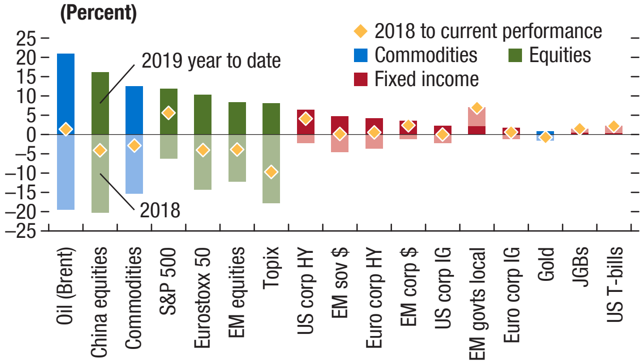
Figure 1.1. Global Market Developments

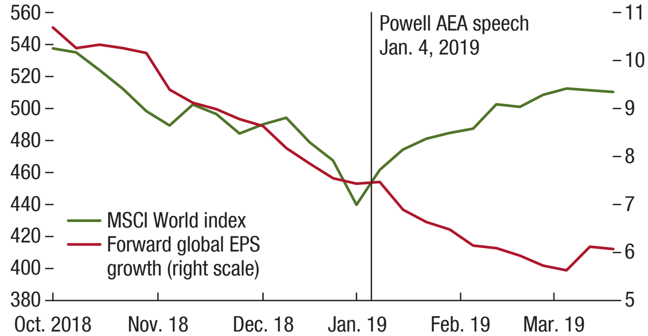
After posting negative returns in 2018, asset prices rebounded this year ...

1. Returns by Asset Class
(Percent)



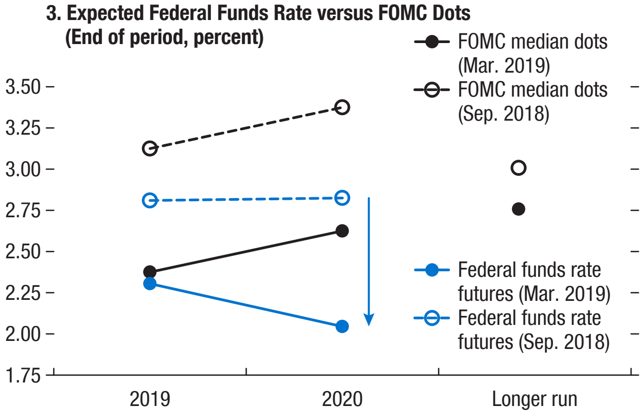
... despite continued downward revisions in corporate earnings forecasts.

2. Global Equity Prices and Forward EPS Forecasts
(Index and annual percent changes)



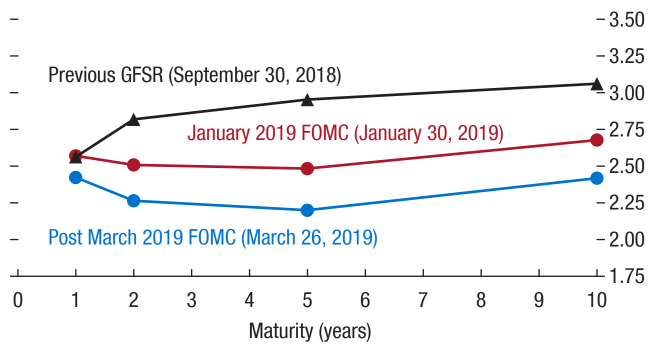
After the dovish shift in US monetary policy, markets do not expect any further rate hikes ...

3. Expected Federal Funds Rate versus FOMC Dots
(End of period, percent)



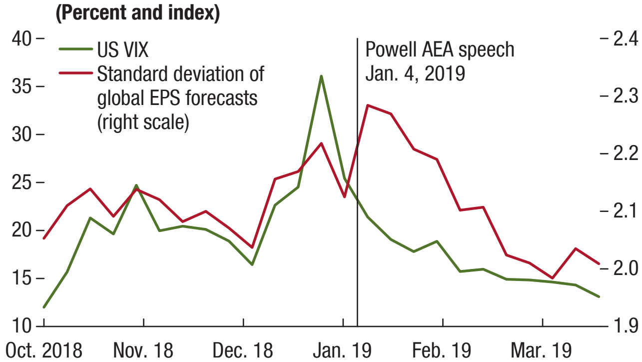
... and yields are expected to stay low for longer.

4. US Treasury Yield Curve
(Percent)



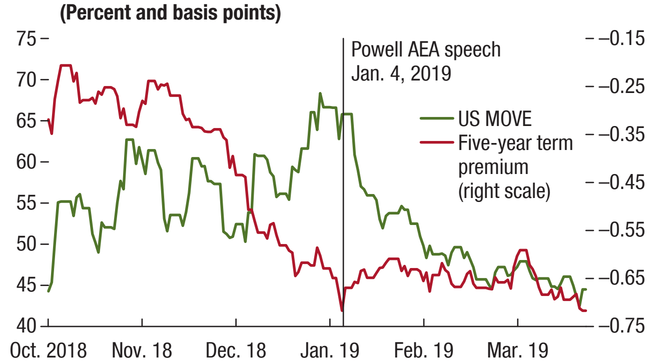
This has resulted in reduced market volatility and uncertainty around earnings forecasts ...

5. US VIX and Dispersion of Global EPS Forecasts
(Percent and index)



... as well as reduced interest rate volatility and a compressed term premium.

6. US MOVE and Term Premium
(Percent and basis points)



Sources: Bloomberg Finance L.P.; ICE Data Indices, LLC; Moody's; MSCI; Standard & Poor's Leveraged Commentary and Data; Thomson Reuters Datastream; Thomson Reuters I/B/E/S; and IMF staff calculations.

Note: In panel 3, the downward slope of the federal funds rate futures may in part reflect a negative term premium. AEA = American Economic Association; corp = corporate; EM = emerging market; EPS = earnings per share; FOMC = Federal Open Market Committee; GFSR = *Global Financial Stability Report*; govts = governments; HY = high yield; IG = investment grade; JGB = Japanese government bond; MOVE = Merrill Option Volatility Estimate; sov = sovereign; T-bills = Treasury bills; VIX = Chicago Board Options Exchange Volatility Index.