The Yield Curve

Desjardins Economic Studies
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April 29, 2014

Is the bond market headed for another rude awakening?

HIGHLIGHTS

- Investor optimism notched up over the last few days. Short- and medium-term yields climbed close to where they were after the Fed's March meeting, but U.S. 10- and 30-year yields remain low, at around 2.70% and 3.50% respectively.
- If the fundamentals seem to provide no support for the pullback in long-term bond yields, the answer can perhaps be found in investor behaviour. The prolonged period of very low interest rates, combined with a massive amount of liquidity, has led to a significant search for yield.
- Nothing in the recent economic statistics, especially in the United States, prompts us to stop projecting substantially higher bond yields within the next few quarters.
- By focusing on core inflation in its statement, the Bank of Canada managed to keep a relatively dovish tone, therefore leaving the door slightly open for a key rate cut. However, nothing would justify such an action. Rather, everything suggests that Canadian key rates will remain unchanged for several more quarters.

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Editorial

After nearing 2.80% in early April, U.S. 10-year yields returned to around 2.60% by mid-month. Among other things, the pullback reflected a temporary stock market slump, especially in tech shares, and dovish remarks from monetary authorities that somewhat dispelled the notion that the Federal Reserve (Fed) seemed to be in more of a rush to raise key rates at the March 19 meeting.

Investor optimism notched up over the last few days on the release of U.S. data and relatively encouraging earnings. Short- and medium-term yields climbed close to where they were after the Fed's March meeting, but U.S. 10- and 30-year yields remain low, at around 2.70% and 3.50% respectively. The U.S. yield curve has thus flattened substantially since the end of 2013, largely the result of a drop in long-term yields.

LITTLE JUSTIFICATION FOR LOWER LONG-TERM YIELDS

At the start of the year, fears of a financial crisis in emerging countries, weak inflation and the publication of disappointing economic figures justified a pullback in bond yields. Although the situations in Ukraine and China remain worrisome, fears of a widespread crisis in emerging nations have eased considerably, and investor concerns now seem to be rather subdued. U.S. economic figures also bounced back after a difficult early winter. Growth was soft in the first quarter, but hopes of seeing the U.S. economy reach a sustainable cruising speed of around 3% have not been this strong since the last recession, with some household confidence indexes at their highest points since January 2008 and the federal government no longer an obstacle for growth.

In this context, it is not surprising to see the Fed clearly indicate that it plans to wrap up its third quantitative easing program this fall. While stipulating that the U.S. economy

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Note to readers: The letters **k**, **M** and **B** are used in texts and tables to refer to thousands, millions and billions respectively.

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will still need support for a considerable time, the Fed has also begun preparing investors for a key rate hike sometime in 2015. Higher short- and medium-term yields, as well as federal funds rate futures, seem to indicate that investors heard the message.

ANOTHER SIGN OF THE SEARCH FOR YIELD?

If the fundamentals seem to provide no support for the pullback in long-term bond yields, the answer can perhaps be found in investor behaviour. A more and more evident phenomenon in international financial markets is that the prolonged period of very low interest rates, combined with a massive amount of liquidity (resulting from, among other things, central bank actions and strong growth of non-reinvested earnings, has led to a significant search for yield. Numerous investors are therefore open to taking on greater and greater risks in return for a smaller and smaller payoff.

The most striking example of this phenomenon is the marked drop in financing costs in peripheral euro zone nations. Not only have financing rates for countries like Italy and Spain continued to fall, nearing U.S. rates, but even Greece was recently able to issue 5-year bonds for less than 5%. Greece's return to the bonds market seemed completely impossible a few months ago, as the partial default on its debt had just celebrated its second anniversary. The race for returns can also be seen in the steep drop in premiums on corporate bonds.

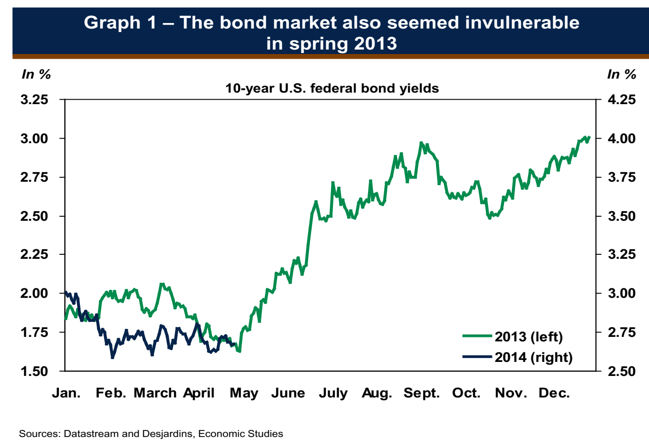
Investors who refuse to accept such low compensation for risk have no other choice than to turn to longer-term bonds for returns that beat inflation. In the near term, this phenomenon could snowball due the fact that falling risk and term premiums lead to gains on bonds that are riskier or longer-term, which could strengthen the appeal of these securities for some trend-savvy investors. This type of phenomenon could finish very poorly, though, as it did in 2007–2008 when the credit bubble was one of the triggers of the great financial crisis.

