The Yield Curve

Desjardins Economic Studies
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The Federal Reserve confirms that we should gradually get ready for monetary firming

HIGHLIGHTS

- As predicted, bond purchases were reduced once again in March. However, it was the view that the Federal Reserve (Fed) was taking a more hawkish stance that got the markets' attention.
- Although it was not very well understood, the Fed's main message in March was that the situation was unfolding as projected and the outlook for the economy and interest rates had not changed significantly.
- Yet this does not make a rise in bond yields unjustified. If the situation keeps proceeding as forecast, the Fed will start to raise the target for the federal funds rate at some point in 2015. In this context, it is hard to justify bond yields as low as they have been since the start of 2014.
- Economic figures could force the Bank of Canada (BoC) to change its stance in the near future. Inflation's trend has clearly accelerated in the last few months. Everything suggests that the inflation rate will close back in on the 2% target much faster than the BoC had projected. The first hike to the target for the overnight rate is still expected in fall 2015.

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Editorial

In general, North American bond yields moved with no clear trend from mid-February to mid-March, obscuring two contrary market forces. The release of reassuring economic figures in the United States seemed to confirm that the weather was largely responsible for the slump early in this year. Bad for the bond market, this development was, however, offset by the escalating conflict in Ukraine and growing concern over China's economy.

The bond market's relative stability ended with the March 19 Federal Reserve (Fed) meeting, the first with Janet Yellen at the helm. As predicted, bond purchases were reduced once again. However, it was the view that U.S. monetary authorities were taking a more hawkish stance that got the markets' attention.

JOBLESS RATE THRESHOLD DROPPED

A few important messages emanated from the Fed's March 19 meeting. Firstly, it is clear that the U.S. economy's troubles in early 2014 did not affect Fed leaders' cautious optimism. In this context, everything suggests that the Fed will keep tapering its bond purchases at future meetings unless the economic outlook deteriorates sharply.

The major question is when the Fed could start to raise the target for the federal funds rate. Here, March's statement featured a few changes. To begin with, the Fed dropped its pledge not to tighten its monetary policy as long as the jobless rate stayed above 6.5%. This indicator no longer meant much, as the threshold could be reached within a few months.

Rather than instituting new thresholds to reach prior to raising the target for the federal funds rate, the Fed opted to signal that its decision would be based on a number of economic indicators. As the Bank of England did several months ago, the Fed turned its back on quantitative forward guidance

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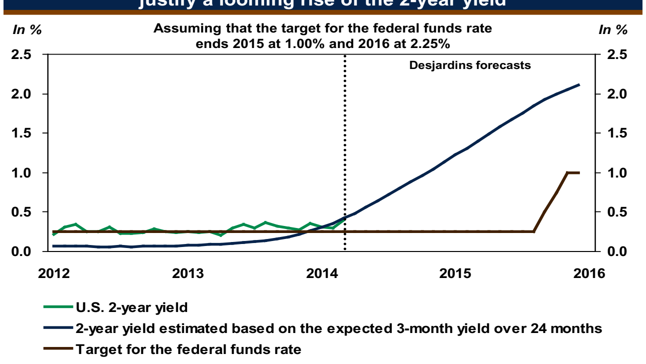
and is returning to a much more traditional monetary policy framework. We can only salute the decision. The Fed also specified that it still expected considerable time to elapse between the end of its third quantitative program and a key rate increase. At the press conference, Janet Yellen declared that a considerable period could represent about six months, a statement that seemed to open the door to key rate increases in spring 2015. This, combined with the fact that Fed leaders' key rate expectations suggested slightly faster monetary firming than they did last December, gave investors the impression that the Fed had abruptly become more hawkish.

NOTHING HAS REALLY CHANGED, BUT ...

It is quite erroneous to think that Janet Yellen's arrival has totally transformed the Fed. Its main concern remains employment and the Fed will continue to provide economic stimulus until at least next fall, by acquiring bonds. It is completely normal, however, to slowly return to more conventional monetary policy as the economy continues to recover. Although it was not very well understood, the Fed's main message in March was that the situation was unfolding as projected and the outlook for the economy and interest rates had not changed significantly.

Yet this does not make a rise in bond yields unjustified. If the situation keeps proceeding as forecast, the Fed will start to raise the target for the federal funds rate at some point in 2015. In this context, it is hard to justify bond yields as low as they have been since the start of 2014; we can expect yields to rise slowly as the months go by. Assuming that the 2-year yield equals the 3-month yield expected for the next 24 months, it is clear that the U.S. 2-year yield cannot stay around 30 basis points any longer and should be over 100 points at the end of 2014 (graph 1).

Graph 1 – An increase in the federal funds rate in 2015 would justify a looming rise of the 2-year yield

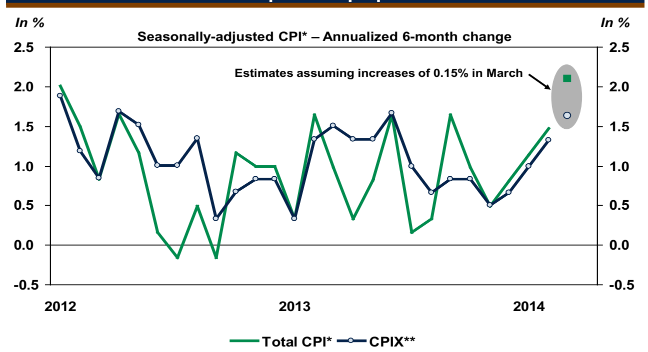


Sources: Datastream and Desjardins, Economic Studies

KEEPING AN EYE ON THE BANK OF CANADA, TOO

The view that the Fed is becoming more hawkish while the governor of the Bank of Canada (BoC) is making a lot of dovish remarks continued to help the Canadian bond market and put substantial downside pressure on the loonie. We could see some reversal of theses trends shortly. On one hand, we find that the market tends to overreact to some of Stephen Poloz's remarks. It was completely normal, for example, for him to say recently that he could not rule out a key rate cut. More fundamentally, economic figures could force the BoC to change its stance in the near future. Not only was economic growth stronger at the end of 2013, but upside revisions to previous quarters may have triggered some closing of the Canadian economy's output gap. What's more, although the inflation rate fell in February, the trend has clearly accelerated in the last few months (graph 2). Everything suggests that the inflation rate will close back in on the 2% target much faster than the BoC had projected.

Graph 2 – After sagging at the end of 2013, Canada inflation's trend has picked up speed



* Consumer price index; ** Bank of Canada's core index.
Sources: Statistics Canada and Desjardins, Economic Studies

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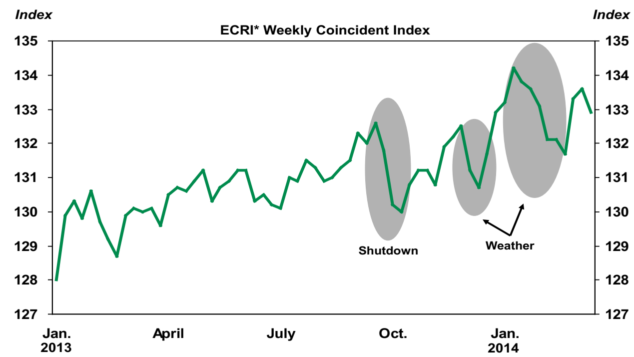
FEDERAL RESERVE

Is the Federal Reserve actually in more of a rush?

- Expectations were modest for the first Federal Reserve (Fed) monetary policy committee meeting chaired by Janet Yellen. Tapering was predicted to continue at the same pace as in December and January. At most, some tweaking of the statement was anticipated, particularly regarding the forward guidance which, since December 2012, had been based on specific thresholds for the unemployment and inflation rates.
- However, the meeting and particularly the press conference with Janet Yellen that followed threw the markets for a loop, against the backdrop of a paradox. On one hand, the statement is still fairly dovish: economic growth has slowed since the start of the year (primarily because of the weather) (graph 3) and the Fed dropped the numeric thresholds it had previously used in its forward guidance in favour of a vaguer context, which provided the Fed with more leeway; the statement also reiterated that key rates would stay where they were for a "considerable time" after the purchasing program wound up. On the other hand, Janet Yellen was a little more hawkish than anticipated: at the press conference, she provided her reading of what a "considerable time" was, remarking that the expression "probably means something on the order of around six months", a shorter period than expected. Also, the key rate outlooks provided by committee members were raised from December's. The median is now 1.00% at the end of 2015 and 2.25% at the end of 2016, or additional 25-basis-point increases in 2015 and in 2016 (graph 4).
- Will the economic situation match these projections? The Fed's forecasts for annual real GDP growth and inflation have not shifted much. The expectations for the unemployment rate have been lowered, but mainly to bring them into line with where the rate has been in recent months, as it was dragged down by a lower labour force participation rate. These economic forecasts are fairly consistent with ours (graph 5), as is the trajectory laid out by the median for key rate forecasts. It is now up to the economy to bear out the forecasts and quickly bounce back from the setbacks generated by the harsh winter.

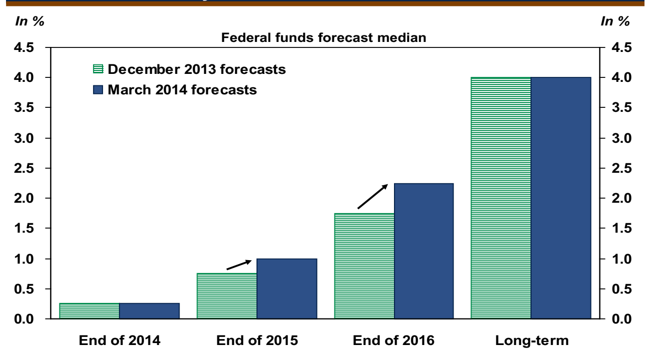
Forecasts: The Fed should maintain the pace of its tapering, i.e. cutting US$10B from its purchasing program at every meeting until the program winds up in the fall of 2014. For key rates, we do not expect an increase before September 2015, a little further in the future than the 6-month period expressed by the Fed Chair.

