Disagreement about inflation and the yield curve

Paul Ehling\textsuperscript{a}, Michael Gallmeyer\textsuperscript{b}, Christian Heyerdahl-Larsen\textsuperscript{c}, Philipp Illeditsch\textsuperscript{d,∗}

\textsuperscript{a}BI Norwegian Business School, Department of Finance, Nydalsveien 37, 0484 Oslo, Norway
\textsuperscript{b}University of Virginia, McIntire School of Commerce, Rouss and Robertson Halls, Charlottesville, VA 22904-4173, USA
\textsuperscript{c}London Business School, Department of Finance, Sussex Place, London, NW1 4SA, UK
\textsuperscript{d}Carnegie Mellon University, Tepper School of Business, 5000 Forbes Avenue, Pittsburgh, PA 15213, USA

Abstract

We show that inflation disagreement, not just expected inflation, has an impact on nominal interest rates. In contrast to expected inflation, which mainly affects the wedge between real and nominal yields, inflation disagreement affects nominal yields predominantly through its impact on the real side of the economy. We show theoretically and empirically that inflation disagreement raises real and nominal yields and their volatilities. Inflation disagreement is positively related to consumers’ cross-sectional consumption growth volatility and trading in fixed income securities. Calibrating our model to disagreement, inflation, and yields reproduces the economically significant impact of inflation disagreement on yield curves.

JEL classification: D51, E43, E52, G12.

Keywords: Inflation disagreement, Real and nominal yields, Yield volatilities, Cross-sectional consumption growth volatility, Speculative trade

∗We thank two anonymous referees for especially helpful comments. We also thank Harjoat Bhamra, Philip Bond, Murray Carlson, Mikhail Chernov, Joao Cocco, Domenico Cuoco, Albert Lee Chun, Alexander David, Greg Dufore, Peter Feldhütter, Adlai Fisher, Lorenzo Garlappi, Ron Giammarino, Francisco Gomes, Jeremy Graveline, Ralph Kojien, Anthony Landry, Philippe Mueller, Francisco Palomino, Anna Pavlova, Richard Priestley, Tarun Ramadorai, Tom Sargent, G. William Schwert (the editor), Astrid Schorrick, Krista Schwarz, Ivan Shalhastovich, Denitsa Stefanova, Luke Taylor, Andrea Vedolin, Frank Warnock, Jessica Wachter, Amir Yaron, and seminar participants at several conferences and institutions for comments and suggestions. A special thanks goes to Johannes Ruf for many useful discussions about our theoretical results. We thank Jing Huo, Raluca Toma, and Jing Yu for excellent research assistance. We also thank the Rodney White Center for the Aronson+Johnson+Ortiz Research Fellowship, Banco de España, the Leif Eriksson mobility program of the Research Council of Norway, and the Centre for Asset Pricing Research (CAPR) at BI Norwegian Business School for funding support. Parts of this paper were written while Paul Ehling was visiting the Banco de España and the Wharton School, whose hospitality he gratefully acknowledges. The views expressed are ours and should not be attributed to the Banco de España. An earlier version of the paper was titled “Beliefs about Inflation and the Term Structure of Interest Rates.”

∗Corresponding author. E-mail address: philippi@andrew.cmu.edu (Ph. Illeditsch).
دریافت فوری 

mتن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات