The Yield Curve

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Discussions are heating up at several central banks

Volatility is in the picture, but no early end to QE3

HIGHLIGHTS

- The last few week have been more favorable to the bond market. Disappointing data from Europe, slightly more hawkish comments from some Federal Reserve (Fed) leaders and Italian election results revived investor concerns.
- We are still convinced that QE3 is a major support for the bond market.
- The minutes from January's meeting, published February 20, showed that many Fed leaders had worries about the costs and risks arising from further asset purchases.
- While we still expect QE3 to continue throughout 2013, the Fed's recent discussions open the door to a gradual tapering of purchases as the economic outlook improves.
- The outlook for Canadian economic growth remains modest for the coming quarters, and inflation will remain very weak. Under these conditions, monetary authorities could be tempted to drop their remark on eventual key interest rate increases.

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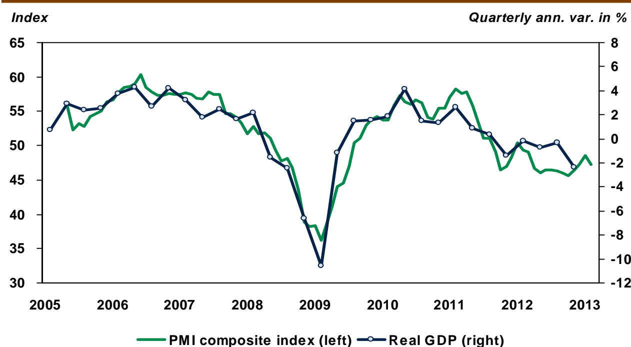
Editorial

The U.S. bond market cast about with no clear trend in the first weeks of February. With no major political developments in Europe and the United States, U.S. 10-year bond yields generally remained above 2.00%. The release of mixed economic figures for the United States also explains the lack of substantial movement by the markets. However, the end of the month was more favourable for the bond market, as disappointing data from Europe (graph 1) and slightly more hawkish comments from some Federal Reserve (Fed) leaders revived investor concerns. Italian election results pushed yields lower.

Graph 1 – Purchasing manager indexes suggest that problems in the euro zone are not over



Sources: Bloomberg, Markit, Eurostat and Desjardins, Economic Studies

THE SAFE-HAVEN EFFECT TOOK HOLD

It is interesting to note that comments suggesting that the Fed could end its third quantitative easing program (QE3) earlier were finally of benefit to the bond market (graph 2 on page 2). This reflects how closely movements on the stock and bond markets are linked at the moment. All else being equal, an earlier-than-expected end to QE3 is certainly unfavourable for the bond market. However, if investors feel

François Dupuis
Vice-President and Chief Economist

Yves St-Maurice
Senior Director and Deputy Chief Economist

514-281-2336 *or* 1 866 866-7000, ext. 2336
E-mail: desjardins.economics@desjardins.com

Mathieu D'Anjou Senior Economist
Benoit P. Durocher Senior Economist
Francis Généreux Senior Economist
Jimmy Jean Senior Economist
Hendrix Vachon Senior Economist

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Graph 2 – Recent events reined in the stock market surge

Sources: Bloomberg and Desjardins, Economic Studies

that this development is even more detrimental to stock markets, they could opt to increase their bond holdings to capitalize on their safe-haven role. Market reactions to the publication of the minutes from the latest Fed meeting also confirm the extent to which investor sentiment and expectations are affecting how markets react to remarks from central banks.

Despite the immediate reaction from the markets, we are convinced that QE3 is a major support for the bond market. Without the Fed's aggressive actions, it would be very surprising for interest rates to stay this close to their historic low in an economic environment that is much better than it was in 2008 (graph 3). The end of QE3 could thus hurt the bond market, and it is likely that interest rates will really begin to trend up when markets become convinced that the program is winding down.

Graph 3 – The Federal Reserve has contributed significantly to the drop in real rates since the end of the Great Recession

Sources: Bloomberg and Desjardins, Economic Studies

MAJOR INTERNAL DEBATE AT THE FED

It seems crucial, therefore, to correctly judge when the Fed could terminate its QE3 program. A few weeks ago, the situation seemed fairly straightforward. The Fed hardly changed its January 30 statement, and it did not seem overly worried about real GDP's poor performance at the end of 2012. Its indications about monetary policy were unchanged: if the outlook for the job market does not improve substantially, the Fed will continue to purchase securities and use its other policy tools as appropriate; its accommodative monetary policy will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens. As only one of the Fed's voting members, Esther George, President of the Kansas City Fed, dissented from the statement, everything pointed to harmony within the Fed, suggesting that an overwhelming majority of members were comfortable with a prolonged pursuit of QE3.

However, the minutes from January's meeting, published February 20, showed that internal debate about QE3 had been much more substantial than indicated by the statement. We learned that many leaders had worries about the costs and risks arising from further asset purchases by the Fed. Several members emphasized that the Committee should be prepared to vary the pace of asset purchases, either in response to change in economic outlook or as its evaluation of the efficacy and cost of such purchases evolved. A number of participants even stated that an ongoing evaluation of QE3's costs and benefits might well lead the committee to taper or end its purchases before a substantial improvement in the labour market outlook. This last sentence is important because it shows serious disagreement on an important part of the Fed's statement. The more dovish members of the committee were, however, quick to stress the negative consequences of ending purchases too soon.

