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)

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

3. Bond Term Premiums—Historical Evolution (Percent)

... 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)

... 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.

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.

Note: Based on Wright (2011).