The Yield Curve

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Widening divergence between the bond market and Federal Reserve

HIGHLIGHTS

- The bond market continues to puzzle skeptics. Paradoxically, solid U.S. growth figures have triggered a wave of panic across the markets, raising the possibility of faster monetary tightening. Especially worrisome developments in Iraq and Ukraine then expanded the investor flight to safe havens.
- Economic news is encouraging in North America and some Federal Reserve leaders seem less comfortable with the idea of committing to leaving key rates unchanged for several more quarters.
- We continue to predict higher bond yields in the coming quarters, as investor expectations should move closer to the signals sent by the Federal Reserve.
- Despite some signs of improvement to economic growth, the Bank of Canada will certainly opt for the status quo for its monetary policy over the next several quarters.

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Editorial

The bond market continues to puzzle skeptics, including ourselves. The news that the U.S. economy had bounced back strongly in spring had put some upside pressure on bond yields in late July. However, renewed concern in the markets, fuelled by geopolitical tension and disappointing European figures, helped the bond market in early August, bringing U.S. 10-year yields to around 2.30% (their lowest point since June 2013) and Canadian 10-year yields down to nearly 2.00%.

VOLATILITY IS BACK IN THE FINANCIAL MARKETS

The recent drop in bond yields is different from what we saw in the first half of 2014, when it seemed to largely reflect the growing view that key rates would remain much lower than in the past over the medium term. The considerable difficulties faced by the U.S. economy at the start of the year had also fuelled the perception that the Federal Reserve (Fed) would wait a long time before beginning to tighten its monetary policy, especially since inflation was quite low. These developments seemed very favourable to investors, leading to a marked reduction in market volatility and generalized gains in asset classes.

Things have changed in the last few weeks. Warnings from several experts that some financial markets were beginning to show signs of a bubble seem to have limited demand for some risky assets starting in mid-July. Then, paradoxically, the solid U.S. growth figures seem to have triggered a wave of panic across the markets, raising the possibility of faster monetary tightening. Especially worrisome developments in Iraq and Ukraine then expanded the investor flight to safe havens.

HAS GEOPOLITICAL TENSION PEAKED?

Victories by the militant group IS (Islamic State) against Kurdish forces and capture of the important Mosul dam in early August boosted investor concern. These events and

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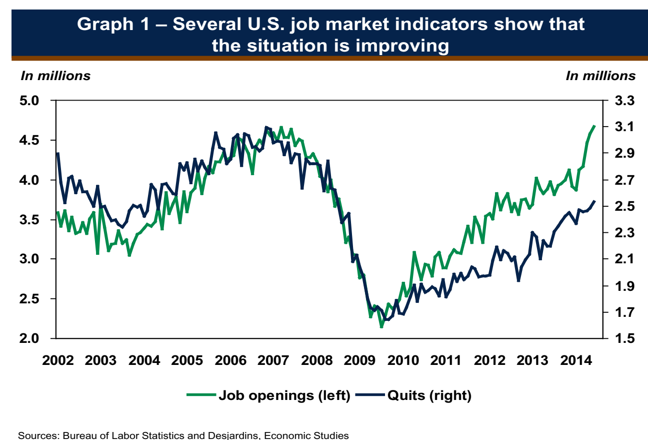
the atrocities committed by IS, however, have stirred the international community to action. U.S. air strikes and considerable support to Kurdish forces have forced IS to retreat. The nomination of a new and less controversial prime minister for Iraq also raises hopes of easing the sectarian tensions that had helped IS advance. The situation in Ukraine also bears close watching, but, there as well, worries may have peaked on August 15, when the announcement that Ukraine had attacked a Russian convey caused fears of a real war. The situation remains tense, but the beginning of discussion between Russian and Ukrainian leaders offers hope that the worst will be avoided.

DO NOT IGNORE THE POSITIVE DEVELOPMENTS IN THE UNITED STATES

If geopolitical tensions stabilize or even ease, bond market movement should once again start to primarily reflect the economic statistics and expectations for central banks. With China's data still mixed, the euro zone's economy recently sent out worrying signals. Euroland's growth was disappointing in the second quarter, and the pullback of several confidence indicators, including Germany's, does not suggest that activity will accelerate dramatically in the second half of 2014. That, and speculation about an eventual announcement of a quantitative easing program by the European Central Bank, caused Germany's bond yields to fall to new lows.

However, the economic news is better in North America. The U.S. economic rebound beat expectations in the second quarter, and surging ISM indexes suggest that the economy continues to grow at a good pace. In this context, and with less fear of persisting overly weak inflation, it is not surprising to see that some Fed leaders seem less comfortable with the idea of committing to leaving key rates unchanged for several more quarters. At the July meeting, the Philadelphia Fed's Charles Plosser voted against the statement, judging that the remark "it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time after the asset purchase program ends" was no longer appropriate, given the considerable gains made by the U.S. job market. The minutes of this meeting revealed that other members were increasingly uncomfortable with this mention and even felt that it could be appropriate to raise key rates relatively soon. Another important point in the minutes is that Fed leaders think that, overall, job market indicators are signalling that the situation has improved considerably, and more quickly than anticipated (graph 1).

