The Yield Curve

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Despite cautious central banks, yields should continue to trend up

HIGHLIGHTS

- North American bond yields have finally climbed back somewhat over the last few weeks as investor attention has turned to the U.S. economy and monetary policy.
- The Fed maintained the wording "considerable time" on September 17 but Fed leader forecasts are suggesting that the federal funds rate could hit 1.375% as early as late 2015.
- We now expect the Fed to begin raising its key rates in June 2015. Despite this somewhat hastier monetary firming, we are not substantially modifying our forecasts for long-term bond yields. The international context, combined with geopolitical situations that may remain precarious, should support robust demand for North American bonds.
- Despite higher inflation and some signs that excess production capacity is being absorbed. Bank of Canada (BoC) leaders continue to highlight the downside risks. The BoC will hold on to the status quo for its monetary policy until the fall of 2015.

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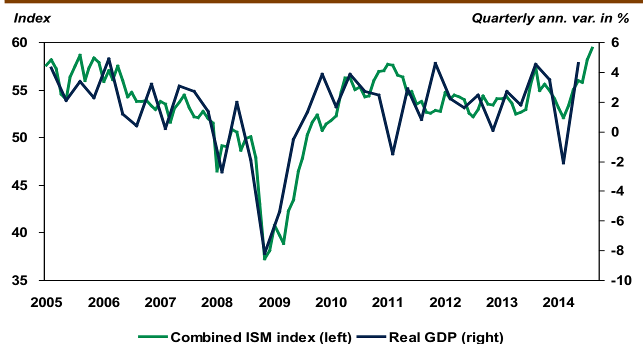
Editorial

After trending down for more than half of 2014, North American bond yields have finally climbed back somewhat over the last few weeks. U.S. 10-year yields, which had dropped to nearly 2.30%, have recently moved close to 2.60%. Short-term yields are also on the rise, and U.S. 2-year yields recently hit their highest point since 2011.

SOLID NORTH AMERICAN DATA POINT TO POTENTIAL MONETARY FIRMING

As geopolitical tensions have eased a bit, investor attention has turned to the U.S. economy and monetary policy. News on this front is encouraging, as everything suggests that economic activity is continuing to advance at a good pace (graph 1). Job creation for September was relatively low, but the trend for the last six months remains more than satisfactory, with monthly average growth above 225,000 jobs. The debate over when to tighten monetary policy therefore intensified as the September 17 meeting of the Federal Reserve (Fed) drew near as several leaders had shared their growing uneasiness with the remark that their monetary policy would remain appropriate for a considerable time after the end of the third quantitative easing program.

Graph 1 – The ISM indexes suggest that U.S. real GDP growth will remain lively



Sources: Institute for Supply Management, Bureau of Economic Analysis and Desjardins, Economic Studies

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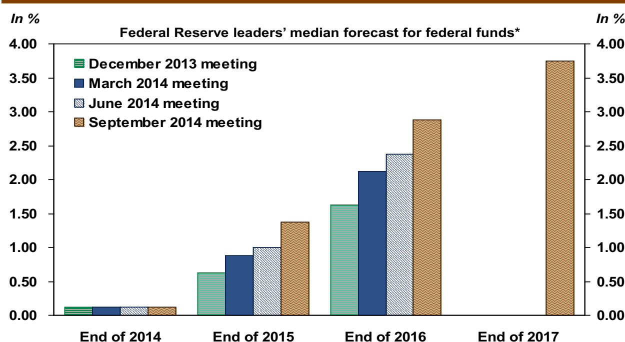
Recent economic statistics for Canada were even more encouraging. The springtime surge in exports continued over the summer, suggesting that Canada's economy will grow another 3% in the third quarter. At this pace, Canada's surplus production capacity will rapidly be absorbed, in a context where inflation and core inflation are already just above 2%.

THE FED STAYS ON COURSE

Despite the more favourable situation, the monetary authorities seem very reluctant to change their stance. In the end, the Fed maintained the wording "considerable time" on September 17, prompting a second member to vote against the statement. At the press conference, Janet Yellen stressed that this remark was not a pledge to keep rates unchanged for a well-defined time period, and that the start of monetary tightening would depend on how economic statistics move. However, we can conclude that it will take a lot of positive surprises to convince Fed leaders to begin monetary firming before Q2 2015.

Though the Fed's relatively unchanged statement seemed to favour the bond market, Fed leader forecasts for key rate movements sent the opposite message. These forecasts have been upgraded again, now suggesting that the federal funds rate could hit 1.375% as early as late 2015 (graph 2), an increase of 125 basis points. In our opinion, these rather contradictory messages from the Fed reveal a growing divide between the more cautious members, who wish to continue supporting the economy as much as possible, and members who are eager to return to a more normal monetary policy. Economic statistics should determine which faction will win out in the end.