Graph 3 – Coincident indicators fell early this year in the United States



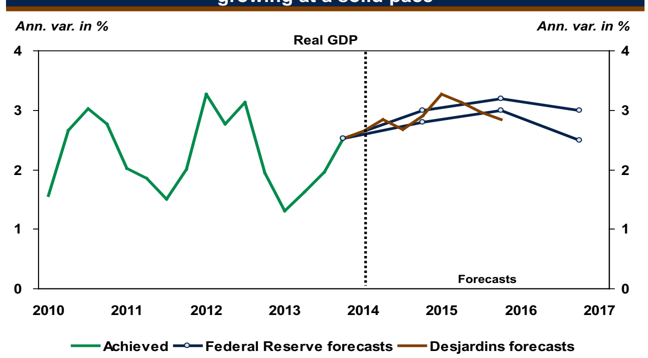
* Economic Cycle Research institute
Sources: Economic Cycle Research institute and Desjardins, Economic Studies

Graph 4 – The Federal Reserve is expecting a few additional key rate hikes in 2015 and 2016



Sources: Federal Reserve Board and Desjardins, Economic Studies

Graph 5 – The Federal Reserve expects the economy continue growing at a solid pace



Sources: Bureau of Economic Analysis, Federal Reserve Board and Desjardins, Economic Studies

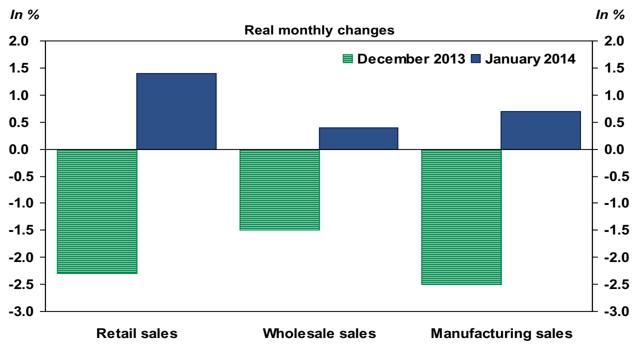
BANK OF CANADA

Fears about overly weak inflation are dissipating

- Canada's economy was faced with major difficulties in December, primarily due to harsh weather conditions in some parts of the country. Real GDP by industry retreated 0.5% that month.
- In early 2014, however, the economic results show activity on the rebound, although the various indicators' gains in January only recouped some of the ground lost in December (graph 6). Does the lag simply reflect the weather troubles that also plagued the United States all winter, or is it symptomatic of deeper problems in the Canadian economy? The answer will come from the results over the next few months. For now, our scenario still assumes that the current problems can essentially be chalked up to the weather disturbances. However, we must admit that uncertainty is running quite high.
- Although temporary, the problems will have repercussions for Canadian economic growth in early 2014. In his speech on March 18, the Bank of Canada's governor also noted that "recent data suggest that the first quarter will be on the soft side." Canada's real GDP growth could be around 2% in Q1 2014, whereas it had been hovering just below the 3% mark since mid-2013. That said, the economy should pick up speed after that, when the spin-offs of faster export growth have a greater impact.
- The output gap is still expected to close by the end of 2015 (graph 7). Surplus production capacity will therefore continue to rein in price growth in the coming months.
- On the other hand, the fears about overly weak inflation have largely eased. The total annual inflation rate of course fell from 1.5% in January to 1.1% in February, but this decline stems from the fact that February 2013's monthly surge has dropped out of the equation. The total CPI's annual change should rise to around 1.5% as of next month, and could even close in on the midpoint target (2.0%) when April's results are released (graph 8).

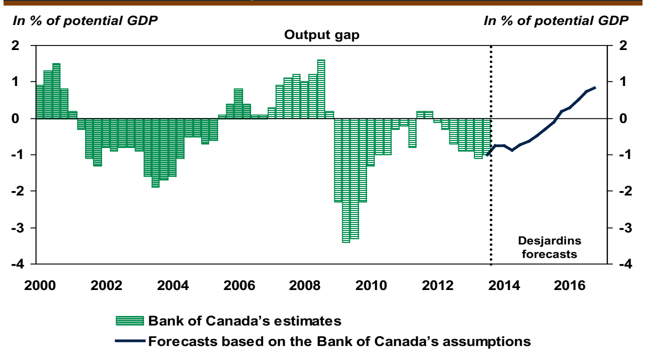
Forecasts: Although inflation concerns have dwindled, uncertainty about Canada's economic outlook remains high. Under these conditions, monetary authorities will wait a few more quarters before raising key interest rates. The first hike to the target for the overnight rate is still expected in fall 2015.