Graph 1 – Several U.S. job market indicators show that the situation is improving



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

WILL THE MARKET FIGHT THE FED FOR A LONG TIME?

The recent pullback of bond yields thus occurred in a context in which Fed leaders have become a bit more hawkish. While international events could partially explain lower long-term yields, the drop of short-term yields is much harder to justify. The Fed should not raise the target for the federal funds rate in the next few quarters, but we feel it is unwise to assume that it will act much later than it signalled at its June meeting. Yet, that is what investors are currently doing, with the expected federal funds rate around 0.70% for the end of 2015 and 1.70% for the end of 2016, compared to the median forecast from Fed leaders, 1.13% and 2.50%. In this context, we continue to predict higher bond yields in the coming quarters, as investor expectations should move closer to the signals sent by the Fed.

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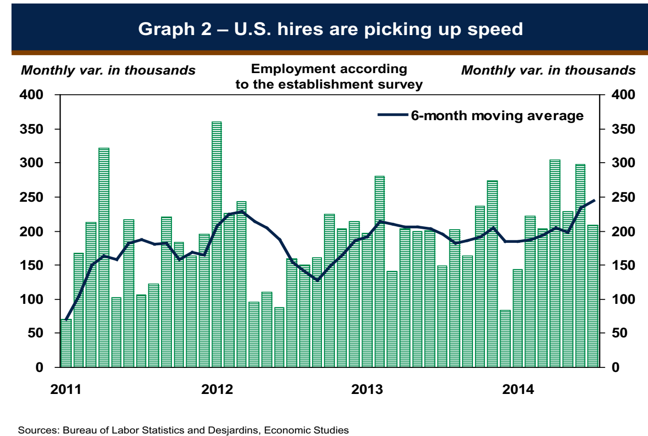
FEDERAL RESERVE

"No simple recipe"

- During her recent speech at the annual conference in Jackson Hole, Wyoming, Federal Reserve (Fed) Chair Janet Yellen took stock of her view of the current state of the job market. Neither good nor bad, she repeated that both "labor market conditions improved" and that "the underutilization of labor resources still remains significant." It is clear that the situation is far from optimal, but, as Janet Yellen noted, several indicators have made very promising advances over the last few months. The jobless rate fell to 6.1% (climbing back to 6.2% in July). It had been 7.3% a year ago. Monthly hires have been an average of 244,000 for the last six months (graph 2). Long-term unemployment has pulled back considerably and the number of involuntary part-time workers is down 8.2% from last year.
- The economic data have been highly volatile for some time now, complicating the work of Fed leaders. The dramatic real GDP growth in Q2 2014, 4.0% according to the preliminary estimate, seems quite high, but comes on the heels of a 2.1% reversal last winter. Movement by the housing market has also been chaotic; housing starts and home sales were disappointing for several months, but the latest results are better. Consumer confidence remains on an uptrend according to some indexes, but others are showing a surprising retreat. Finally, retail sales are weaker than expected, despite the solid results observed for automobile sales. Credit, however, is advancing more quickly, and the most recent Fed survey of loan officers shows strong demand from both businesses and households (graph 3).
- Inflation is equally hard to track. Prices were on a upswing last spring, with fairly strong monthly changes to the consumer price index (graph 4). We are now seeing a lull, with the inflation rate edging back in July.
- These often-contradictory elements are muddying the current picture and complicating the Fed's assessment of how much monetary easing is still necessary. As Janet Yellen stated at Jackson Hole, "There is no simple recipe for appropriate policy in this context."

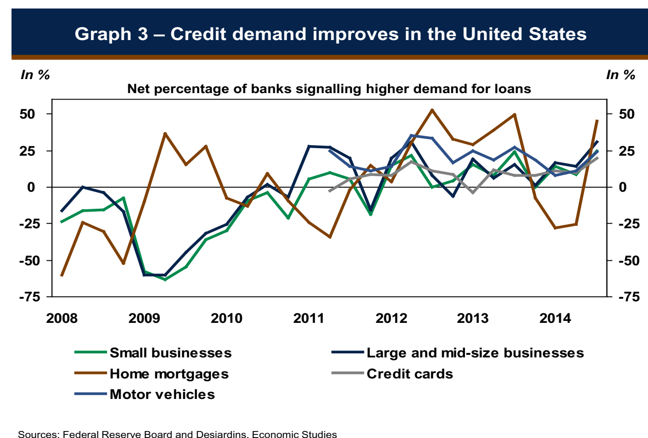
Forecasts: The Fed should wind up its securities purchase program this fall. We do not expect key rates to rise before September 2015, but ongoing strong job market improvement could prompt the Fed to push the first hike forward.