NO REASON TO CHANGE OUR SCENARIOS IMMEDIATELY

Like many analysts, we have found the recent performance of long-term bonds surprising. However, nothing in the recent economic statistics, especially in the United States, prompts us to stop projecting substantially higher bond yields within the next few quarters. If the U.S. economy accelerates as expected, signs of an exaggerated search for yield will strengthen the Fed's desire to get back to a more traditional monetary policy rapidly and prepare the markets for key rate hikes in 2015. This should translate directly into a rise in short- and medium-term yields and eventually into an increase in long-term yields, as sustained flattening in the curve does not usually occur without monetary firming close behind.

We must acknowledge that this is not the first time that the bond market's resiliency has taken us by surprise, and yields could remain close to current levels a bit longer than we foresee. However, also note that the last time the bond market was inexplicably strong, in spring of 2013, it ended with a very painful correction for long-term bonds (graph 1). If the bond market continues to ignore the improved economic outlooks and the shifts in the Fed's stance for too long, another fairly brutal adjustment could take place.

Graph 1 – The bond market also seemed invulnerable in spring 2013



Sources: Datastream and Desjardins, Economic Studies

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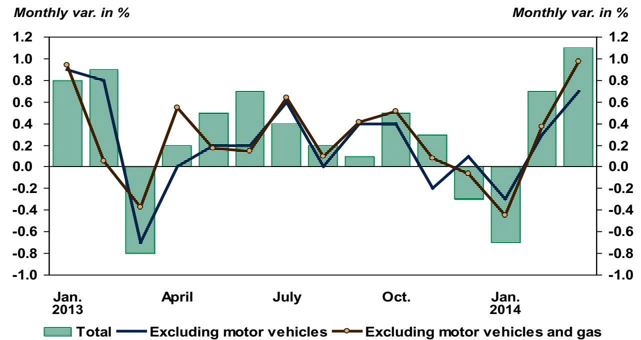
FEDERAL RESERVE

Improved indicators will comfort the Federal Reserve

- Since the last Federal Reserve (Fed) meeting in mid-March, most economic indicators have shown some growth. The weather improved in February and in March especially, which can now be seen in the figures released. Retail sales went up 0.7% in February and 1.1% in March, after a cumulative drop of 1% between November 2013 and January 2014, an accurate representation of the economy's comeback (graph 2). We have also seen some improvements in business conditions. Industrial output advanced solidly in February and March, and the ISM indexes recently rose after weakening dramatically around the new year. These gains will not prevent some weakness in U.S. real GDP for the first quarter of 2014 as a whole. After annualized growth of 3.4% over the second half of 2013, real GDP growth could be close to 1.0% in early 2014. However, improving indicators point to a better performance starting in the second quarter.
- The economy's upswing gets rid of some of the concerns that monetary policy committee members may have felt when they met in March. The statement then mentioned the slowdown in growth since the start of the year, focusing on the weather effects. The improved indicators will bolster the decision made by Janet Yellen and colleagues to continue tapering their security purchases at the same pace.
- There are still some difficulties for the U.S. economy. Much of the job market data remains unsatisfactory nearly five years after the official end to the recession. Inflation is still quite low and the consumer expenditure deflator, at 1.1% in February, is still far from the Fed's 2% target. However, the recent reverses in the housing market may be Fed leaders' biggest concern. Beyond the harsh weather, home sales and homebuilding were unable to maintain the pace of the recovery that started in 2011. Sales of new single-family homes are down 7.5% over the last year, and existing home sales have pulled back 13.3% (graph 3). The mortgage rate hikes in summer 2013 are one reason for the weakness (graph 4) and the Fed will want to keep a relatively dovish tone in order to prevent overly abrupt rises in bond yields as their securities purchases wind down and the time for a key rate increase draws nearer.

