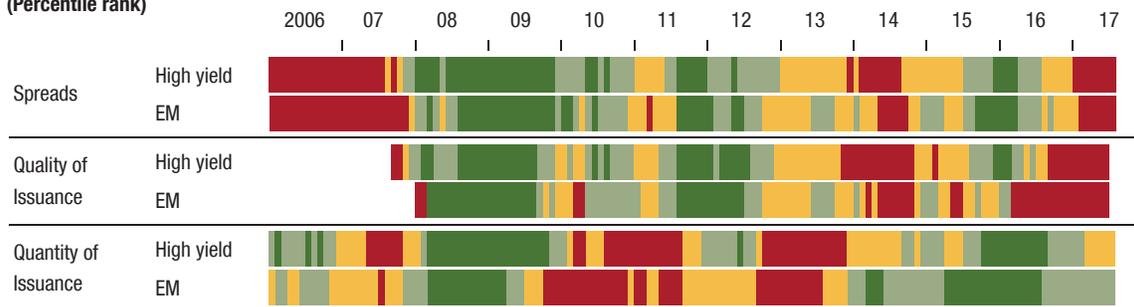# Figure 1.3. Search for Yield, Asset Valuations, and Volatility

The global search for yield has compressed risk premiums across some assets ...

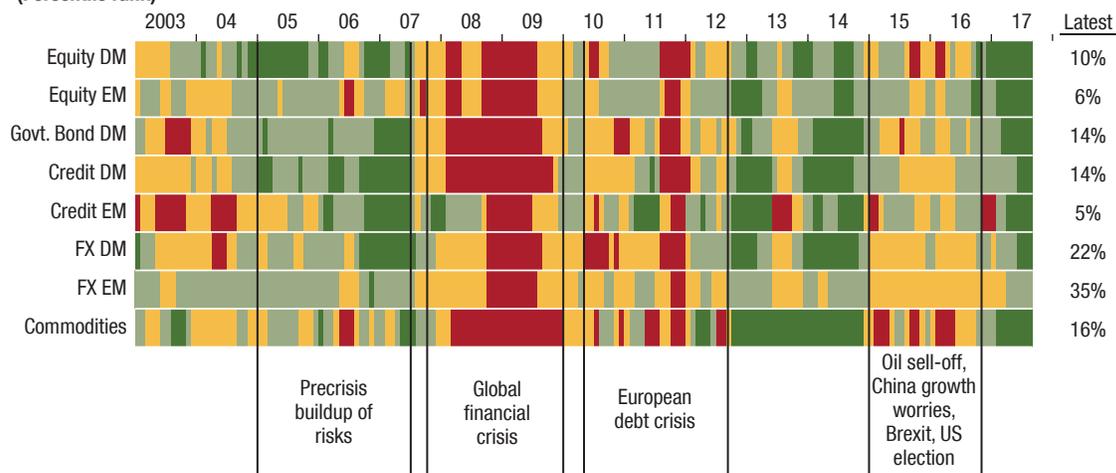**1. Search for Yield**
(Percentile rank)

		2006	07	08	09	10	11	12	13	14	15	16	17

Spreads	High yield	
	EM	
Quality of Issuance	High yield	
	EM	
Quantity of Issuance	High yield	
	EM	

2. Cross-Asset Valuations
(Percentile rank)

	CAPE	Forward P/E	Equity Risk Premiums	Term Premiums (10-year)	Corporate Spreads	House Prices to Income
United States	83	79	85	7	6	74
Germany	62	33	86	9	14	39
Japan	28	17	87	5	65	8
United Kingdom	85	60	96	8	8	92
Emerging Markets	25	58	84	19	5	44

... while volatility remains near precrisis lows.

3. Realized Volatility
(Percentile rank)

	2003	04	05	06	07	08	09	10	11	12	13	14	15	16	17	Latest
Equity DM																10%
Equity EM																6%
Govt. Bond DM																14%
Credit DM																14%
Credit EM																5%
FX DM																22%
FX EM																35%
Commodities																16%

Precrisis buildup of risks | Global financial crisis | European debt crisis | Oil sell-off, China growth worries, Brexit, US election

Sources: Bank of America Merrill Lynch; Bloomberg Finance L.P.; Dealogic; Haver Analytics; Organisation for Economic Co-operation and Development; Thomson Reuters; and IMF staff estimates.

Note: The color shading is based on valuation quartiles. Red (dark green) denotes low (high) premiums, spreads, volatility, and issuance quality, as well as high (low) issuance and house price to income. In panel 1, quality of issuance shows spreads per turn of leverage. Quantity of issuance is 12-month trailing gross issuance as percent of the outstanding amount. In panel 2, CAPE is the trailing 12-month price-to-earnings ratio adjusted for inflation and the 10-year earnings cycle. Forward P/E is the 12-month forward price-to-earnings ratio. Equity risk premiums are estimated using a three-stage dividend discount model on major stock indices. Term premium estimates follow the methodology in Wright 2011. Corporate spreads are proxied using spreads per turn of leverage. For house-price-to-income ratio, income is proxied using nominal GDP per capita. The percentile is calculated from 1990 for CAPE, forward P/E, equity risk premiums and term premiums, from 1999 for EM term premiums, from 2000 for house-price-to-income ratio, and from 2007 for corporate spreads. In panel 3, the heatmap shows the percentile of three-month realized volatility since 2003 at a monthly frequency. CAPE = cyclically adjusted price-to-earnings ratio; DM = developed market; EM = emerging market; FX = foreign exchange; Govt = government; P/E = price to earnings.