Graph 2 – U.S. hires are picking up speed



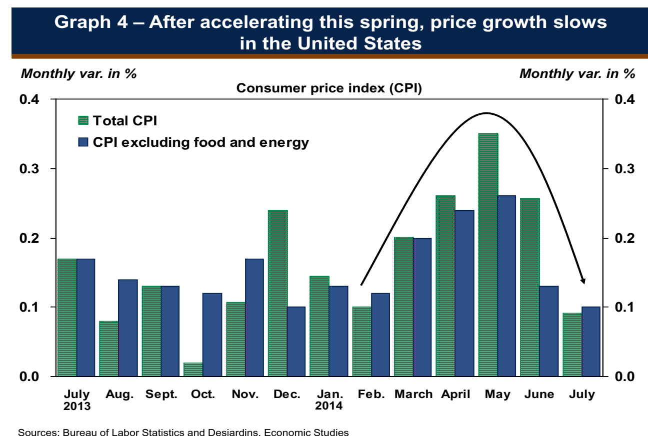
Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

Graph 3 – Credit demand improves in the United States



Sources: Federal Reserve Board and Desjardins, Economic Studies

Graph 4 – After accelerating this spring, price growth slows in the United States



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

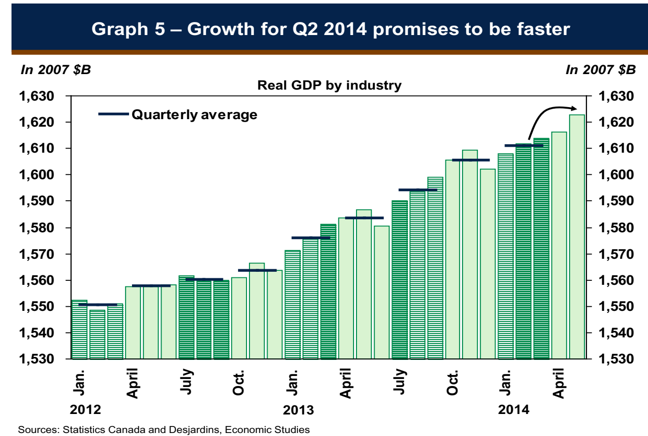
BANK OF CANADA

Canada's economy benefiting from stonger exports

- After growing just 1.2% in the first quarter of 2014, everything suggests that Canada's economic growth picked up in the spring. Real GDP by industry grew 0.1% in April and 0.4% in May (graph 5). If we also factor in the 0.1% rise expected for June, the second quarter as a whole should end with quarterly annualized real GDP growth of 2.5%.
- International trade should make a large positive contribution to real GDP growth in Q2. The volume of merchandise exports jumped a quarterly annualized 20.0% during this time, while imports rose 12.3% (graph 6). Clearly, Canada has been able to capitalize on the upswing in global demand, especially from south of the border.
- According to our estimates, Canada's economy should return to full capacity in late 2015 or early 2016. This projection is somewhat different from the Bank of Canada's (BoC), which estimates that the economy will return to capacity in mid-2016.
- The total annual inflation rate went from 2.4% in June to 2.1% in July (graph 7). Once seasonally adjusted, the total consumer price index (CPI) fell 0.08% in July. This is well below the trend of recent months, which was closer to +0.25%. The difference can largely be attributed to a temporary drop in some components, particularly transportation. In July, among other things, motor vehicle prices posted their largest monthly slide in nearly two years. Unusual seasonal fluctuations also magnified the total CPI's contraction in July. The one-off negative factors that affected July's results should, however, dissipate in August. The monthly change in the seasonally adjusted CPI should therefore return to its trend from recent months. Under these conditions, the total annual inflation rate should hold at around 2% in the coming months.

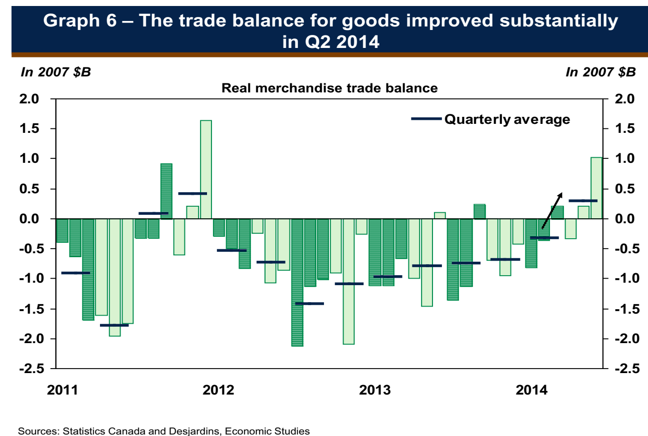
Forecasts: Despite some signs of improvement to economic growth and higher inflation, considerable uncertainties remain, both in Canada and abroad. Accordingly, the BoC will certainly opt for the status quo for its monetary policy over the next several quarters. The first hike to the target for the overnight rate could be ordered in fall 2015.