THREE WORRIES FOR FED LEADERS

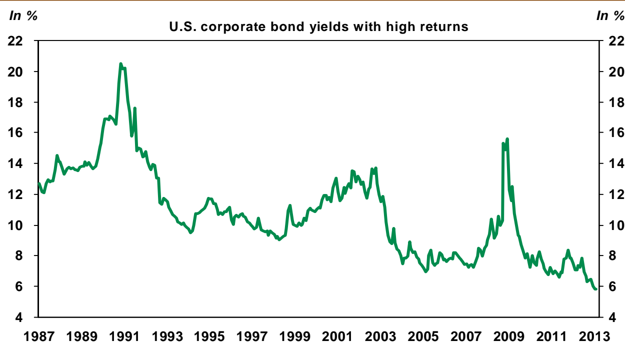
Some Fed leaders' concerns about the costs of QE3 primarily focus on three aspects. The first is that accumulating long-term bonds exposes the Fed to substantial losses when interest rates go up[1]. Even if the Fed keeps its bond holdings, it could find itself in a situation in which it has to pay back the bank reserves at a rate that is significantly higher than what it receives on these assets. Not only would the Fed stop being a source of revenue for the government, it could end up facing a major public relations challenge if it were to pay vast sums to banks in order to persuade them to keep their reserves with the Fed. This is basically a technical issue, however, and is not an important macroeconomic issue for the U.S. economy.

[1] We discussed this risk for the Fed in the *Economic Viewpoint* published December 11, 2012, "Is the Federal Reserve playing with fire by buying more long-term securities?", www.desjardins.com/en/a_propos/etudes_economiques/actualites/point_vue_economique/pv121211.pdf.

A second aspect is that maintaining an overly expansionary monetary policy could lead to increased inflation expectations. This point is important, since anchoring expectations close to the levels targeted by central banks is considered one of the essential conditions for effective monetary policy. Few Fed leaders seem currently worried by this question, however, as inflation pressures are subdued.

The final aspect is the most serious, in our opinion. Some Fed leaders fear that QE3 will prompt investors to adopt behaviours that could undermine financial stability. More specifically, there is a chance that, by keeping interest rates abnormally low and inflating available liquidities, the Fed will encourage investors to take on too much risk. The high demand for low-quality corporate bonds (graph 4) seems to reflect such yield-grabbing. This type of behaviour was one of the main causes of the 2007–2008 financial crisis. Fed Governor Jeremy C. Stein recently identified several signs that the credit market was beginning to overheat and outlined some situations in which monetary policy might have to be adjusted to ensure financial stability.

Graph 4 – Investors accept lower returns on risky bonds than they did before the latest financial crisis



Sources: Datastream and Desjardins, Economic Studies

SOONER QE3 ADJUSTMENT IS POSSIBLE, IF ECONOMIC DATA IS FAVOURABLE

With its open-ended quantitative policy, the Fed is currently in unfamiliar territory. In our opinion, it is reassuring to see Fed leaders contemplating the ultimate consequences of their actions. We can, however, understand the markets' negative reaction, as they always seem to want a more interventionist Fed.

In the short term, everything suggests that QE3 will continue without any major changes as long as the U.S. economic situation remains fragile. Ben Bernanke just reaffirmed this position before Congress. However, ongoing discussions largely reduce the chance that the Fed will more formally commit to pursuing QE3 for a considerable period. The Fed could also have to change its statement to develop wording on the continuation of QE3 that is acceptable for nearly all of its voting members.

While we still expect QE3 to continue throughout 2013, the Fed's recent discussions open the door to a gradual tapering of purchases as the economic outlook improves. In this context, we can expect stock and bond markets to continue to react strongly to the release of U.S. economic data, as well as to remarks from Fed leaders.

OTHER CENTRAL BANKS HAVE PROBLEMS OF THEIR OWN

The situation seems to have become more complex for other central banks as well. The arrival of a new governor and the yen's collapse could influence the Bank of Japan's decisions. In the euro zone, lower inflation and the euro's strength could justify another key rate cut, and the results of Italy's election open the door to new financial strains[2]. Bank of England policymakers seem divided, as three of the committee's nine members, including Governor King, voted for new quantitative purchases, despite the fact that everything indicates that inflation will remain well above the 2% target. Lastly, worrisome economic data in Canada could convince the Bank of Canada to withdraw all mentions of a rate hike from its statement.

