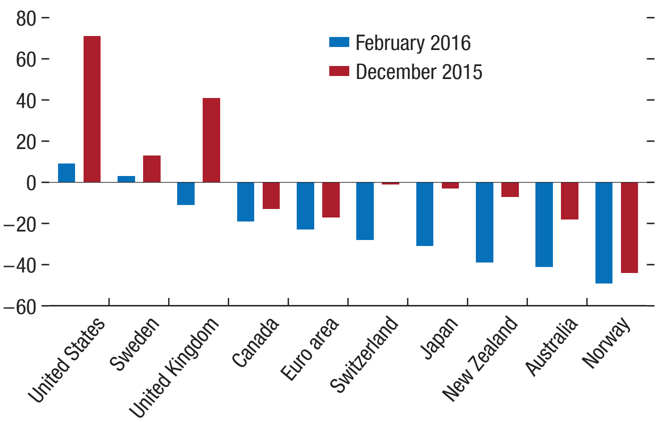
Figure 1.8. Interest Rate Expectations and Bond Term Premiums

Central banks are moving into negative territory ...

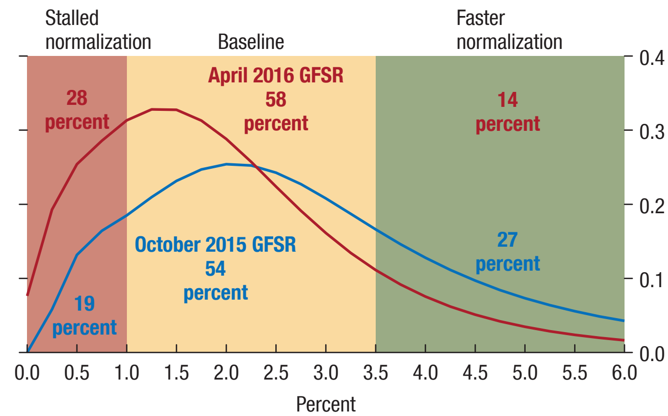
1. Market-Implied Policy Rate Changes, over Year Ahead
(Basis points)



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

... and in the United States markets are pricing a high probability of stalled normalization.

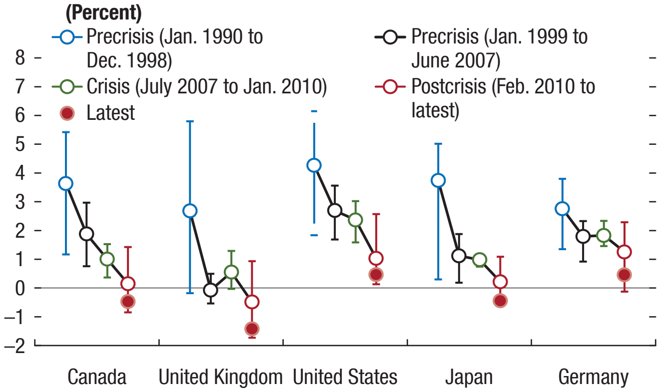
2. United States: December 2018 Federal Funds Rate Implied Probabilities
(Probability)



Sources: Bloomberg, L.P.; and IMF staff calculations.
Note: For this calculation, the market pricing of options expiring in December 2018 on three-month swaps was used to determine the probability that market participants are placing on a stalled normalization. The calculation assumes that the difference between the three-month swap rate and the effective federal funds rate would remain relatively stable, at 15 basis points. GFSR = *Global Financial Stability Report*.

Global term premiums are hitting record lows, suggesting higher risks of nominal stagnation ...

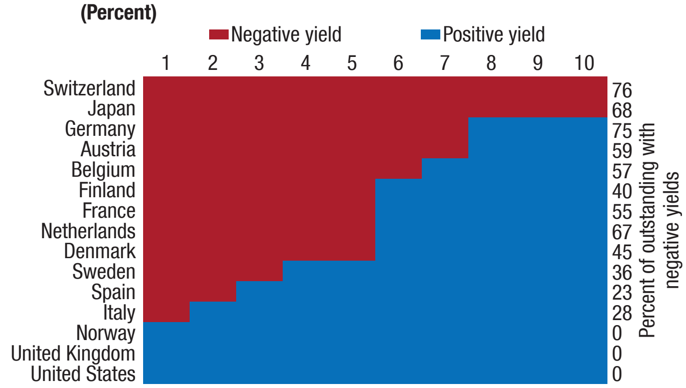
3. Bond Term Premiums—Historical Evolution
(Percent)



Sources: Bloomberg, L.P.; Bundesbank; Consensus Economics; Haver Analytics; Organisation for Economic Co-Operation and Development; and IMF staff estimates.
Note: Based on Wright (2011).

... and pushing a greater share of global bonds into negative rates.

4. Share of Sovereign Bond Markets with Negative Rates
(Percent)



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