Graph 5 – Growth for Q2 2014 promises to be faster



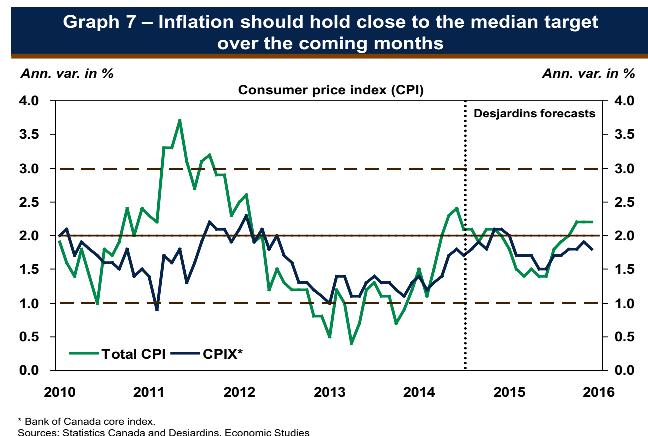
Sources: Statistics Canada and Desjardins, Economic Studies

Graph 6 – The trade balance for goods improved substantially in Q2 2014



Sources: Statistics Canada and Desjardins, Economic Studies

Graph 7 – Inflation should hold close to the median target over the coming months



* Bank of Canada core index.
Sources: Statistics Canada and Desjardins, Economic Studies

OVERSEAS CENTRAL BANK

Inflation falls in Europe

EUROPEAN CENTRAL BANK (ECB)

- The euro zone's inflation rate dropped again in July, hitting a mere 0.4% (graph 8). When we exclude the change in food and energy prices, inflation is still at a weak 0.8%. The trend for prices remains quite concerning in this part of the world, and the lingering period of very weak economic growth does not point to improvement on that front. One of the rare encouraging points for inflation is the depreciating euro, which should remove downside pressure on certain prices.
- A credit recovery remains the main lever the ECB is trying to work on. In June, in addition to lowering key rates, the ECB announced the targeted long-term refinancing operations (TLTRO) to help financial institutions extend more credit to consumers and businesses. A first liquidity injection is expected for this program in September, and a second in December. Given the scope of the task, these injections may not be enough, and the ECB has started to pave the way for a potential securities purchase program.

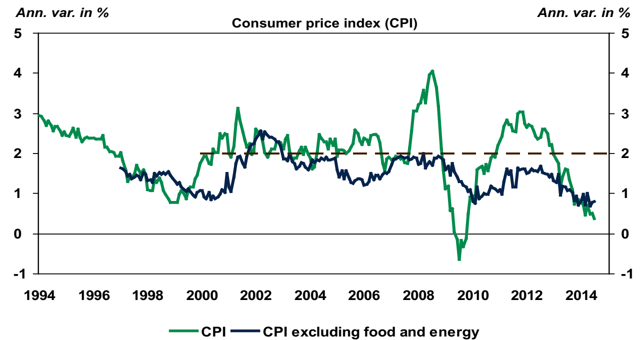
BANK OF ENGLAND (BoE)

- Inflation also retreated in the United Kingdom (graph 9), removing some of the pressure on the BoE to rush a rate hike. All the same, inflation is much closer to the target than in the euro zone. Britain's economy also seems much stronger, even if industrial production and retail sales have recently posted more mixed results. It will not take much to generate new inflationary pressures, and the scenario for beginning monetary firming in the first quarter of 2015 remains credible. It is interesting to note that some dissension appeared within the monetary policy committee in August. Two of the nine members voted for a 25-basis-point increase to the key rate, claiming, among other things, that weak growth in wages may not reflect the real state of the job market's progress.

BANK OF JAPAN (BoJ)

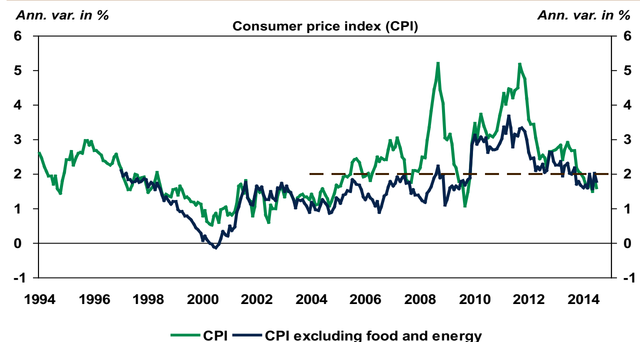
- The latest economic figures for Japan have been more disappointing. Initially, April's sales tax hike seemed to have only a temporary effect on the economy, but the early summer slump by several indicators is raising new fears. Inflation may seem better, but the picture is still exaggerated by the effect of the sales tax. In terms of monthly change, prices fell slightly in June, suggesting that the surge by inflation may not be lasting (graph 10). The BoJ will probably have to continue its securities purchases in 2015, and may even pick up the pace.