François Dupuis
Vice-President and Chief Economist

Mathieu D'Anjou, CFA
Senior Economist

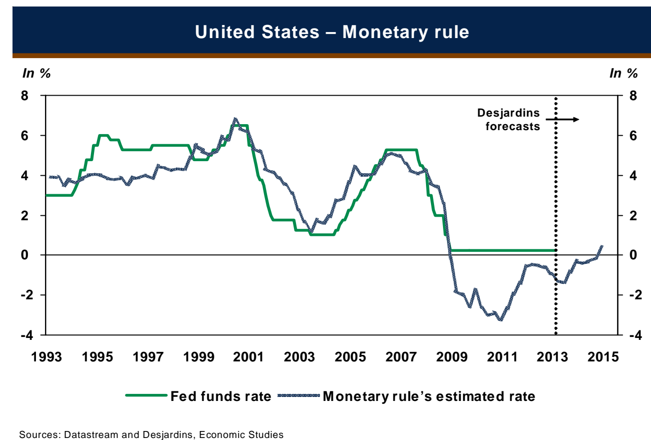
[2] For further information, see *Economic News*, "Euro zone: Could the European Central Bank support Italian bonds?", February 28, 2013, www.desjardins.com/en/a_propos/etudes_economiques/actualites/nouvelles_economiques/nf130228.pdf.

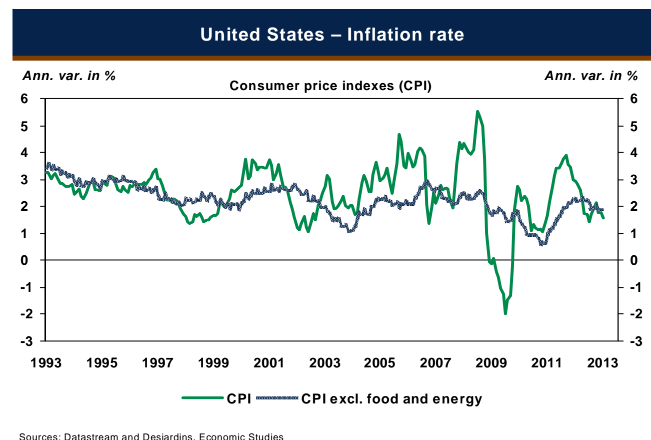
FEDERAL RESERVE

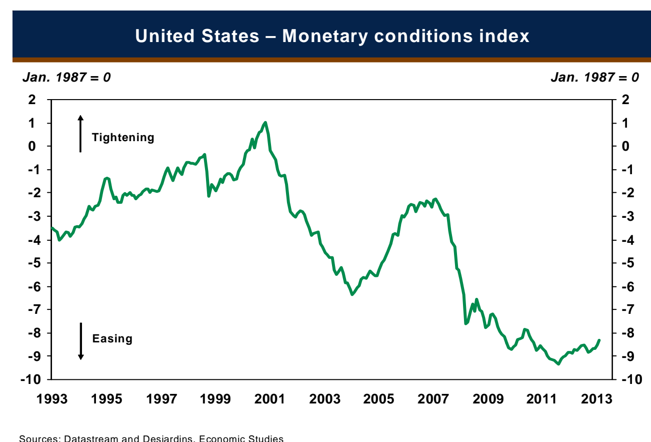
The economic situation does not point to policy change

- For now, the economic situation backs Federal Reserve (Fed) leaders' recent decisions. Weak economic growth in the fourth quarter of 2012, even though revisions took the real GDP into positive territory, and January's rise by the jobless rate emphasize the unsatisfactory aspects of the current cycle. Rather than reaching the levels predicted by the Fed, economic indicators lost ground!
- Despite these blows, economic activity and the job market are still expected to become more solidly entrenched in their uptrends. The pace of growth that should be seen, however, should not prompt most members of the monetary policy committee to diverge from the policies adopted last December. Though, for now, consumption seems to have stood up well to the partial fiscal cliff, thanks to dissavings in January, how robust the household situation will be throughout the winter remains to be seen. Several major retailers worry that February sales may be rather weak, as Americans begin to feel the effect of tax hikes on their income. What's more, gas prices increased considerably in recent weeks, nearing the peaks reached in 2011 and 2012. Finally, political debates about the federal government's budget situation continue, fuelling uncertainties. Fed leaders must prudently assess all of these elements, which could hinder growth.
- The situation is rather calm for inflation, aside from the rise in gas prices that should begin to affect the monthly results for the consumer price index as of February. The inflation rate was only 1.6% in January. For the third month in a row, core inflation, which excludes food and energy, was at 1.9% in January. This price stability, combined with yearly growth by wages of almost 2.0% as well, leaves the Fed a lot of wiggle room in pursuing its second monetary policy objective, fighting unemployment. The jobless rate should go from 7.9% in January to 7.5% in December 2013, well above the 6.5% cited by the Fed as a condition for beginning to raise rates.

Forecasts: Securities purchases should hold at US$85B per month until the end of 2013, but some gradual easing of this policy is plausible in the fall if the economy shows further signs of strength in the second half of 2013. We do not expect the Fed funds rates to go up before mid-2015.