Graph 6 – January indicator's rebounds only recouped some of December's losses in Canada



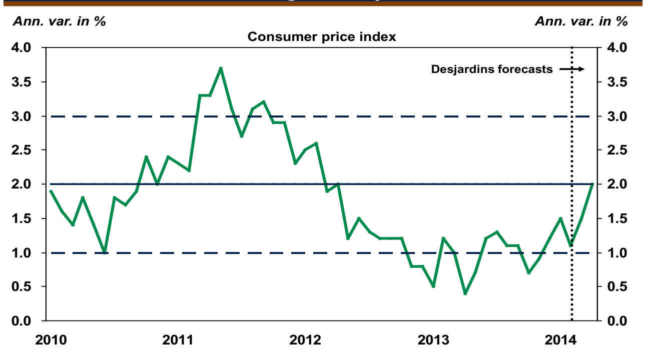
Sources: Statistics Canada and Desjardins, Economic Studies

Graph 7 – Canada's economy should reach full capacity by the end of 2015



Sources: Bank of Canada, Statistics Canada and Desjardins, Economic Studies

Graph 8 – Total inflation could close in on the midpoint target shortly



Sources: Statistics Canada and Desjardins, Economic Studies

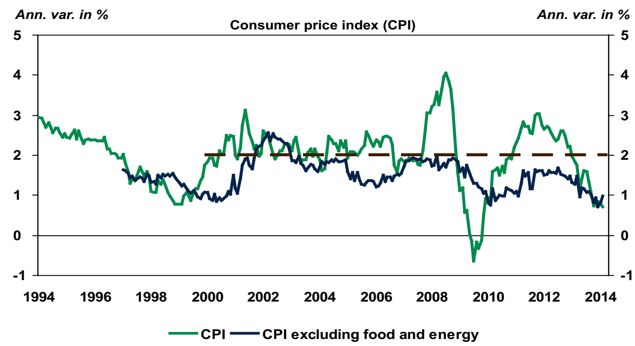
OVERSEAS CENTRAL BANK

European Central Bank still playing hard to get

EUROPEAN CENTRAL BANK (ECB)

- The ECB continued the status quo in March, despite the lower inflation outlook for 2014, along with the fact that it is not expected to get back on target before the end of 2016. Yet, in February, Mario Draghi had stated that a key rate cut could be justified if inflation projections were trimmed. The latest euro zone figures released signal that the economy continues to recover, something that seems to have sufficiently reassured the ECB.
- Although the recovery persists, it remains modest. The downside risks to the ECB's economic scenario also continue to dominate. The slightest shock could therefore justify intervention, but the euro's movement could also be critical. Among other things, the ECB's inflation outlook is based on the assumption of a stable exchange rate. A rise by the euro would reduce inflation even further and, in fact, the euro edged up again in March.

Graph 9 – Inflation rate in the euro zone

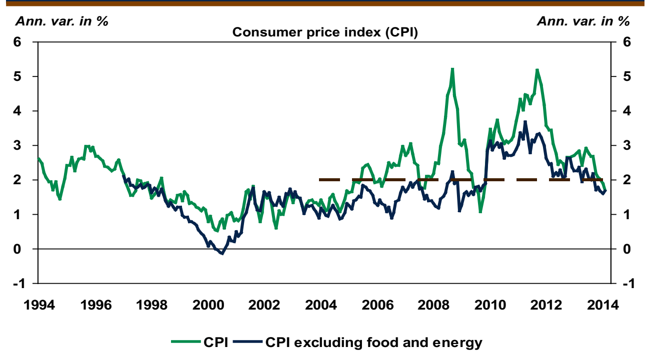


Sources: Datastream and Desjardins, Economic Studies

BANK OF ENGLAND (BoE)

- The economic numbers remain good in the United Kingdom, with faster business investment of particular reassurance. The BoE is moving away from monetary policy that is steered by the jobless rate, returning to a more conventional policy that is based on an assessment of the economy's excess capacities and inflationary pressures. Inflation has fallen lately, but is expected to rise this year. The market's monetary firming expectations have moved up in tandem with the improving economy. The BoE is likely to be the first major central bank to announce interest rate increases, which will be very gradual, however. We anticipate a 25-basis-point increase per quarter as of spring 2015.

Graph 10 – Inflation rate in the United Kingdom

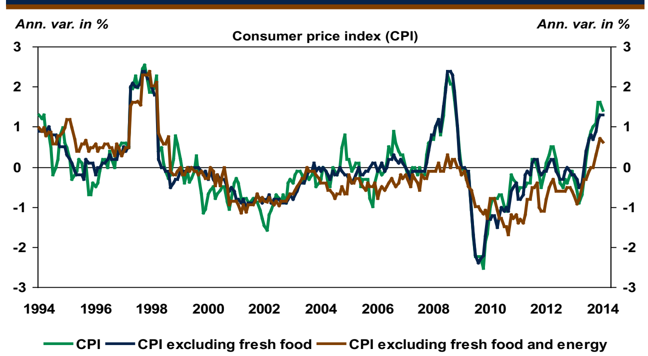


Sources: Datastream and Desjardins, Economic Studies

BANK OF JAPAN (BoJ)

- For Japan's economy, the primary near-term challenge is the sales tax increase from 5% to 8% in April. The change in tax could stimulate consumer spending in the first quarter, but a pullback is expected afterwards. What remains to be seen is whether the Japanese economy's general trend manages to stay the course. The slowdown noted in the second half of 2013 is fairly worrisome, although the upswing in business investment seems better anchored. The sales tax increase will temporarily boost inflation, something the BoJ will take into consideration in assessing where inflation stands in relation to its target. Further stimulus will likely be needed to reach the 2% target on a lasting basis over the medium run.