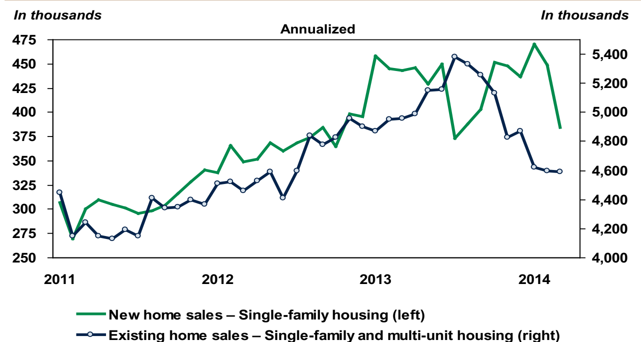
Forecasts: The Fed should maintain the pace of its tapering, cutting its securities purchases by US$10B at every meeting until the program winds up in the fall of 2014. As for key rates, no increase is anticipated prior to September 2015.

Graph 2 – Weaker U.S. sales around the new year were temporary



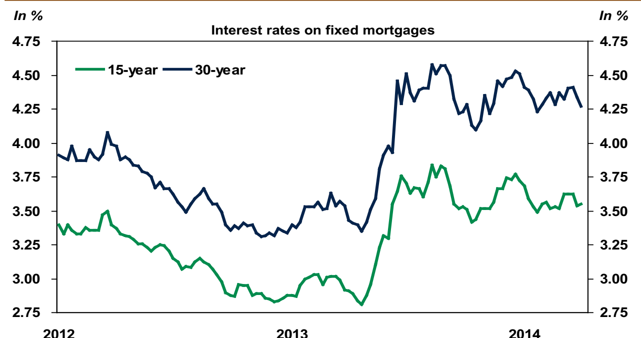
Sources: U.S. Census Bureau and Desjardins, Economic Studies

Graph 3 – Housing recovery loses steam in the United States



Sources: U.S. Census Bureau, National Association of Realtors and Desjardins, Economic Studies

Graph 4 – U.S. mortgage rates remain relatively stable since the rapid rise in the summer of 2013



Sources: Datastream and Desjardins, Economic Studies

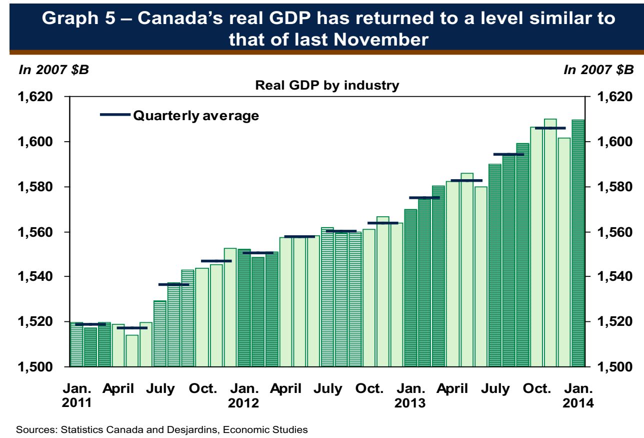
BANK OF CANADA

The Bank of Canada is hiding its relief well

- After a very difficult December 2013, Canada's economic statistics have bounced back. Monthly GDP grew 0.5% in January, and the 1.4% jump in manufacturing production in February, along with a record surge in orders, is encouraging.
- In spite of this, everything suggests that Canada's economic growth was fairly subdued in Q1 2014, as January's GDP is similar to last November's (graph 5). We must also monitor the effects that the prolonged winter weather had on statistics for March and April. On that note, March's spectacular drop in housing starts (graph 6) may be a sign that the temperatures could still be having a sizable effect.
- In April's *Monetary Policy Report*, the Bank of Canada (BoC) therefore revised its growth forecast for Canada's economy in Q1 2014 from 2.5% to 1.5%. Beyond the weather effects, however, the growth forecasts have barely changed and the BoC even seems more optimistic about some important aspects. For the United States, the BoC stressed that private demand could be stronger than expected. For Canada, its statement no longer says that exports remain disappointing. Instead, it notes that the solid performance of several subsectors, in spite of competitiveness challenges, raises hopes for a more widespread acceleration in exports. Furthermore, despite a more sluggish start to the year, the Canadian economy's excess supply is slightly lower than the BoC estimated in January, as the economy grew more vigorously than previously estimated in 2013.
- The BoC's new outlooks confirm, above all, that the period of very low inflation, which had changed the monetary authorities' stance last fall, is coming to an end. After standing at 0.9% on average in the last quarter of 2013, total inflation climbed back to 1.5% in March and should be near the 2% target in the second half of 2014, which is around three quarters earlier than the BoC predicted in January (graph 7) However, the BoC is emphasizing the fact that core inflation will remain below its target for some time.