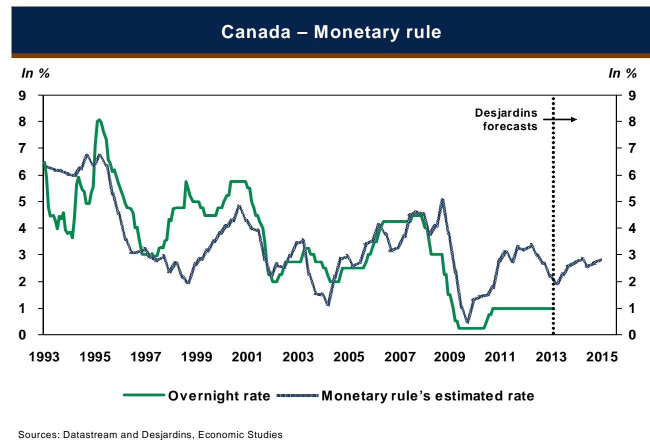
BANK OF CANADA

Further softening of the Bank of Canada's remarks?

- The weakness in the Canadian economy noted last summer persisted into the fall. The results published to date suggest that the final quarter of 2012 could finish with growth of around 0.6%.
- Economic growth should remain fairly subdued over the coming months, as several negative factors will be in the picture. The fiscal issue in the United States could, in early 2013, have temporary consequences for Canada's international merchandise trade, which is already affected by weak global demand. The fight to balance federal and provincial budgets will continue to curb growth by public spending. What's more, the slowdown by the real estate market is materializing. Housing starts have fallen substantially in the last few months.
- According to our projections, the negative output gap may not close until the second half of 2015. This is a much more unfavourable forecast than the Bank of Canada's (BoC), which predicts that the Canadian economy will return to full capacity in the second half of 2014.
- The annual inflation rate has slowly declined in recent months, going to just 0.5% in January 2013. While some one-off factors steepened inflation's slowdown over the last few months, we must note that the weakness in inflation is a fairly widespread phenomenon due to the Canadian economy's excess output capacity. The annual change in the core index has also dropped in recent months, going to just 1.0% in January 2013.
- However, everything suggests that total inflation has reached its cyclical low and that February could bring some stabilization or even an increase. Weekly surveys of prices at the pump show an average increase of 7.4% in gas prices for the first three weeks of February. This component alone should produce a 0.4% rise in the CPI. All in all, the annual change in the total consumer price index could remain below the lower target (1%) until the spring, then stay between 1% and 2% for much of 2013.

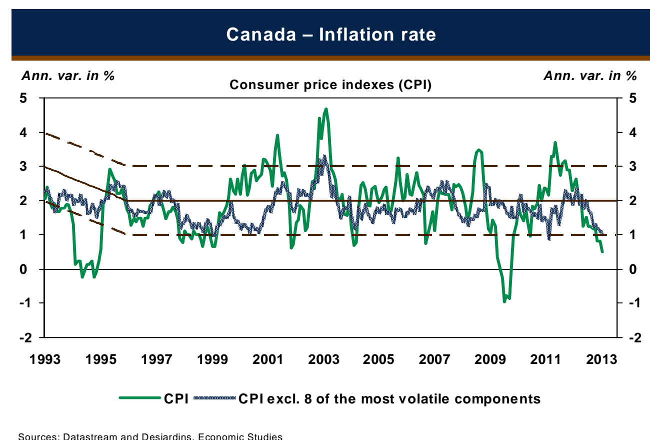
Forecasts: The outlook for economic growth remains modest for the coming quarters, and inflation will remain very weak. Under these conditions, the target for the overnight rate could stay where it is until at least the third quarter of 2014. Monetary authorities could therefore be tempted to further soften their stance by dropping their remark on eventual key interest rate increases.

Canada – Monetary rule



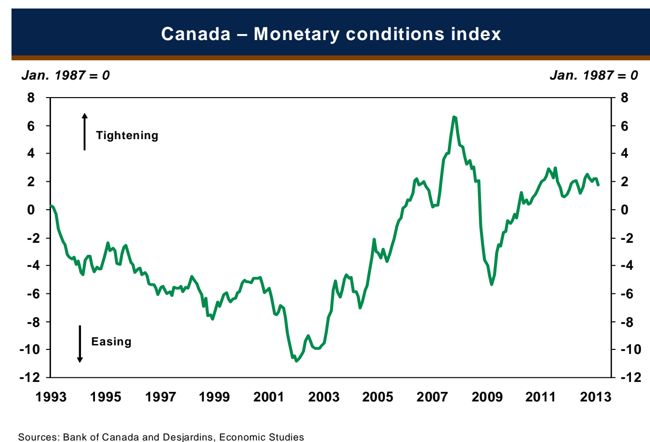
Sources: Datastream and Desjardins, Economic Studies

Canada – Inflation rate



Sources: Datastream and Desjardins, Economic Studies

Canada – Monetary conditions index



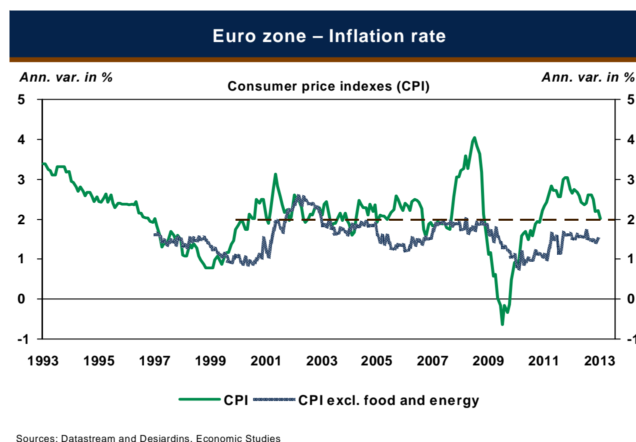
Sources: Bank of Canada and Desjardins, Economic Studies