Graph 2 – Federal Reserve leaders have again upgraded their expectations for key rates



* Adjusted for comparison purposes.
Sources: Federal Reserve and Desjardins, Economic Studies

THE FED COULD MOVE AHEAD OF THE BANK OF CANADA BY MORE THAN A QUARTER

We now expect the Fed to begin raising its key rates in June 2015. Encouraging signs from the U.S. economy are primarily what prompt us to call for a rate hike a little earlier than previously expected.

Despite this somewhat hastier monetary firming, we are not substantially modifying our forecasts for long-term bond yields. While the economic outlook for North America has improved recently, the opposite is true for the world's other major economies. The European Central Bank is edging ever closer to true quantitative policy, and everything suggests that the Bank of Japan will remain quite aggressive in the coming quarters. This international context, combined with geopolitical situations that may remain precarious, should support robust demand for North American bonds, thereby limiting increases in long-term yields.

Fundamentally, there are excellent reasons to predict an earlier start to Canada's monetary firming as well. However, we continue to expect Canada's first key rate hike in October 2015. Bank of Canada (BoC) leaders do not seem the least impressed by the Canadian economy's recent performance, and they continue to highlight the downside risks. The BoC's Senior Deputy Governor even intimated recently that the BoC was better equipped to deal with overly strong than overly weak inflation, suggesting that monetary authorities will wait as long as possible before beginning monetary firming.

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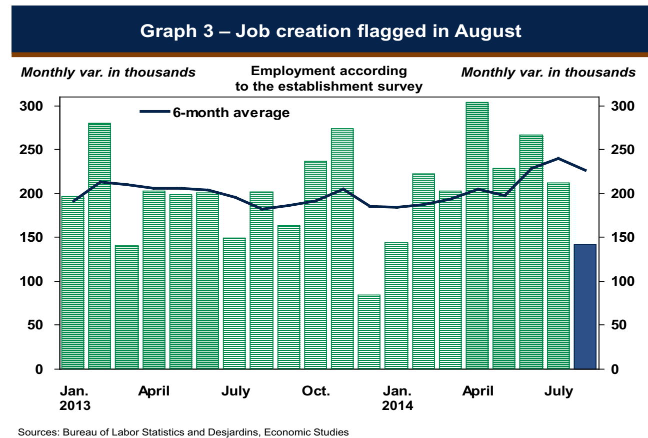
FEDERAL RESERVE

Heading for a first rate hike next spring

- The improved performance of several economic indicators since spring could have prompted Federal Reserve (Fed) leaders to further prepare the markets for eventual key rate increases. Many observers therefore expected Janet Yellen and her colleagues to modify the forward guidance included in their statement at the September 17 meeting. However, they decided not to change their remark that “it will likely be appropriate to maintain the current target range for the federal funds rate for a considerable time after the asset purchase program ends.”
- It must be stated that some of the latest economic data released has been a little less encouraging. Job creation disappointed in August (graph 3). The housing market continues to seesaw. In August, industrial production fell for the first time since January. Consumer prices pulled back in August, and the core index excluding food and energy was unable to rise, for the first time since 2010. Inflation is therefore down, moving farther from the Fed’s targets (graph 4). Under these circumstances, and given the large amount of global uncertainty, the Fed opted for patience.
- However, it did announce that the bond purchasing policy would end soon. One final round will be completed in October, with US$15B in new bond acquisitions. However, Fed leaders expect to be able to announce when they meet on October 28 and 29 that the program will not continue in November. QE3 will therefore wind up after purchases totalling US$1,625B (graph 5).
- This conclusion calls for the forward guidance to be change in October or December. It hard to predict how the forward guidance will evolve but we note that key rate predictions published with the latest statement show that the median forecast for late 2015 has been upgraded from 1.125% to 1.375%. Fed leaders are therefore contemplating more rate increases next year now than they did after their June meeting. This signal and the strong growth expected for the U.S. economy suggest that the Fed should begin to tighten its monetary policy midway through 2015. Considering the 6-month period already mentioned during an earlier Janet Yellen conference, we can predict that the Fed will change its “considerable time” remark at the monetary policy committee’s December meeting.