Graph 8 – Inflation rate in the euro zone



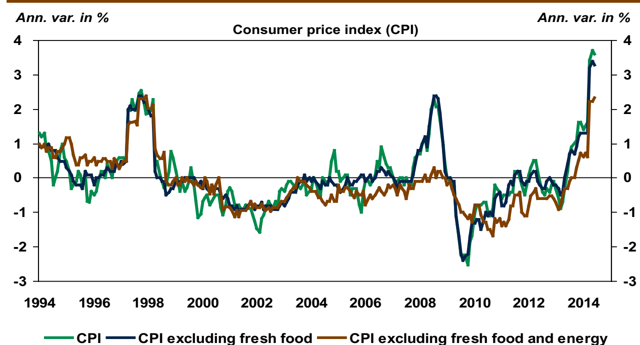
Sources: Datastream and Desjardins, Economic Studies

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

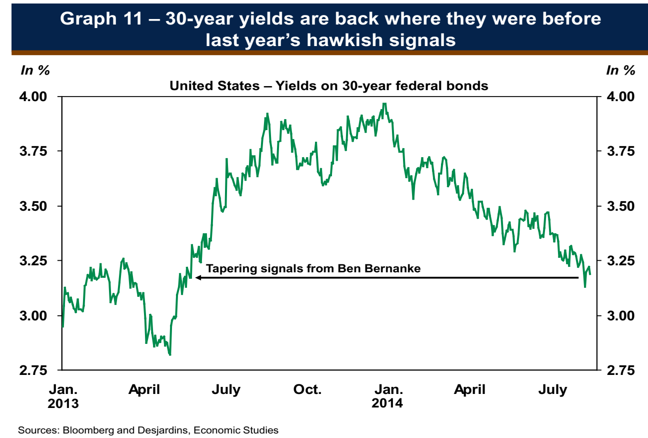
Yields remain disconnected from the fundamental reality

U.S. FEDERAL BONDS

- Despite the considerably smaller role that the Federal Reserve (Fed) now plays as a buyer since the start of the year, 30-year yields recently fell below 3.20%. This is an especially symbolic level that has not been hit since May 22, 2013, when Fed Chair Ben Bernanke started to prepare the markets for a simple cut to monthly bond purchases (graph 11). More logically, 2- and 5-year bonds have maintained their uptrend since the beginning of the year, but they remain below the levels that would be consistent with an eventual first rate hike being expected roughly one year from now (graph 12). This continue to attest to a disconnect between rates and U.S. fundamental factors.
- The global context partially explains this phenomenon. Europe's economy is showing worrisome signs, against the backdrop of ongoing geopolitical tension, a situation that seems to be encouraging investors to turn to bond markets recognized as safe havens. In this sense, the strength is U.S. bonds pales when compared with German Bund performance (graph 13). However, the fact remains that in the near past, U.S. bond yields were able to post sharp increases, despite equally significant uncertainties (i.e. the U.S. government shutdown in 2013).
- We must therefore turn to technical factors for other plausible hypotheses. Demand for U.S. bonds seems to be fuelled by, among other things, the regulatory constraints on financial institutions, requiring them to hold sufficient quality assets. Sustained demand from investors with long-term horizons, such as pension funds, also seems responsible, especially since the alternatives for returns with limited risk are rare. Although these factors could continue to have an influence, the trajectory of fundamental factors, which usually have the most impact on yields, is such that it is hard to foresee them going much lower.

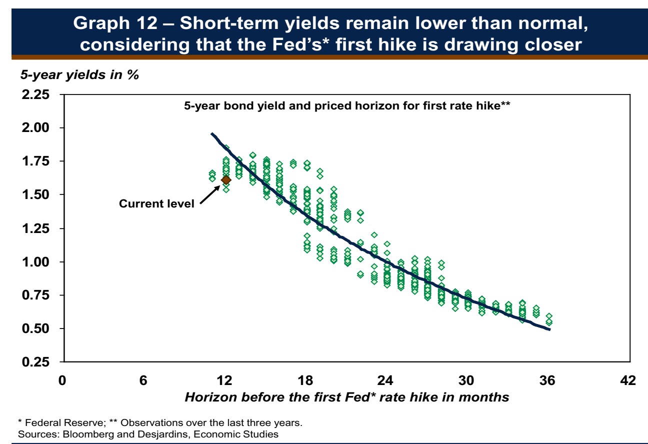
Forecasts: We are slightly downgrading our year-end targets, now expecting 3.00% for 10-year yields and 3.65% for 30-year yields. Anticipation of a lower neutral rate and sustained demand from some investor classes for long-term bonds argues for yields closing the year at lower levels than previously expected. The shortest-term yields are closer to our expectations, and our downward changes are smaller in this case.

Graph 11 – 30-year yields are back where they were before last year's hawkish signals



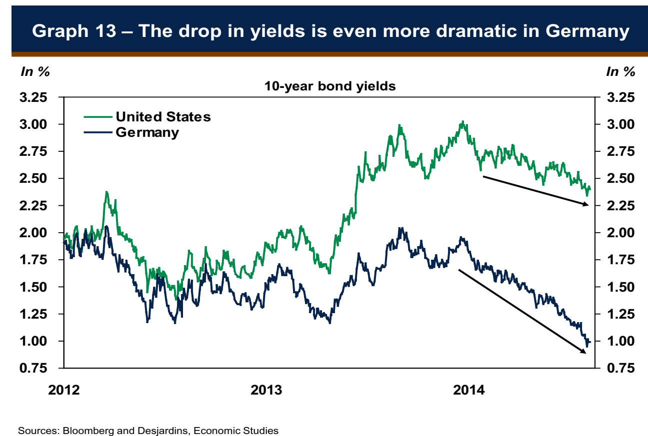
Sources: Bloomberg and Desjardins, Economic Studies