OVERSEAS CENTRAL BANK

Towards more intervention in Europe

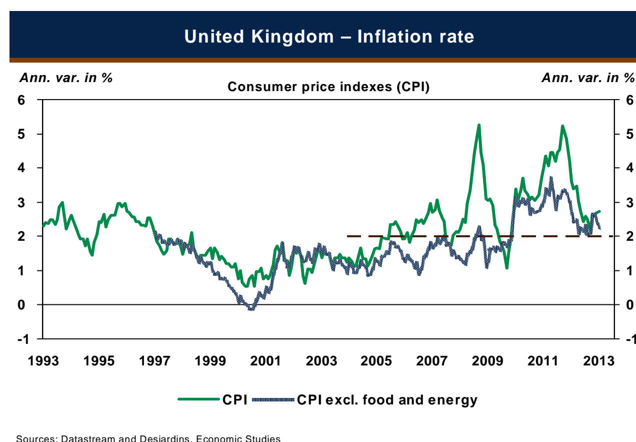
EUROPEAN CENTRAL BANK (ECB)

- According to the ECB, the economy should gradually recover later in the year, though the risks are still tilted to the downside. For inflation, risks remain balanced overall. After the euro's appreciation at the beginning of the year, the ECB mentioned that its inflation forecasts could be affected to the downside, intimating that it could take action. Nevertheless, the common currency corrected in February, and the focus on this aspect should decline. On the other hand, the lack of a majority in the Italian senate following elections revived financial concerns in the Old World. Additional deterioration could prompt the ECB to modify its stance and open the door to interest rate cuts or other support measures.



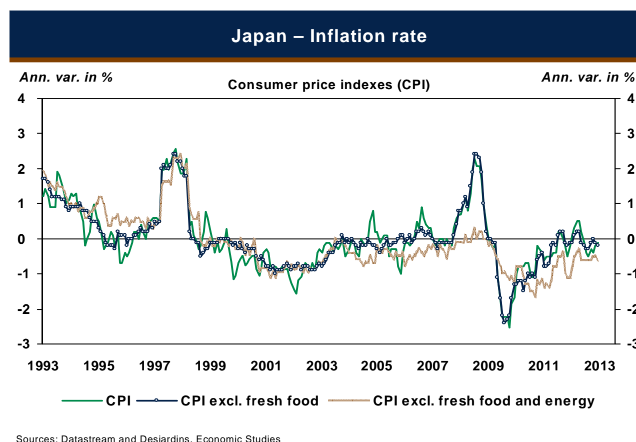
BANK OF ENGLAND (BoE)

- Chances that the BoE will reactivate its bond purchasing program seem to be growing. The minutes from the latest monetary policy committee meeting showed that three of the nine members voted in favour of increasing asset holdings by £25B. Governor Mervyn King was one of them. The economic situation should improve somewhat for the United Kingdom in 2013, but the BoE believes that the risks are tilted to the downside. However, inflation forecasts were revised upwards, and a return to the target is only expected to occur two years from now. The pound's depreciation is one of the factors that pushed the BoE to revise its forecasts, and the pound has continued to depreciate since then. Although the BoE acknowledges that it wants to remain flexible on reaching its inflation target in the short term, downside risks will have to materialize to convince it to take further action. A resurgence of financial strains in the euro zone could be enough.



BANK OF JAPAN (BoJ)

- After a series of announcements in December and January, including raising the inflation target to 2%, the BoJ opted for the status quo following its monetary policy meeting on February 14. Expectations remain high for further stimulus, however. The economic situation is still very worrisome in Japan, and the annual change in consumer prices is struggling to settle into positive territory. On the other hand, the yen's sharp depreciation will offer new support to exporters. The BoJ could still remain on the sidelines during its March 7 meeting. It will be the last meeting chaired by Governor Masaaki Shirakawa, who will officially step down on March 19. He should be replaced by Haruhiko Kuroda, President of the Asian Development Bank, who seems to be in favour of further stimulus measures.