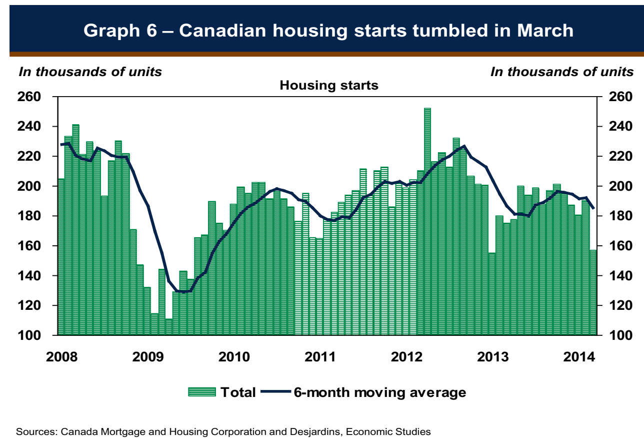
Forecasts: By focusing on core inflation in its statement, the BoC managed to keep a relatively dovish tone, therefore leaving the door slightly open for a key rate cut. However, nothing would justify such an action. Rather, everything suggests that Canadian key rates will remain unchanged for several more quarters, and that the next move will be an increase, probably in the second half of 2015.

Graph 5 – Canada's real GDP has returned to a level similar to that of last November



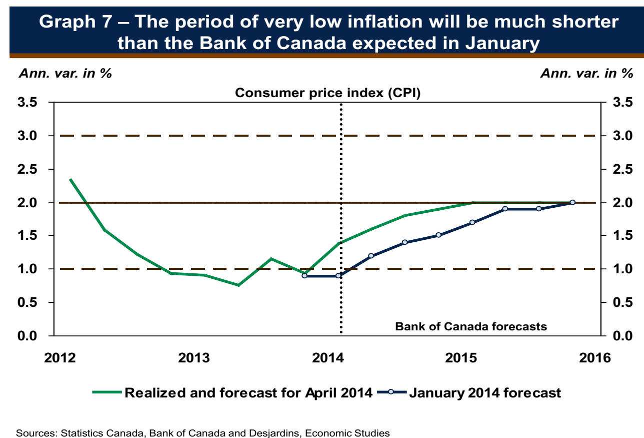
Sources: Statistics Canada and Desjardins, Economic Studies

Graph 6 – Canadian housing starts tumbled in March



Sources: Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

Graph 7 – The period of very low inflation will be much shorter than the Bank of Canada expected in January



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

OVERSEAS CENTRAL BANK

Quantitative easing back on the table in the euro zone

EUROPEAN CENTRAL BANK (ECB)

- Even though inflation dropped to 0.5% in March, the ECB did not budge in early April. However, it seems more determined to maintain a high degree of monetary easing and intervene if necessary. According to its official statement, the Governing Council is unanimously in favour of using unconventional tools. At the press conference that followed the monetary policy decision, Mario Draghi was a bit more specific, mentioning that discussion had dealt with the possibility of quantitative easing. Other ECB leaders have made remarks in this vein over the last few weeks, but the timing remains unclear.
- The answer to this question could be tied to the euro's movement, as its strength is having a negative effect on inflation. The fact that the euro is holding above US$1.38 could prompt the ECB to act sooner rather than later. On the other hand, the recent climb in confidence indicators and activity indexes could encourage the ECB to wait longer. We must also consider the possibility that the ECB will first choose to cut the key rate one last time, which would bring the refinancing rate even closer to zero, before beginning any quantitative easing program.

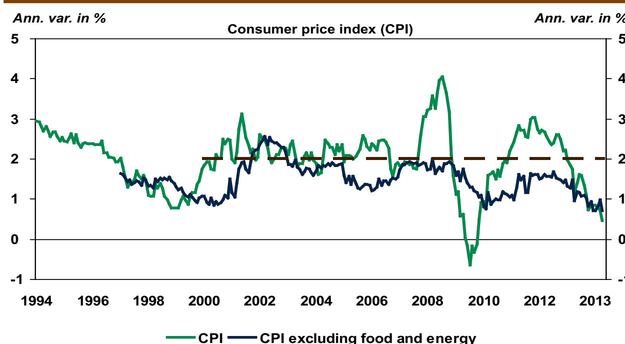
BANK OF ENGLAND (BoE)

- New encouraging economic statistics in the United Kingdom have prompted investors to get into position for earlier monetary firming. Employment statistics were especially excellent and the jobless rate fell to 6.9%, crossing the 7.0% threshold set by the BoE for beginning to contemplate monetary firming. However, not all variables are pointing toward firming. Inflation is at its lowest point since October 2009, giving the BoE more leeway. We continue to expect one 25 basis point increase per quarter starting in spring 2015.

