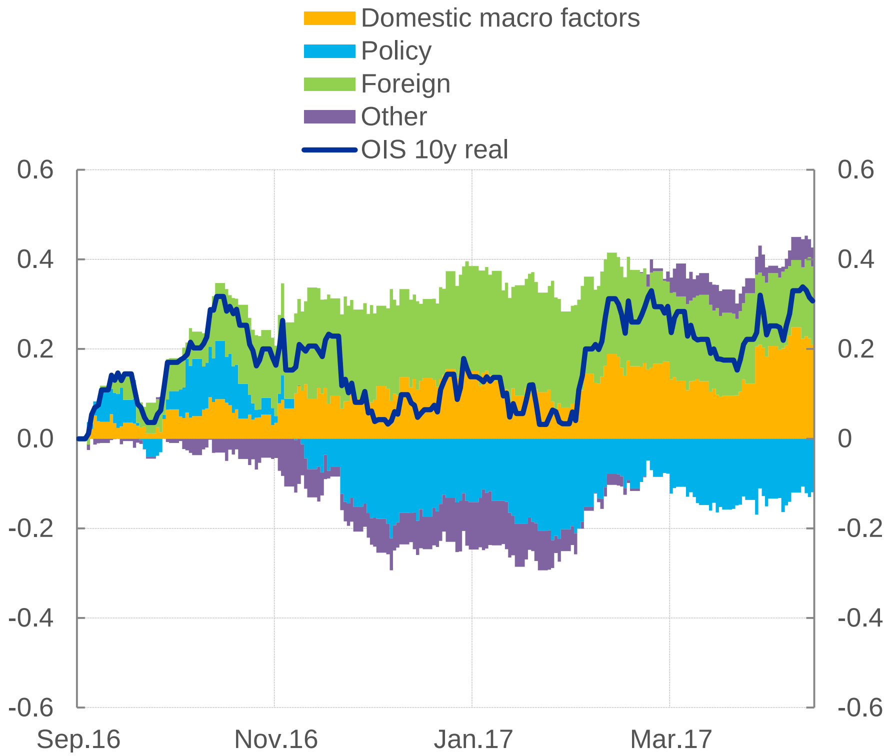
Dissecting the yield curve: a central bank perspective

Euro area long-term real interest rates

(cumulative change in percentage points)



Source: ECB staff calculations based on Matheson and Stvarev (2014).
Notes: Shocks are identified by applying sign restrictions in an estimated vector auto regression (VAR) model of real long term bond yields, stock prices, the euro nominal effective exchange rate, and inflation expectations. It is assumed that positive "policy" shocks push up real yields, reduce stock prices, appreciate the domestic currency, and reduce inflation expectations. Positive domestic macro shocks push up the four variables. Foreign shocks move yields in the opposite direction of the exchange rate. The cumulative change is indexed to zero at 30 September 2016.
Last observation: 11 May 2017.