BOND MARKET

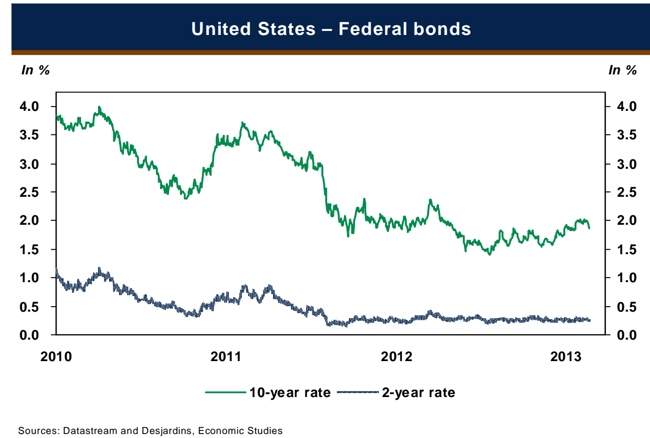
Unsurprising return of volatility

U.S. FEDERAL BONDS

- Unsurprisingly U.S. bond yields had a somewhat harder time moving higher in February. Stock markets' enthusiasm in January has given way to a bit more realism about the macroeconomic dynamic, consistent with our expectations. Although the U.S. 10-year yield sometimes managed to stay above 2% for a few sessions, a number of episodes brought it below that level.
- We expect yields to trend down in March, ending the quarter at 1.85%. Hopes of an agreement to prevent the automatic spending cuts from coming into effect are low and, with a potential shutdown of U.S. government operations just a few weeks away, safe havens should be favoured by investors. On the other hand, while January's economic figures (released in February) were not as alarming as expected, they were still weak, while some indexes, such as low weekly sales at chain stores and rising gasoline prices, point towards softer discretionary consumption in February. If the figures released in March confirm these first signs, there would be few elements in favour of less accommodative monetary policy on the horizon, a situation that would imply little upside pressure on yields in the near term.
- Also of note, February saw several brief risk-off episodes following events in Europe. U.S. bonds benefited from these episodes, even though they were not of the same scope as risk-off events of 2011 and 2012. That said, this is a reminder that Europe's dynamic is still very much relevant for the bond market. As a whole, the orientation of risks in the United States and globally will favour securities deemed less risky for some time.

Forecasts: Our scenario for bonds remains unchanged for the short term. Our prediction of a drop in yields (especially for long-term yields) in the coming weeks implies some flattening of the 5/10 curve, to around 105 basis points. The year-end target for the 10-year yield is nonetheless increased to 2.15%. While austerity measures will substantially hinder U.S. growth, it seems that a major shock will be avoided, and our upwardly revised forecast reflects a gradual drop in uncertainty coming out of Washington. We cannot rule out the risk of a premature end to, or drop in size of monthly bond purchases by the Federal Reserve, but the effect on yields could be benign if job market dynamics continue to point towards a far-off first rate hike.

United States – Federal bonds

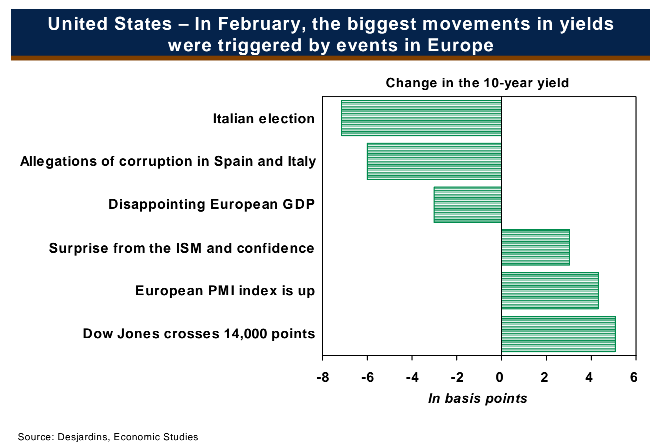


Sources: Datastream and Desjardins, Economic Studies

United States – Slope between the 10 and 2 years maturities

Sources: Datastream and Desjardins, Economic Studies

United States – In February, the biggest movements in yields were triggered by events in Europe