BANK OF JAPAN (BoJ)

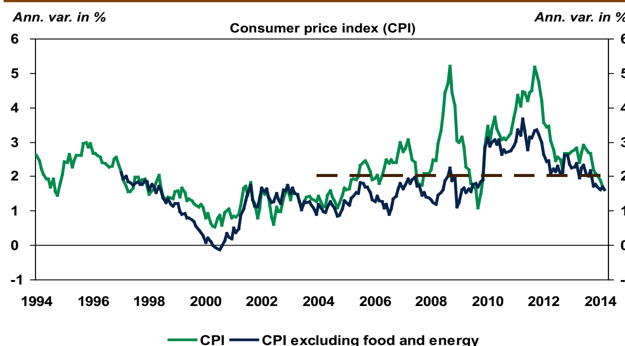
- Japan's sales tax went from 5% to 8% in April. We must now see what effect this will have on the economy and inflation. Already, it is clear that department store sales skyrocketed in March, although a pullback can be expected for subsequent months. The sales tax increase will temporarily boost inflation, but the BoJ will take this 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 term. At a minimum, the current securities purchasing program should be extended to 2015.

Graph 8 – Inflation rate in the euro zone



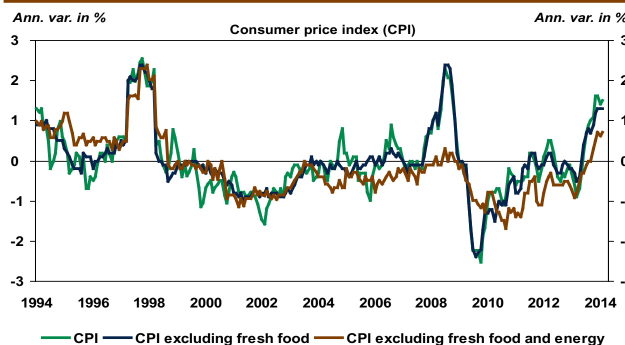
Sources: Datastream and Desjardins, Economic Studies

Graph 9 – Inflation rate in the United Kingdom



Sources: Datastream and Desjardins, Economic Studies

Graph 10 – Inflation rate in Japan



Sources: Datastream and Desjardins, Economic Studies

BOND MARKET

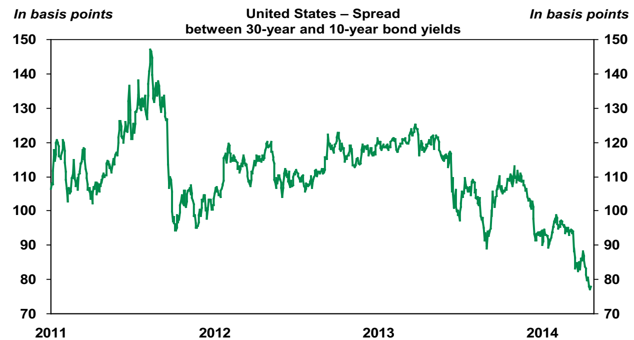
The long end of the curve is impressively strong

U.S. FEDERAL BONDS

- Those hoping for a clear and consistent trend for the bond market have yet to be satisfied. The U.S. 10-year yield has fluctuated stubbornly between 2.60% and 2.80% since February, but 30-year yields recently dropped under 3.50% for a brief moment, a level not seen since June 2013; meanwhile, 5-year yields are showing heightened volatility. Amidst the bond market's somewhat confused dynamic, we can glimpse an ongoing flattening trend in the yield curve, especially in the longer maturities. The 10/30 slope hit 80 basis points recently and has not been this flat since 2010 (graph 11).
- The better performance in the long end could be partially due to some of the recent remarks from Fed leaders, especially Chair Janet Yellen, who emphasized that the U.S. economy has a long way to go before it is back up to full steam. Among other things, she cautioned that rates could remain lower than normal for a long time, even after the first rate hike. The FOMC's median forecast currently stands at 1.25% for the end of 2016 for the federal funds rate. Over the long run, the committee still predicts a convergence toward 4% (graph 12), but recent signals suggest that the Fed could take more time bringing its rates to this level than the markets had been expecting until recently.
- Besides the comments from Fed leaders, economic numbers that are still subdued; new geopolitical tensions arising in Ukraine and some nervousness about the valuations of some sectors of the U.S. stock market (graph 13) all continue to protect the bond market rally that started early this year. Eventually, however, more convincing data should manage to push yields up.