Graph 11 – Inflation rate in Japan



Sources: Datastream and Desjardins, Economic Studies

BOND MARKET

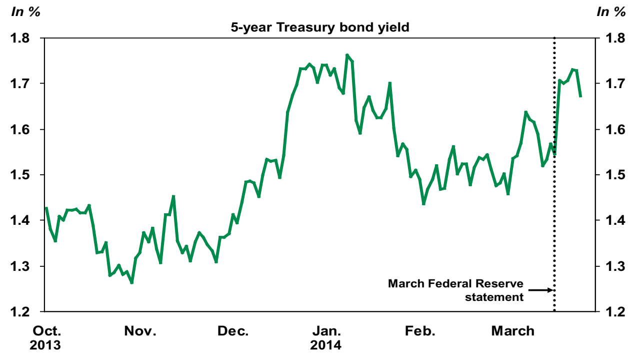
The curve flattens

U.S. FEDERAL BONDS

- The U.S. 10-year yield stayed between 2.6% and 2.8% in March, continuing to show the lack of clear direction that has characterized the markets since February began. Renewed upheaval in Crimea, which resulted in a mid-month referendum, contributed to reverse the upswing in yields seen in early March, which had been triggered by solid job creation figures. Somewhat more encouraging economic numbers and the Federal Reserve's (Fed) optimistic tone on March 19 then prompted another rise, but yields' upward momentum did not last long.
- The bumpy movement in the 10-year sector nonetheless obscures some major flattening by the curve. The Fed's surprise decision to drop numeric targets from its forward guidance had a major impact on the 5-year yield, which touched 1.7% for the first time since the year opened (graph 12). The 5/10 curve flattened spectacularly, even hitting 100 basis points, a low that dates back nearly a year. The case of the 5/30 curve is even more striking: it flattened to less than 190 basis points (graph 13).
- The rapid rise in the 5-year yield is not so much the result of a significant change in expectations as to when the first rate hike will be enacted by the Fed. Federal fund futures' curves do not point to a major deviation from the signal the Fed has been sending for some time now with respect to a first increase around mid-2015; while the two-year yield jumped just under 10 basis points in the sessions that followed the Fed's announcement, it did not return to the heights seen in early September 2013. Rather, it was the change made by Fed officials to the fed funds rate outlook that triggered the response in the belly of the curve. Compared with last December's scenario, monetary policy committee leaders are now expecting an additional 25-basis-point hike in both 2015 and 2016 (graph 14).

Forecasts: Our year-end target for the 10-year yield is now 3.5%, trimmed by 10 basis points from our scenario in early March. The first quarter promises to be a fairly weak one for U.S. growth. Bloomberg's consensus forecast for the quarter dropped from 2.6% in January to 1.8% (annualized). Our scenario calls for 1.6%. In this context, markets will likely want to get a better feel when it comes to the strength of the spring rebound and yields could consequently be slower to rise.

Graph 12 – The 5-year yield jumped sharply after the Federal Reserve's decision

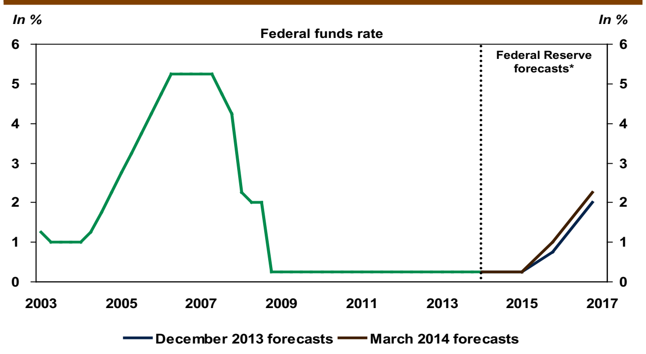


Sources: Bloomberg and Desjardins, Economic Studies

Graph 13 – Spectacular flattening of the U.S. Treasury curve

Sources: Bloomberg and Desjardins, Economic Studies

Graph 14 – The Federal Reserve expects slightly more aggressive tightening



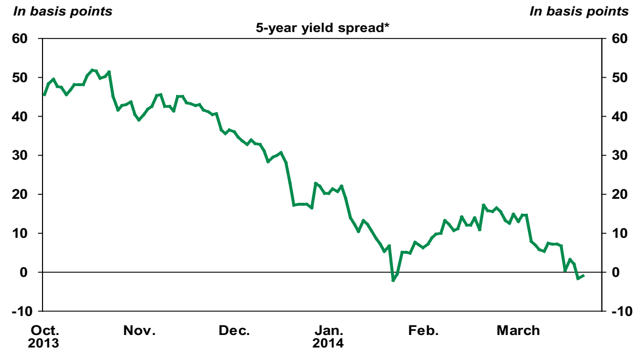
* Median of the 16 individual FOMC member forecasts.
Sources: Federal Reserve and Desjardins, Economic Studies