Graph 12 – Short-term yields remain lower than normal, considering that the Fed's* first hike is drawing closer



* Federal Reserve; ** Observations over the last three years.
Sources: Bloomberg and Desjardins, Economic Studies

Graph 13 – The drop in yields is even more dramatic in Germany



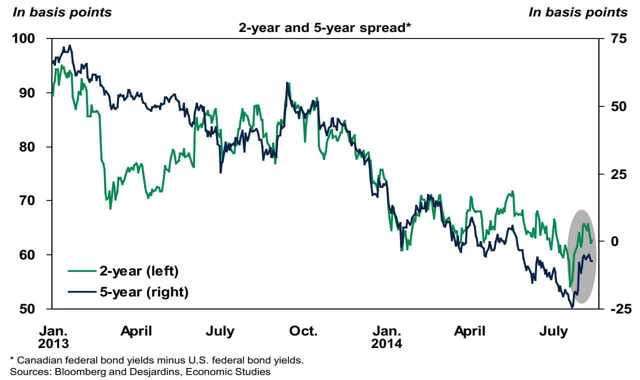
Sources: Bloomberg and Desjardins, Economic Studies

CANADIAN FEDERAL BONDS

- Spreads between Canadian bond yields at short maturities and those of U.S. Treasuries have somewhat deviated from their trend in August. After touching 54 basis points at the end of July, the 2-year spread has risen recently above 60 points. The spread for 5-year bonds had ended July at -24 basis points but now lies at around -10 points (graph 14).
- On one hand, the revival of risk aversion in the first half of August has favoured U.S. Treasuries. On the other hand, Canadian data have significantly strengthened in recent weeks, generally exceeding expectations (graph 15), pointing towards a growth rebound in the second quarter. Adding in an inflation rate that has remained close to the Bank of Canada's (BoC) target, investors saw little reason to advantage Canadian bonds over Treasuries.
- Nonetheless, we believe that this constitutes merely a pause, as the backdrop remains conducive to Canadian bond outperformance. The harmony that existed within the committees of some central banks, like the Bank of England (BoE) and the Fed starts to fade, as some officials believe that the time to indicate the exit is around the corner. It would be surprising if the BoC adopted this kind of talk. Since his arrival, Stephen Poloz's comments have almost uniformly been interpreted as dovish by market participants (graph 16). The era of Mark Carney, where the BoC was widely seen as the one that would raise rates first, is long gone. Under Stephen Poloz, a communicational approach that places great emphasis on Canada's structural shortcomings militates for the BoC being overtaken by the BoE and the Fed. The significant front-end spread compression this year in part reflects that anticipation, but in our opinion, the movement is not over.

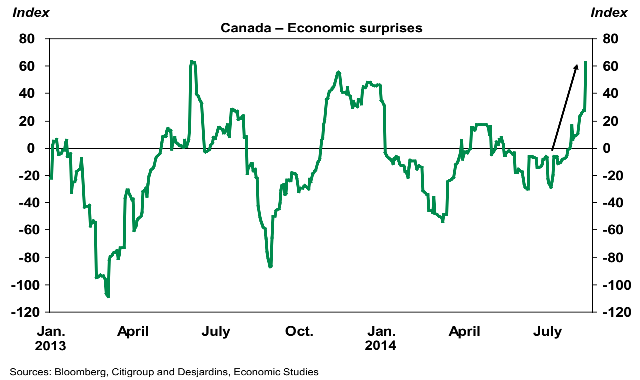
Forecasts: Our downward revisions to U.S. rates also lead to an adjustment for Canadian bonds. Our year-end target for 10-year yields is now at 2.60%, 30 basis points below our scenario of June but still up 55 basis points from the current level. The Canada–U.S. spread at this maturity should end the year at -35 basis points, close to current levels. However, we expect the spread for 2-year bonds, currently at around 60 basis points, to narrow to 45 points by the end of 2014, and to 15 points by year-end 2015.

Graph 14 – Canadian bonds pull back slightly against Treasuries in August



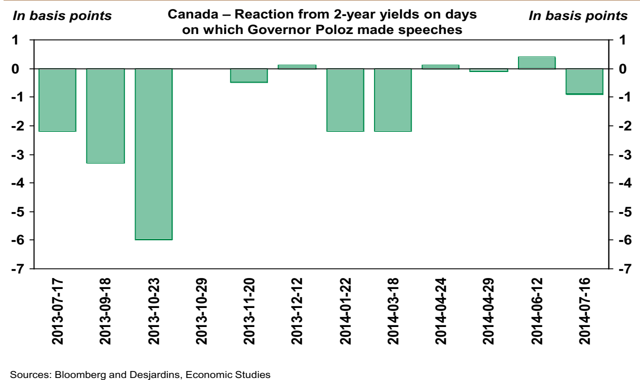
* Canadian federal bond yields minus U.S. federal bond yields.
Sources: Bloomberg and Desjardins, Economic Studies

