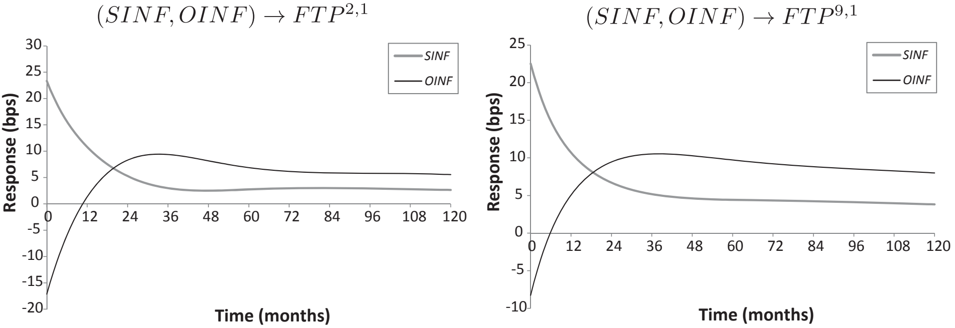

Figure 6. Response to inflation shock. Each panel plots the impulse responses of forward term premiums (FTPs) to shocks to spanned and unspanned inflation (*SINF*, *OINF*), implied by our preferred model with unspanned macro risks ($\mathcal{M}_{\text{us}}$). *SINF* is the projection of *INF* onto the PCs; $OINF$ is the component of *INF* orthogonal to the PCs. $FTP^{p,1}$ is defined as the difference between the forward rate that one could lock in today for a one-year loan commencing in p years and the expectation for p years in the future of the one-year yield.