CANADIAN FEDERAL BONDS

- In February, the few good Canadian economic figures that came in had almost wiped out expectations of rate cuts in Canada and yield spreads had tended to widen. The situation changed somewhat in March; the highlight was further dovish remarks from Governor Stephen Poloz, who said that a rate cut could be contemplated in a pessimistic scenario. He also expressed some reservations about the magnitude of the impact the bad weather has had on U.S. economic performance in recent months.
- Canadian bonds outperformed their U.S. counterparts following his remarks, although we must acknowledge that the Fed's otherwise more optimistic tone played a key role in the movement in yield spreads. The Canadian 5-year yield closed returned to parity with the U.S. yield (graph 15), while spreads in the 2- and 10-year maturities also narrowed. Yields on short maturities did nonetheless move upwards and, as with the U.S. curve, the Canadian curve's slope flattened substantially. The 2/30 curve came back to around 190 basis points, a level not seen since last fall.
- It will be important to keep a close eye on upcoming inflation trends. The last two monthly releases of the consumer price index (CPI) put inflation higher than expected, to the point that the CPI's annual change in Q1 of 2014 could be half a percentage point above the Bank of Canada's (BoC) latest projection. Producer prices are also lively, showing strength that has not been seen in three years (graph 16). In its statement in early March, the BoC stopped indicating that the downside risks to inflation had intensified, and it could put less emphasis on the weight of these risks in upcoming communications. Canadian short-term bonds should have a harder time outperforming U.S. bonds in such scenario. However, the potential for very substantial spread widening remains low, unless an unlikely scenario where the BoC would turn noticeably more hawkish than the Fed, in a manner reminiscent of Mark Carney's era.

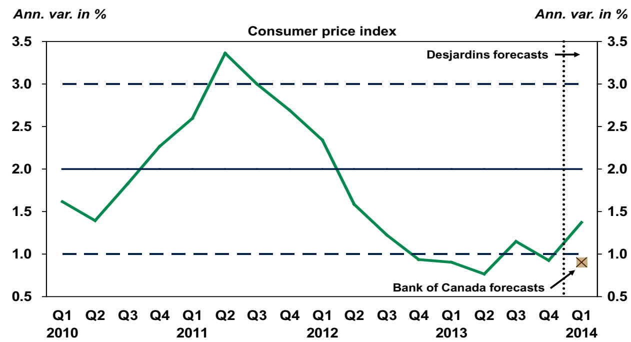
Forecasts: We have trimmed our year-end target slightly to 3.25% from our scenario in early March, as the first quarter's somewhat disappointing economic growth limits upward pushes by yields. While the 10- and 30-year yields should follow much the same path as the trend in the United States, keep an eye on what impact upcoming inflation numbers have on the BoC's stance, and on short-term bonds, which could have trouble outperforming U.S. bonds; the flattening bias noted recently could continue in the event of a positive surprise in the CPI.

Graph 15 – The 5-year spread back into negative territory



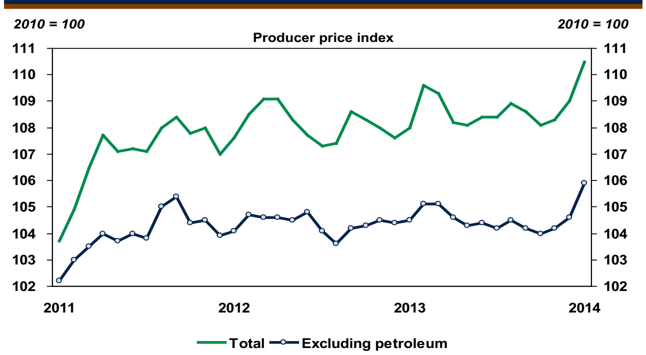
* Canadian federal bond yield minus U.S. Treasury bond yield.
Sources: Bloomberg and Desjardins, Economic Studies

Graph 16 – Inflation will have been stronger in the first quarter than the Bank of Canada had envisioned