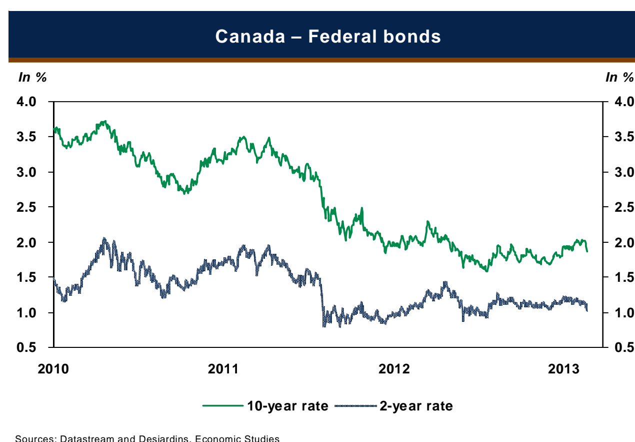
Source: Desjardins, Economic Studies

CANADIAN FEDERAL BONDS

- Canadian short-term bonds continue to post impressive performance on the curve, as economic indicators for December paint a picture of widespread economic weakness. The 2/10 curve has steepened by nearly 20 basis points since the beginning of the year. Even if some of this rise comes from increases to long-term yields (bear steepening), the fact remains that 2-year yields pulled back by about 15 basis points in February. As a whole, Canadian bonds continue to perform well against U.S. bonds. The spread between the 5-year yields fell below 60 basis points, its lowest level since July 2012. The spread for 10-year yields is now holding below zero.
- Confronted with an economy that is unmistakably experiencing difficulties, we can expect the Bank of Canada (BoC) to moderate its tone somewhat, among other things by dropping the forward guidance from its statement. Unfavourable developments outside the country have recently caused investors to price in a slight chance of rate cuts in 2013. We continue to believe that a rate cut is part of a very negative risk scenario, but it is not unusual for a slight probability to be priced in during episodes of risk aversion, like that seen at the end of February. Nevertheless, unless some downside risks materialize, it is our opinion that the BoC will most likely stay on the sidelines longer than expected (our current scenario calls for a first increase in mid-2014), without ordering rate cuts. Its monetary policy is already very accommodative, and in a context of high debt loads, the BoC could be reluctant to ease further, unless a major global shock occurs.
- In March, keep an eye on the Canadian economic data being released for the month of January. After a worrisome December, investors will want to be reassured about a rapid economic rebound. If the situation deteriorates further, markets could nonetheless be hesitant to raise their expectations for rate cuts, for the reasons mentioned above. On the other hand, there is a strong chance that they would factor in a later rate increase, which would reinforce flattening in the very short end of the Canadian curve.

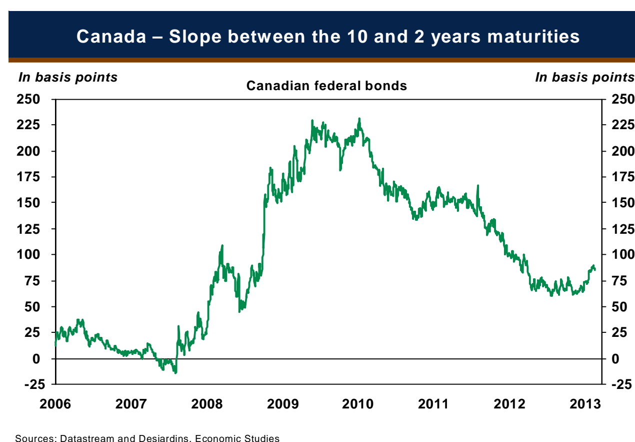
Forecasts: Similar to our U.S. scenario, we are revising our scenario for 10-year yields slightly upwards for the second half of the year. Our target for the end of the year stands at 2.20%. We also expect the spread between Canadian and U.S. 10-year yields to flip back to positive territory, as U.S. bonds are seen outperforming in the coming weeks, as the backdrop could be more conducive to risk aversion.

Canada – Federal bonds



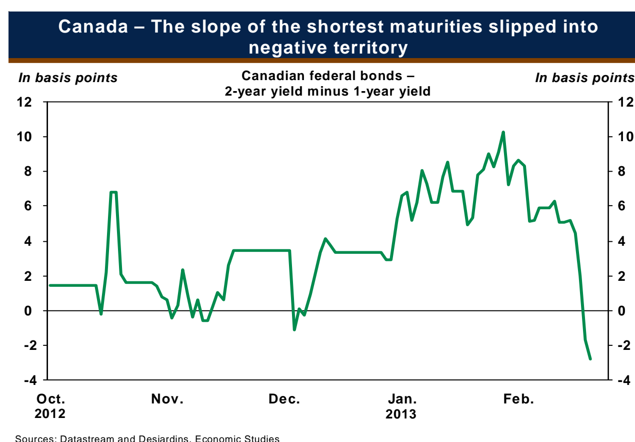
Sources: Datastream and Desjardins, Economic Studies

Canada – Slope between the 10 and 2 years maturities



Sources: Datastream and Desjardins, Economic Studies

Canada – The slope of the shortest maturities slipped into negative territory



Sources: Datastream and Desjardins, Economic Studies

Table 1
Key interest rates

End of period in %	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1f	2013 Q2f	2013 Q3f	2013 Q4f	2014 Q1f	2014 Q2f	2014 Q3f	2014 Q4f
United States												
Federal funds	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Canada												
Overnight funds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50
Euro zone												
Refinancing rate	1.00	1.00	0.75	0.75	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50
United Kingdom												
Base rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Japan												
Overnight funds	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10

f: forecasts
Sources: Datastream and Desjardins, Economic Studies

Table 2
Schedule and key rates

Date	Central Bank	Decision	Rate
November 2012			
28	Bank of Brazil	s.q.	7.25
30	Bank of Mexico	s.q.	4.50
December 2012			
3	Reserve Bank of Australia	-25 b.p.	3.00
4	Bank of Canada	s.q.	1.00
5	Reserve Bank of New Zealand	s.q.	2.50
6	European Central Bank	s.q.	0.75
6	Bank of England	s.q.	0.50
12	Federal Reserve	s.q.	0.00 / 0.25
13	Swiss National Bank	s.q.	0.00
18	Bank of Sweden	-25 b.p.	1.00
19	Bank of Norway	s.q.	1.50
19	Bank of Japan	s.q.	0.10
January 2013			
10	European Central Bank	s.q.	0.75
10	Bank of England	s.q.	0.50
16	Bank of Brazil	s.q.	7.25
18	Bank of Mexico	s.q.	4.50
21	Bank of Japan	s.q.	0.10
23	Bank of Canada	s.q.	1.00
30	Reserve Bank of New Zealand	s.q.	2.50
30	Federal Reserve	s.q.	0.00 / 0.25
February 2013			
4	Reserve Bank of Australia	s.q.	3.00
7	European Central Bank	s.q.	0.75
7	Bank of England	s.q.	0.50
13	Bank of Sweden	s.q.	1.00
13	Bank of Japan	s.q.	0.10