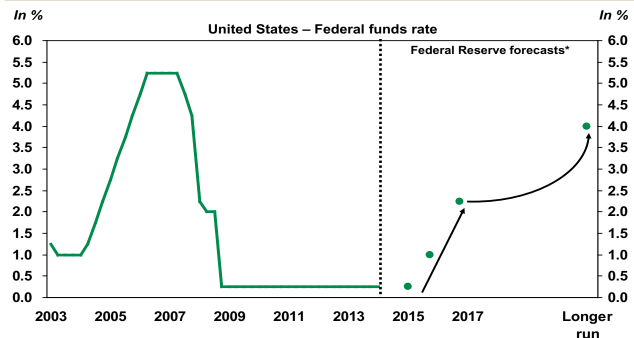
Forecasts: The recent movement in long-term yields is a phenomenon that bears watching, but we believe it is still too soon to change our scenario, which calls for yields to rise starting this quarter, in line with our forecast rebound by growth in 2014Q2. While the hints from the Fed regarding the path to key rate normalization may have been influential, these signals remain rather vague, all in all, and their effect has combined with the many other factors in play recently.

Graph 11 – U.S. yield curve flattening extends to the long end



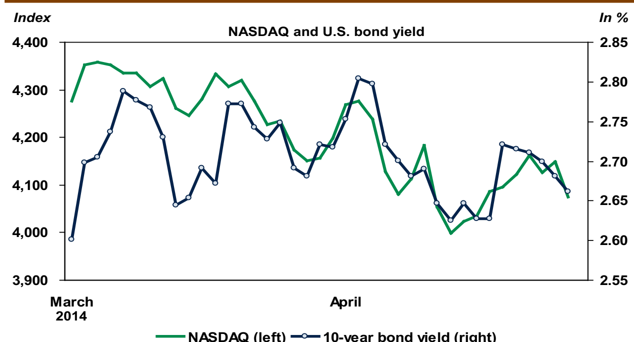
Sources: Bloomberg and Desjardins, Economic Studies

Graph 12 – The Federal Reserve reminds that the return to normal rate levels will be long



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

Graph 13 – Concerns over technology stocks have supported demand for bonds



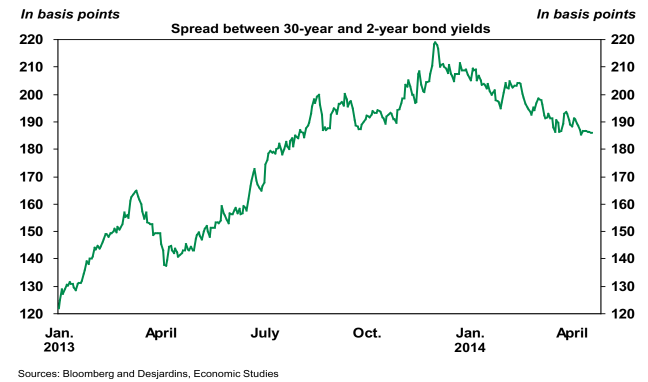
Sources: Bloomberg and Desjardins, Economic Studies

CANADIAN FEDERAL BONDS

- After nearing their start-of-year levels at the end of March, Canada–U.S. spreads tumbled again in April, with the spread on 5-year yields just inside negative territory at the time of writing. The spread for 2-year yields seemed to be aiming for 70 basis points, but then plunged below 64 basis points in the middle of the month. Only the spread for 30-year yields is widening, due to the very strong performance of U.S. long-term bonds, among other things. As in the United States, however, the underlying trend is resolutely toward flattening of the curve. The 2/30 curve is therefore holding just above 185 basis points. It had steepened to nearly 220 basis points in late 2013 (graph 14).
- It is hard to chalk market movements up to shifting monetary policy expectations. If that were the case, short-term spreads would have probably widened further. Inflation continues to deliver upside surprises, so much so that the Bank of Canada (BoC) has raised its inflation outlook and shortened the horizon for a return to its 2.0% target. While the BoC's tone remains extremely cautious, overnight indexed swap markets indicate a very slim chance that a rate cut will be ordered soon (graph 15). Rather, the central assumption is that rates will be raised in the second half of 2015, which is in line with our own scenario.
- That being said, some investors seem to be starting to wonder if a lengthy dovish stance by the BoC could result in a surge of inflation later in the horizon. The spread between 8-year nominal and real return bond yields, which reflects inflation expectations, has widened by nearly 20 basis points since the start of the year, rising slightly above the BoC's 2.0% inflation target (graph 16). If inflation keeps delivering upside surprises with the BoC still referring to downside risks, breakeven yields could widen further.