Sources: Statistics Canada and Desjardins, Economic Studies

Graph 17 – Producer prices are showing a clear upward trend

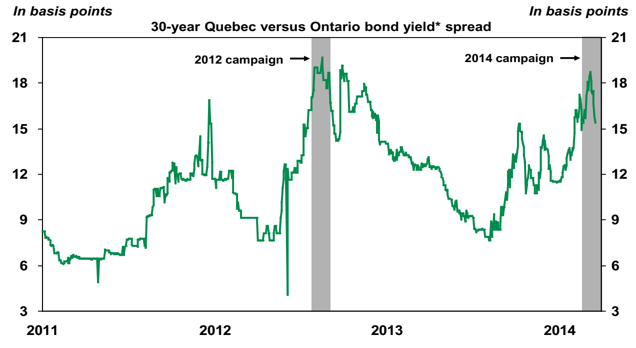


Sources: Statistics Canada and Desjardins, Economic Studies

PROVINCIAL AND CORPORATE BONDS

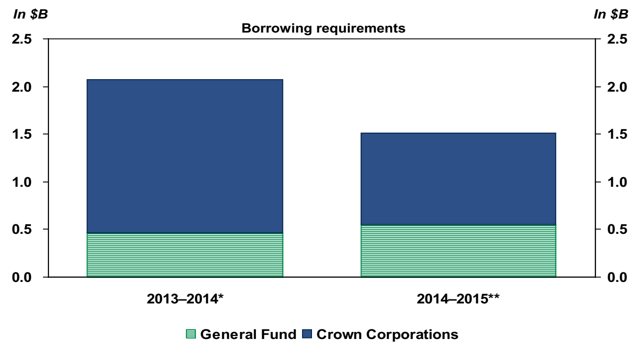
- The spread between Quebec and Ontario bonds continued to trend up in the first half of the month. For example, the spread between 30-year benchmark bonds rose above 20 basis points for the first time since the last election in 2012. Wider spreads are not abnormal in election phases. A slight accalmy has even been noticed since mid-month (graph 18).
- Overall, spreads between provincial and federal bond yields remained fairly flat in March, as in the two previous months. Manitoba issued $250M in bonds maturing in September 2045; the issuance was subject to heavy demand, primarily because of the small quantity of provincial issuances in recent weeks. Ontario also tapped markets, putting out $600M in bonds maturing in June 2045. Unlike Manitoba, which had not yet wrapped up its borrowing program for fiscal 2013–2014, Ontario has now pre-financed nearly $2B of its needs for fiscal 2014–2015. As for budgets, Saskatchewan is the latest province to table its estimates. It continues to forecast surpluses for the coming fiscal years, while bond issuances should decline in 2014–2015 (graph 19). Like its neighbours out West, Saskatchewan enjoys an AAA rating from Standard & Poor's, so the spreads are likely to remain narrow.
- Meanwhile, corporate bond issuances are now a bit more frequent after a fairly quiet start to the year. Investor appetite for this asset class is unflagging. With advantageous financing conditions, many issuers took the opportunity to expand their offering from their initial financing targets. Interest is also materializing in the secondary market, due to the scarce supply in the primary market since the start of the year. The appetite of foreign investors for Canadian corporate bonds has been voracious in 2013 (graph 20) and not much indicates a significant change of trend in 2014. In this context, although corporate bonds seem pricey, substantial spread widening seems unlikely in the near term.

Graph 18 – Quebec spreads are at levels similar to that of the last election period



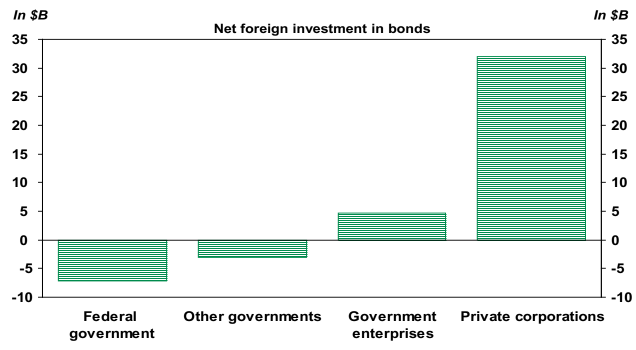
* Constant maturity.
Sources: Desjardins, Capital markets and Desjardins, Economic Studies

Graph 19 – Lower borrowing requirements for crown corporations will reduce bond issuance in Saskatchewan



* Estimates; ** Ministry of Finance of Saskatchewan forecasts.
Sources: Ministry of Finance of Saskatchewan and Desjardins, Economic Studies

Graph 20 – The 2013 appetite for corporate bonds may extend into 2014



Sources: Statistics Canada and Desjardins, Economic Studies

Table 1
Key interest rates

End of period in %	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1f	2014 Q2f	2014 Q3f	2014 Q4f	2015 Q1f	2015 Q2f	2015 Q3f	2015 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	0.50	1.00
Canada												
Overnight funds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.75
Euro zone												
Refinancing rate	0.75	0.50	0.50	0.25	0.25	0.10	0.10	0.10	0.10	0.10	0.10	0.10
United Kingdom												
Base rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25
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*
December 2013			
20	Bank of Japan	s.q.	0.10
Janvier 2014			
9	European Central Bank	s.q.	0.25
9	Bank of England	s.q.	0.50
15	Bank of Brazil	+50 b.p.	10.50
21-22	Bank of Japan	---	---
22	Bank of Canada	s.q.	1.00
29	Reserve Bank of New Zealand	s.q.	2.50
29	Federal Reserve	s.q.	0,00 / 0,25
31	Bank of Mexico	s.q.	3.50
Février 2014			
3	Reserve Bank of Australia	s.q.	2.50
6	European Central Bank	s.q.	0.25
6	Bank of England	s.q.	0.50
13	Bank of Sweden	s.q.	0.75
17-18	Bank of Japan	---	---
26	Bank of Brazil	+25 b.p.	10.75
Mars 2014			
3	Reserve Bank of Australia	s.q.	2.50
5	Bank of Canada	s.q.	1.00
6	European Central Bank	s.q.	0.25
6	Bank of England	s.q.	0.50
10-11	Bank of Japan	---	---
12	Reserve Bank of New Zealand	+25 b.p.	2.75
19	Federal Reserve	s.q.	0,00 / 0,25
20	Swiss National Bank	s.q.	0.00
21	Bank of Mexico	s.q.	3.50
27	Bank of Norway	s.q.	1.50