s.q.: status quo; b.p. : basis points
Source: Desjardins, Economic Studies

Table 3
Coming soon

Date	Central Bank
March 2013	
4	Reserve Bank of Australia
6	Bank of Brazil
6	Bank of Canada
6	Bank of Japan
7	European Central Bank
7	Bank of England
8	Bank of Mexico
13	Reserve Bank of New Zealand
14	Bank of Norway
14	Swiss National Bank
20	Federal Reserve
April 2013	
1	Reserve Bank of Australia
3	Bank of Japan
4	European Central Bank
4	Bank of England
17	Bank of Sweden
17	Bank of Brazil
17	Bank of Canada
23	Reserve Bank of New Zealand
26	Bank of Japan
26	Bank of Mexico
May 2013	
1	Federal Reserve
2	European Central Bank
7	Reserve Bank of Australia
8	Bank of Norway
9	Bank of England
21	Bank of Japan

Source: Desjardins, Economic Studies

Table 4
United States: fixed income market

End of period in %	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1f	2013 Q2f	2013 Q3f	2013 Q4f	2014 Q1f	2014 Q2f	2014 Q3f	2014 Q4f
Key rate												
Federal funds	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Treasury bills												
3-month	0.07	0.09	0.10	0.05	0.10	0.10	0.10	0.15	0.15	0.20	0.20	0.25
Federal bonds												
2-year	0.35	0.32	0.24	0.24	0.25	0.25	0.30	0.35	0.40	0.45	0.45	0.50
5-year	1.03	0.72	0.61	0.70	0.80	0.75	0.85	1.05	1.20	1.25	1.30	1.45
10-year	2.22	1.66	1.64	1.75	1.85	1.80	1.95	2.15	2.25	2.30	2.35	2.50
30-year	3.35	2.77	2.83	2.94	3.00	2.90	3.05	3.25	3.35	3.45	3.50	3.65
Yield curve												
5-year - 3-month	0.96	0.63	0.51	0.65	0.70	0.65	0.75	0.90	1.05	1.05	1.10	1.20
10-year - 2-year	1.87	1.34	1.40	1.51	1.60	1.55	1.65	1.80	1.85	1.85	1.90	2.00
30-year - 3-month	3.28	2.68	2.73	2.89	2.90	2.80	2.95	3.10	3.20	3.25	3.30	3.40

f: forecasts
Sources: Datastream and Desjardins, Economic Studies

Table 5
Canada: fixed income market

End of period in %	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1f	2013 Q2f	2013 Q3f	2013 Q4f	2014 Q1f	2014 Q2f	2014 Q3f	2014 Q4f
Key rate												
Overnight funds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50
Treasury bills												
3-month	0.92	0.88	0.97	0.92	0.90	0.95	1.00	1.00	1.00	1.20	1.50	1.50
Federal bonds												
2-year	1.20	1.03	1.07	1.14	1.05	1.05	1.15	1.25	1.40	1.60	1.75	1.85
5-year	1.57	1.25	1.27	1.36	1.40	1.40	1.50	1.70	1.95	2.05	2.15	2.30
10-year	2.11	1.74	1.73	1.80	1.90	1.90	2.00	2.20	2.35	2.45	2.50	2.65
30-year	2.66	2.33	2.32	2.37	2.50	2.45	2.60	2.80	2.90	3.05	3.10	3.25
Yield curve												
5-year - 3-month	0.65	0.37	0.30	0.44	0.50	0.45	0.50	0.70	0.95	0.85	0.65	0.80
10-year - 2-year	0.91	0.71	0.66	0.66	0.85	0.85	0.85	0.95	0.95	0.85	0.75	0.80
30-year - 3-month	1.74	1.45	1.35	1.45	1.60	1.50	1.60	1.80	1.90	1.85	1.60	1.75
Spreads (Canada - U.S.)												
3-month	0.85	0.79	0.87	0.87	0.80	0.85	0.90	0.85	0.85	1.00	1.30	1.25
2-year	0.85	0.72	0.83	0.90	0.80	0.80	0.85	0.90	1.00	1.15	1.30	1.35
5-year	0.54	0.53	0.66	0.66	0.60	0.65	0.65	0.65	0.75	0.80	0.85	0.85
10-year	-0.11	0.08	0.09	0.05	0.05	0.10	0.05	0.05	0.10	0.15	0.15	0.15
30-year	-0.69	-0.44	-0.51	-0.57	-0.50	-0.45	-0.45	-0.45	-0.45	-0.40	-0.40	-0.40

f: forecasts
Sources: Datastream and Desjardins, Economic Studies