Term Premia Watch

– Insights on yield curve drivers –

5 January 2026

ARGEDION

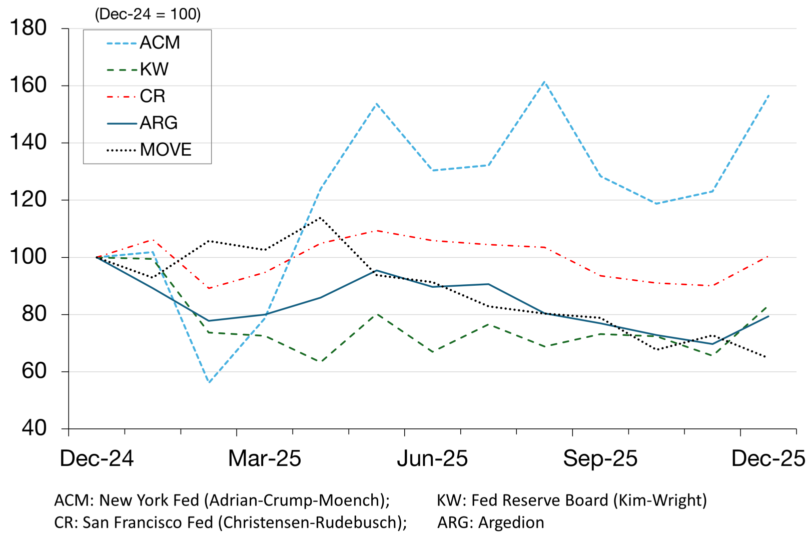
TAKEAWAY

All models agree: the U.S. term premium rose in December, but zooming out, 2025 tells a different story

2025 US TERM PREMIUM

- In 2025, U.S. yields dropped sharply at short and medium maturities — ∼70 bps at 5Y, ∼40 bps at 10Y — while long-term yields remained largely stable, steepening the curve
- The 10-year term premium is ambiguous: Fed models diverge (ACM +57%, CR flat, KW −17%), implying a −12 to +28 bps change and levels between 57−110 bps
- Argedion estimates a 21% decline in 2025, in line with a 35% drop in yield volatility (MOVE index), implying a reduction in compensation for duration risk

US 10Y Term Premium in 2025



Source: Argedion estimates, Federal Reserve

OBSERVATIONS

- Model-based estimates of the term premium diverge markedly, highlighting persistent uncertainty in interpreting long-end yield movements
- Argedion expects the term premium to fluctuate between 35 and 45 bps over the coming month, well below Fed estimates