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

Table 3
Coming soon

Date	*Central Bank*
March 2014	
31	Reserve Bank of Australia
April 2014	
2	Bank of Brazil
3	European Central Bank
7-8	Bank of Japan
9	Bank of Sweden
10	Bank of England
16	Bank of Canada
23	Reserve Bank of New Zealand
25	Bank of Mexico
30	Bank of Japan
30	Federal Reserve
May 2014	
6	Reserve Bank of Australia
8	European Central Bank
8	Bank of England
8	Bank of Norway
20-21	Bank of Japan
28	Bank of Brazil
June 2014	
3	Reserve Bank of Australia
4	Bank of Canada
5	European Central Bank
5	Bank of England
6	Bank of Mexico
11	Reserve Bank of New Zealand
12-13	Bank of Japan
18	Federal Reserve
19	Bank of Norway

Source: Desjardins, Economic Studies

Table 4
United States: fixed income market

	2013				2014				2015			
End of period in %	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	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	0.50	1.00
Treasury bills												
3-month	0.07	0.04	0.02	0.07	0.05	0.10	0.15	0.20	0.25	0.30	0.65	1.15
Federal bonds												
2-year	0.25	0.34	0.32	0.36	0.45	0.60	0.80	1.05	1.30	1.65	1.95	2.30
5-year	0.74	1.36	1.36	1.71	1.75	1.90	2.05	2.25	2.50	2.70	2.90	3.10
10-year	1.85	2.48	2.62	3.01	2.70	3.00	3.25	3.50	3.65	3.75	3.80	3.85
30-year	3.11	3.50	3.69	3.94	3.55	3.75	3.95	4.10	4.20	4.25	4.30	4.35
Yield curve												
5-year - 3-month	0.67	1.32	1.34	1.64	1.70	1.80	1.90	2.05	2.25	2.40	2.25	1.95
10-year - 2-year	1.60	2.14	2.30	2.65	2.25	2.40	2.45	2.45	2.35	2.10	1.85	1.55
30-year - 3-month	3.04	3.46	3.67	3.87	3.50	3.65	3.80	3.90	3.95	3.95	3.65	3.20

f: forecasts
Sources: Datastream and Desjardins, Economic Studies

Table 5
Canada: fixed income market

	2013				2014				2015			
End of period in %	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	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	1.25	1.75
Treasury bills												
3-month	0.97	1.02	0.98	0.91	0.90	0.95	1.00	1.00	1.00	1.05	1.40	1.85
Federal bonds												
2-year	1.00	1.22	1.19	1.14	1.10	1.25	1.40	1.60	1.75	2.05	2.30	2.55
5-year	1.30	1.80	1.86	1.96	1.75	2.00	2.20	2.40	2.60	2.80	3.00	3.20
10-year	1.76	2.44	2.54	2.78	2.45	2.75	3.00	3.25	3.35	3.45	3.50	3.55
30-year	2.51	2.90	3.07	3.24	2.95	3.15	3.35	3.55	3.70	3.75	3.80	3.85
Yield curve												
5-year - 3-month	0.33	0.78	0.88	1.05	0.85	1.05	1.20	1.40	1.60	1.75	1.60	1.35
10-year - 2-year	0.76	1.22	1.35	1.64	1.35	1.50	1.60	1.65	1.60	1.40	1.20	1.00
30-year - 3-month	1.54	1.88	2.09	2.33	2.05	2.20	2.35	2.55	2.70	2.70	2.40	2.00
Spreads (Canada - U.S.)												
3-month	0.90	0.98	0.96	0.84	0.85	0.85	0.85	0.80	0.75	0.75	0.75	0.70
2-year	0.75	0.88	0.87	0.78	0.65	0.65	0.60	0.55	0.45	0.40	0.35	0.25
5-year	0.56	0.44	0.50	0.25	0.00	0.10	0.15	0.15	0.10	0.10	0.10	0.10
10-year	-0.09	-0.04	-0.08	-0.23	-0.25	-0.25	-0.25	-0.25	-0.30	-0.30	-0.30	-0.30
30-year	-0.60	-0.60	-0.62	-0.70	-0.60	-0.60	-0.60	-0.55	-0.50	-0.50	-0.50	-0.50

f: forecasts
Sources: Datastream and Desjardins, Economic Studies