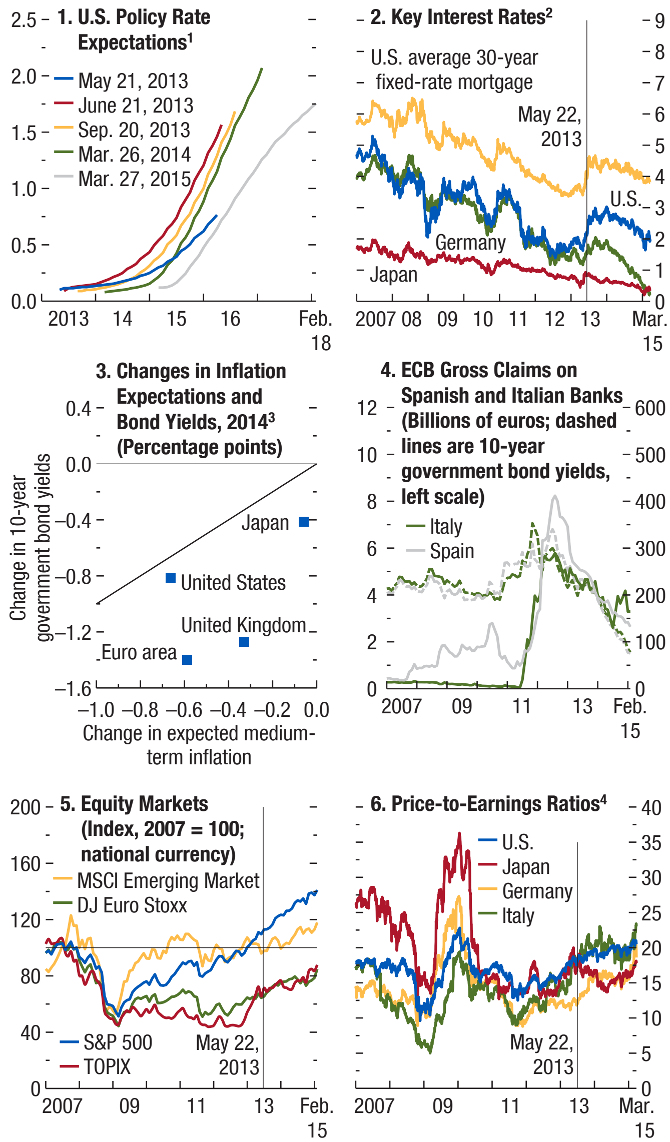
Figure 1.5. Financial Market Conditions in Advanced Economies

(Percent, unless noted otherwise)

Long-term government bond yields have declined further in major advanced economies, reflecting lower inflation expectations, the drop in oil prices, weak domestic demand in some cases, and lower expected short-term neutral rates. Very accommodative monetary conditions have also played a role by reducing term premiums.



Sources: Bank of Spain; Bloomberg, L.P.; Haver Analytics; Thomson Reuters Datastream; and IMF staff calculations.

Note: DJ = Dow Jones; ECB = European Central Bank; MSCI = Morgan Stanley Capital International; S&P = Standard & Poor's; TOPIX = Tokyo Stock Price Index.

[1]Expectations are based on the federal funds rate futures for the United States.

[2]Interest rates are 10-year government bond yields, unless noted otherwise. Data are through March 20, 2015.

[3]Changes are calculated from the beginning of 2014 to the beginning of 2015. Interest rates are measured by 10-year government bond yields. Expected medium-term inflation is measured by the implied rate from 5-year 5-year-forward inflation swaps.

[4]Data are through March 26, 2015.