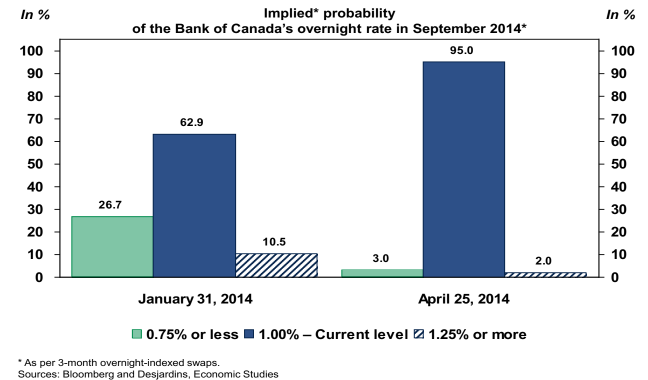
Forecasts: We continue to expect Canadian yields to rise, which will probably be triggered by a similar movement in the United States. Keep a close watch on core inflation, as the BoC has focused on this indicator. In the case of upside surprises, there seems to be some room for short-term spreads to widen.

Graph 14 – The Canadian yield curve has been flattening since last fall



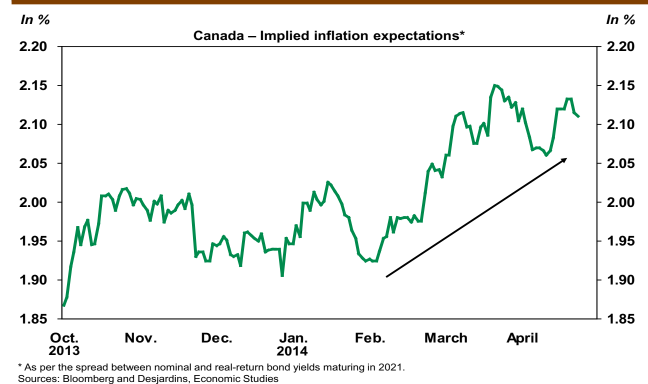
Sources: Bloomberg and Desjardins, Economic Studies

Graph 15 – Regardless of the Bank of Canada's dovish remarks, markets are positioned for status quo



* As per 3-month overnight-indexed swaps.
Sources: Bloomberg and Desjardins, Economic Studies

Graph 16 – Inflation expectations have increased in Canada

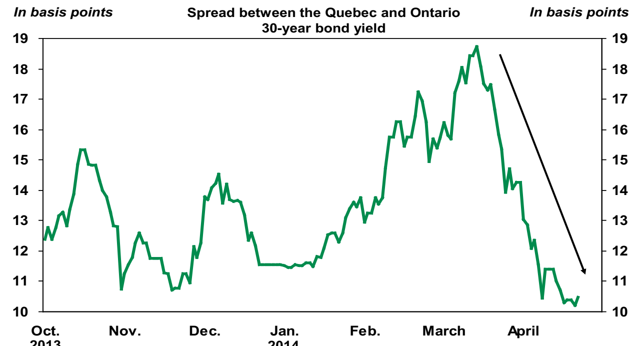


* As per the spread between nominal and real-return bond yields maturing in 2021.
Sources: Bloomberg and Desjardins, Economic Studies

PROVINCIAL AND CORPORATE BONDS

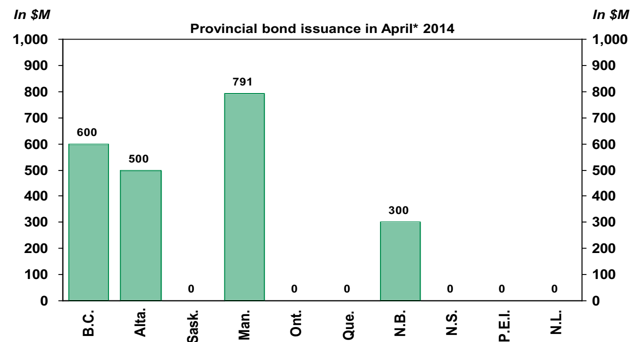
- As could be expected, the spreads between Quebec and Ontario long-term bond yields narrowed (graph 17) in April, as Quebec's election campaign wound up. The spread even dropped to its lowest point since last summer, which could partially reflect the arrival of a majority government. Nevertheless, the coming weeks could be volatile for provincial spreads, as the government of Quebec will table a new budget. Furthermore, far from waning, electoral uncertainties have moved westward. Ontario's provincial government will table its budget on May 1, and could touch off a confidence vote. Given the current minority government, this could trigger an election. If so, surveys show that it would be a tight battle, which could temporarily play against Ontario bonds with respect to other provincial bonds.
- In terms of issuance, the last few weeks have been relatively active, especially in the Western provinces, all of their budgets having been tabled (graph 18). Alberta issued $500M in April, and British Columbia issued $600M in 30-year bonds. Meanwhile Ontario recently went into issuance blackout, as it is about to table its budget. After the electoral campaign holiday, we can expect Quebec to become more active in the primary markets in the coming weeks. The Quebec government has not issued any bonds for over three two months.
- The trend is steady for corporate bonds. Spreads continue to move in a limited, small range, as the number of issuances is lower than it was to date this time last year (graph 19). Demand remains fairly sustained for now, but given current levels, we should not be surprised if spreads widen slightly when sovereign rates start to show a clear rise, as investor appetite will likely dwindle for the overall bond asset class.