Graph 15 – Canadian data has tended to exceed expectations for some time now



Sources: Bloomberg, Citigroup and Desjardins, Economic Studies

Graph 16 – Stephen Poloz's remarks tend to prompt a drop in yields

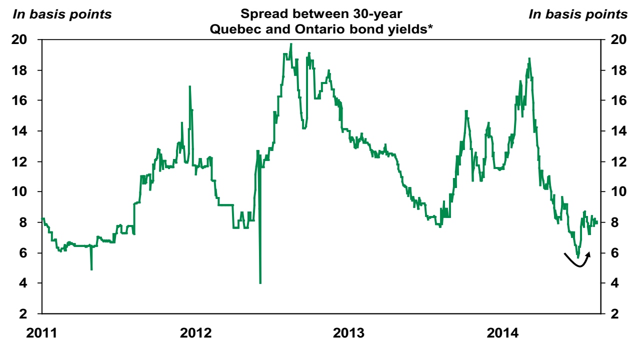


Sources: Bloomberg and Desjardins, Economic Studies

PROVINCIAL AND CORPORATE BONDS

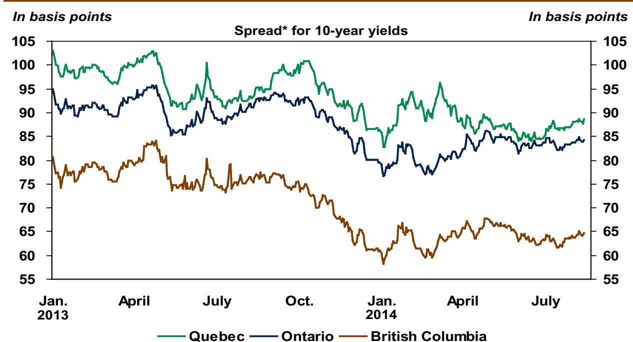
- The summer has been quiet in provincials. As expected, Ontario bonds recovered somewhat against those of Quebec. Following the tabling of the budget of the newly elected majority government in Ontario, the major rating agencies maintained their ratings unchanged for the province, even if they continued to warn against further deficit-target misses. The publication of opinions by agencies has ended a period of uncertainty concerning Ontario and Quebec–Ontario spreads have consequently adjusted slightly higher. Nevertheless, the rise seems very meagre compared to the movement of the spring (graph 17).
- Provincial spreads relative to federal government bonds have widened modestly since the end of July. This coincided with the resurgence of risk aversion globally in the first weeks of August, which favoured sovereign bonds. The size of the move was small, however, and in reality, one can speak more of stabilization rather than a convincing upward trend (graph 18). Contributing to anchor the spreads, provinces have been relatively parsimonious in their issuances since the beginning of the year. In mid-August, $11.2B of debt had been issued by provinces on a year-to-date basis, down $3.5B from last year. Progress in eliminating deficits obviously explains a good part of the decline. However, this occurs in a context where investor appetite for the asset class remains elevated. This can be seen by the level of demand for issues and the high interest of foreign investors for provincials. In turn, provinces have catered more to this clientele this year: 25% of the provincial debt issued in 2014 was denominated in foreign currency as of mid-August, against only 14% at the same time last year.
- The situation of complacency that characterized the first half of the year in some areas of the corporate bond market somewhat reversed. Spreads of U.S. high-yield to federal government bonds have risen in recent weeks after reaching lows, amid a slight increase in volatility (graph 19). Net investment flows for the asset class also flipped into negative territory last month. The combination of geopolitical concerns and rising uncertainty about the European economy has prompted investors to realize a portion of their profits. Do not count the asset class as defeated just yet, however. The lure of returns could bring bargain hunters once the moment is right, especially as the low rate of business bankruptcies gives a key fundamental support to corporate bonds as a whole.

Graph 17 – Quebec–Ontario spreads have climbed rather modestly



* At constant maturity, monthly average.
Sources: Desjardins, Capital Markets and Desjardins, Economic Studies

Graph 18 – Provincial spreads remain weak



* Provincial bond yields minus Canadian federal bond yields.
Sources: Desjardins, Capital Markets and Desjardins, Economic Studies

