 Download This Paper (Delivery.cfm/SSRN_ID1003033_code370947.pdf?abstractid=1003033&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID1003033_code370947.pdf?abstractid=1003033&mirid=1&type=2)

★ Add Paper to My Library

Share:    

The Bond Yield 'Conundrum' from a Macro-Finance Perspective

FRB of San Francisco Working Paper No. 2006-16

42 Pages

Posted: 26 Jul 2007

Glenn D. Rudebusch (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=64988)

Federal Reserve Bank of San Francisco

Eric T. Swanson (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=155410)

University of California, Irvine - Department of Economics

Tao Wu (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=349555)

Federal Reserve Bank of San Francisco; Federal Reserve Bank of Dallas

Date Written: May 2006


Abstract

In 2004 and 2005, long-term interest rates remained remarkably low despite improving economic conditions and rising short-term interest rates, a situation that former Fed Chairman Alan Greenspan dubbed a conundrum. We document the extent and timing of this conundrum using two empirical no-arbitrage macro-finance models of the term structure of interest rates. These models confirm that the recent behavior of long-term yields has been unusual - that is, it cannot be explained within the framework of the models. Therefore, we consider other macroeconomic factors omitted from the models and find that some of these variables, particularly declines in long-term bond volatility, may explain a portion of the conundrum. Foreign official purchases of U.S. Treasuries appear to have played little or no role.

Keywords: Treasury bonds, Federal funds rate

[Suggested Citation](#) >

[Show Contact Information](#) >

 Download This Paper (Delivery.cfm/SSRN_ID1003033_code370947.pdf?abstractid=1003033&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID1003033_code370947.pdf?abstractid=1003033&mirid=1&type=2)

44 References

1. Kinrey Li (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2188821), Rong Chen (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=609491)

Implied Hurst Exponent and Fractional Implied Volatility: A Variance Term Structure Model (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2383618)

Pages: 17 Posted: 23 Jan 2014 Last revised: 12 Jul 2014

Download PDF (https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2442705_code2188821.pdf?abstractid=2383618) ★ Add Paper to My Library

2. the values differ across the BRS and RW models because the BRS model uses monthaverage yield data while the RW model uses end-of-month data. Lines 2-4 are the decompositions implied by the BRS and RW macro-finance models, graphed in Figures 1 and 2. Lines 5-10 are the changes implied by the regression coefficients in Table 7 applied to the change in each independent variable from , volume 60 Posted: 1986

3. Implied Volatility on 6-Month-Ahead Eurodollar Rate (from options)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze,

improve, and personalize our content and your digital experience. For more information, see our [Cookie](#)

Policy (<https://www.elsevier.com/legal/cookiepolicy>)

Crossref (<https://doi.org/10.1080/13504851.2018.1558330>)

[Cookie Settings](#)

Accept all cookies

0 Citations

Fetch Citations

Do you have a job opening that you would like to promote on SSRN?

Place Job Opening (<https://www.ssrn.com/index.cfm/en/Announcements-Jobs/>)

Paper statistics

DOWNLOADS	432
ABSTRACT VIEWS	2,269
RANK	129,831

36 Citations

44 References

PlumX Metrics



(https://plu.mx/ssrn/a/?ssrn_id=1003033)

Related journals

Capital Markets: Asset Pricing & Valuation eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1508951)

Follow



Macroeconomics: Monetary & Fiscal Policies eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1154269)

Follow



Recommended Papers

Specification Analysis of Affine Term Structure Models (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=225893&rec=1&srcabs=1003033&pos=1)

By Qiang Dai (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=139423) and Kenneth J. Singleton (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=15716)

Specification Analysis of Affine Term Structure Models (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=139422&rec=1&srcabs=1003033&pos=2)

By Qiang Dai (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=139423) and Kenneth J. Singleton (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=15716)

A No-Arbitrage Vector Autoregression of Term Structure Dynamics with Macroeconomic and Latent Variables (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=275437&rec=1&srcabs=1003033&pos=3)

By Andrew Ang (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=94010) and Monika Piazzesi (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=195429)

View more >

Feedback

Submit a Paper > (<https://hq.ssrn.com/submission.cfm>)

SSRN Quick Links



SSRN Rankings



About SSRN



f (<https://www.facebook.com/SSRNcommunity/>)

in ([https://www.linkedin.com/company/493409?](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1)

[trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1)

t (<https://twitter.com/SSRN>)

(<http://www.elsevier.com/>)

Copyright (<https://www.ssrn.com/index.cfm/en/dmca-notice-policy/>)

Terms and Conditions (<https://www.ssrn.com/index.cfm/en/terms-of-use/>)

Privacy Policy (<https://www.elsevier.com/legal/privacy-policy>)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).



(<http://www.relx.com/>)

(<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>)