Graph 17 – Back to normal for Quebec provincial yields



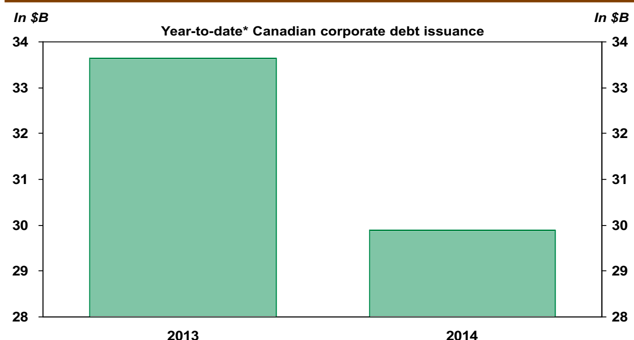
Sources: Desjardins, Capital Markets and Desjardins, Economic Studies

Graph 18 – Provincial issuance has been concentrated in Western Canada in April



* As of April 25.
Sources: Desjardins, Capital Markets and Desjardins, Economic Studies

Graph 19 – There has been slightly less corporate bond issuance compared to last year



* Issuance made in Canada, as of April 25.
Sources: Desjardins, Capital Markets and Desjardins, Economic Studies

Table 1
Key interest rates

End of period in %	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	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*
February 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
31	Reserve Bank of Australia	s.q.	2.50
Avril 2014			
2	Bank of Brazil	+25 b.p.	11.00
3	European Central Bank	s.q.	0.25
7-8	Bank of Japan	---	---
9	Bank of Sweden	s.q.	0.75
10	Bank of England	s.q.	0.50
16	Bank of Canada	s.q.	1.00
23	Reserve Bank of New Zealand	+25 b.p.	3.00
25	Bank of Mexico	s.q.	3.50

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

Table 3
Coming soon

Date	*Central Bank*
April 2014	
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
19	Swiss National Bank
July 2014	
1	Reserve Bank of Australia
3	European Central Bank
3	Bank of Sweden
10	Bank of England
11	Bank of Mexico
14-15	Bank of Japan
16	Bank of Brazil
16	Bank of Canada

Source: Desjardins, Economic Studies

Table 4
United States: fixed income market

End of period in %	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2f	2014 Q3f	2014 Q4f	2015 Q1f	2015 Q2f	2015 Q3f	2015 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	0.39	0.60	0.80	1.05	1.30	1.65	1.95	2.30
5-year	0.74	1.36	1.36	1.71	1.71	1.90	2.05	2.25	2.50	2.70	2.90	3.10
10-year	1.85	2.48	2.62	3.01	2.73	3.00	3.25	3.50	3.65	3.75	3.80	3.85
30-year	3.11	3.50	3.69	3.94	3.56	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	1.66	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	2.34	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	3.51	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

End of period in %	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2f	2014 Q3f	2014 Q4f	2015 Q1f	2015 Q2f	2015 Q3f	2015 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	0.89	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	1.07	1.25	1.40	1.60	1.75	2.05	2.30	2.55
5-year	1.30	1.80	1.86	1.96	1.71	1.90	2.10	2.35	2.60	2.80	3.00	3.20
10-year	1.76	2.44	2.54	2.78	2.46	2.70	2.95	3.20	3.35	3.45	3.50	3.55
30-year	2.51	2.90	3.07	3.24	2.96	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	0.82	0.95	1.10	1.35	1.60	1.75	1.60	1.35
10-year - 2-year	0.76	1.22	1.35	1.64	1.39	1.45	1.55	1.60	1.60	1.40	1.20	1.00
30-year - 3-month	1.54	1.88	2.09	2.33	2.07	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	0.84	0.85	0.85	0.80	0.75	0.75	0.75	0.70
2-year	0.75	0.88	0.87	0.78	0.68	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	0.00	0.05	0.10	0.10	0.10	0.10	0.10
10-year	-0.09	-0.04	-0.08	-0.23	-0.27	-0.30	-0.30	-0.30	-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