Graph 19 – Investors seem a bit less complacent

Sources: Datastream and Desjardins, Economic Studies

Table 1
Key interest rates

End of period in %	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	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	1.00	1.50
Euro zone												
Refinancing rate	0.75	0.50	0.50	0.25	0.25	0.15	0.15	0.15	0.15	0.15	0.15	0.15
United Kingdom												
Base rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	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
May 2014			
28	Bank of Brazil	s.q.	11.00
June 2014			
3	Reserve Bank of Australia	s.q.	2.50
4	Bank of Canada	s.q.	1.00
5	European Central Bank	-10 b.p.	0.15
5	Bank of England	s.q.	0.50
6	Bank of Mexico	-50 b.p.	3.00
11	Reserve Bank of New Zealand	+25 b.p.	3.25
12-13	Bank of Japan	---	---
18	Federal Reserve	s.q.	0.00 / 0.25
19	Bank of Norway	s.q.	1.50
19	Swiss National Bank	s.q.	0.00
July 2014			
1	Reserve Bank of Australia	s.q.	2.50
3	European Central Bank	s.q.	0.15
3	Bank of Sweden	-50 b.p.	0.25
10	Bank of England	s.q.	0.50
11	Bank of Mexico	s.q.	3.00
14-15	Bank of Japan	---	---
16	Bank of Brazil	s.q.	11.00
16	Bank of Canada	s.q.	1.00
23	Reserve Bank of New Zealand	+25 b.p.	3.50
30	Federal Reserve	s.q.	0.00 / 0.25
August 2014			
5	Reserve Bank of Australia	s.q.	2.50
7	European Central Bank	s.q.	0.15
7	Bank of England	s.q.	0.50
7-8	Bank of Japan	---	---

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

Table 3
Coming soon

Date	Central Bank
September 2014	
2	Reserve Bank of Australia
3	Bank of Brazil
3	Bank of Canada
3-4	Bank of Japan
4	European Central Bank
4	Bank of England
4	Bank of Sweden
5	Bank of Mexico
10	Reserve Bank of New Zealand
17	Federal Reserve
18	Bank of Norway
18	Swiss National Bank
October 2014	
2	European Central Bank
6	Reserve Bank of Australia
6-7	Bank of Japan
9	Bank of England
22	Bank of Canada
23	Bank of Norway
28	Bank of Sweden
29	Reserve Bank of New Zealand
29	Bank of Brazil
29	Federal Reserve
31	Bank of Japan
31	Bank of Mexico
November 2014	
3	Reserve Bank of Australia
6	European Central Bank
6	Bank of England

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 Q2	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	0.04	0.05	0.15	0.25	0.30	0.65	1.15
Federal bonds												
2-year	0.25	0.34	0.32	0.36	0.39	0.42	0.60	0.95	1.20	1.45	1.70	1.95
5-year	0.74	1.36	1.36	1.71	1.71	1.60	1.80	2.10	2.35	2.60	2.80	3.00
10-year	1.85	2.48	2.62	3.01	2.73	2.52	2.65	3.00	3.30	3.45	3.55	3.65
30-year	3.11	3.50	3.69	3.94	3.56	3.34	3.40	3.65	3.85	3.95	4.05	4.10
Yield curve												
5-year - 3-month	0.67	1.32	1.34	1.64	1.66	1.56	1.75	1.95	2.10	2.30	2.15	1.85
10-year - 2-year	1.60	2.14	2.30	2.65	2.34	2.09	2.05	2.05	2.10	2.00	1.85	1.70
30-year - 3-month	3.04	3.46	3.67	3.87	3.51	3.30	3.35	3.50	3.60	3.65	3.40	2.95

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 Q2	2014 Q3f	2014 Q4f	2015 Q1f	2015 Q2f	2015 Q3f	2015 Q4f
Key rate												
Federal funds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50
Treasury bills												
3-month	0.97	1.02	0.98	0.91	0.89	0.94	0.95	1.00	1.00	1.00	1.20	1.50
Federal bonds												
2-year	1.00	1.22	1.19	1.14	1.07	1.10	1.20	1.40	1.55	1.70	1.90	2.10
5-year	1.30	1.80	1.86	1.96	1.71	1.53	1.70	1.95	2.20	2.45	2.65	2.80
10-year	1.76	2.44	2.54	2.78	2.46	2.24	2.25	2.60	2.90	3.05	3.15	3.25
30-year	2.51	2.90	3.07	3.24	2.96	2.78	2.80	3.05	3.30	3.40	3.50	3.55
Yield curve												
5-year - 3-month	0.33	0.78	0.88	1.05	0.82	0.59	0.75	0.95	1.20	1.45	1.45	1.30
10-year - 2-year	0.76	1.22	1.35	1.64	1.39	1.14	1.05	1.20	1.35	1.35	1.25	1.15
30-year - 3-month	1.54	1.88	2.09	2.33	2.07	1.84	1.85	2.05	2.30	2.40	2.30	2.05
Spreads (Canada - U.S.)												
3-month	0.90	0.98	0.96	0.84	0.84	0.90	0.90	0.85	0.75	0.70	0.55	0.35
2-year	0.75	0.88	0.87	0.78	0.68	0.68	0.60	0.45	0.35	0.25	0.20	0.15
5-year	0.56	0.44	0.50	0.25	-0.00	-0.07	-0.10	-0.15	-0.15	-0.15	-0.15	-0.20
10-year	-0.09	-0.04	-0.08	-0.23	-0.27	-0.28	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40
30-year	-0.60	-0.60	-0.62	-0.70	-0.60	-0.56	-0.60	-0.60	-0.55	-0.55	-0.55	-0.55

f: forecasts
Sources: Datastream and Desjardins, Economic Studies