Figure 1.8. Drivers of Government Bond Yields

Flatter yield curves reflect the compression of term premiums ...

1. Sovereign Yield Spreads
   (Average 10-year to 1-year spreads, basis points)

   - United States
   - United Kingdom
   - Germany
   - Japan

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

   ... and private sector investors ...

2. Central Bank Holdings, 2016
   (Percent)

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

   Source: Citibank.
   Note: ECB = European Central Bank.

   ... increased demand for duration from central banks ...

3. Global Bond Portfolio Duration
   - Average 30-year government bond yields from Japan, the United Kingdom, and the United States (percent, left scale)
   - Global bond portfolio duration (years, right scale)

   Sources: Barclays Capital; and Bloomberg L.P.

   ... driving down term premiums across global bond markets, even as policy rates diverge.

4. Principal Component of Term Premiums and Interest Rate Expectations
   (Percent variation explained by the first principal component)

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