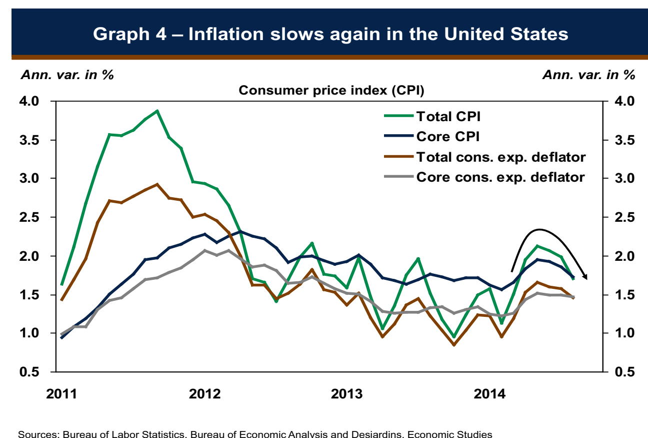
Forecasts: The Fed should begin to raise key rates in June 2015 (not September, as we previously predicted). The top of the target range for the federal funds rate should be 1.25% by the end of next year.

Graph 3 – Job creation flagged in August



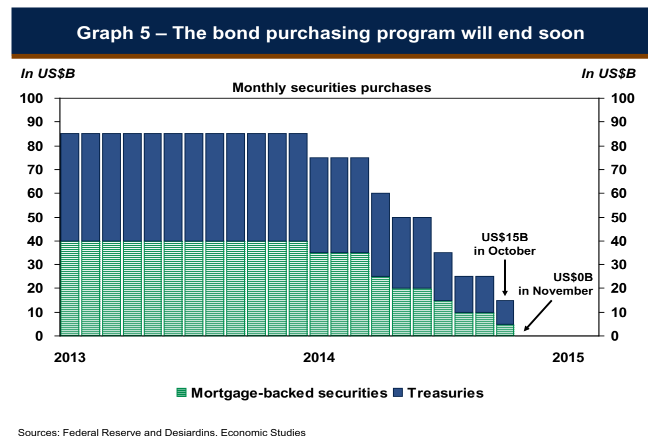
Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

Graph 4 – Inflation slows again in the United States



Sources: Bureau of Labor Statistics, Bureau of Economic Analysis and Desjardins, Economic Studies

Graph 5 – The bond purchasing program will end soon



Sources: Federal Reserve and Desjardins, Economic Studies

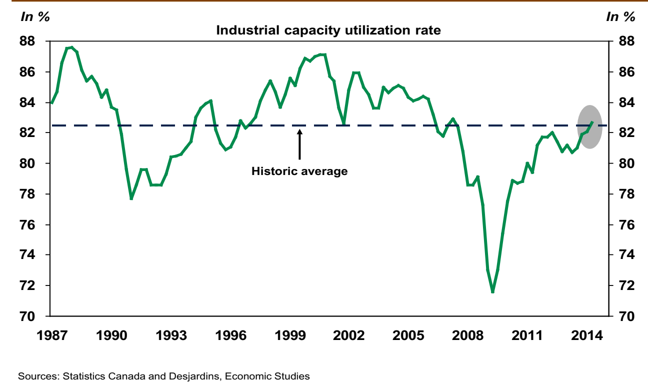
BANK OF CANADA

Excess production capacity has almost been absorbed

- Canada's real GDP bounced back in the second quarter, gaining a quarterly annualized 3.1%. Exports made a sizable contribution to this growth, raising hopes that the long-awaited improvements to international trade are finally materializing. Domestic demand also advanced during the period.
- As the Bank of Canada estimates output potential at just 1.9%, the second quarter surge by real GDP prompted the output gap to shrink further. The gap could therefore close completely by around mid-2015. This is a much more optimistic projection than the BoC's,—the latest *Monetary Policy Report* stated that the economy would not return to full capacity until the middle of 2016.
- The possibility that excess capacity will be absorbed shortly is also corroborated by the industrial capacity utilization rate, which reached 82.7% in the second quarter (graph 6).
- However, other signs suggest that some slack will linger in Canada's economy. The unemployment rate was 7.0% in August, higher than the historic low recorded before the Great Recession. If we also factor in workers waiting to be called in or waiting for an answer on a job, involuntary part-time workers, and discouraged workers who have stopped looking for work, the unemployment rate rise to 10.1% in August (seasonally adjusted), a level that is quite high (graph 7).
- The total annual inflation rate stayed at 2.1% in August. The monthly change to the core index (CPIX) was over two times higher than expected for August. Not only were some seasonal price increases higher than usual for this index, but the seasonally adjusted trend returned to around 0.2% after dipping just below 0.1% last month. The CPIX's annual change therefore went from 1.7% to 2.1%. With total inflation and core inflation both at 2.1%, it is likely that the annual change to the total consumer price index will hold close to its median target (2%) in the coming months (graph 8).

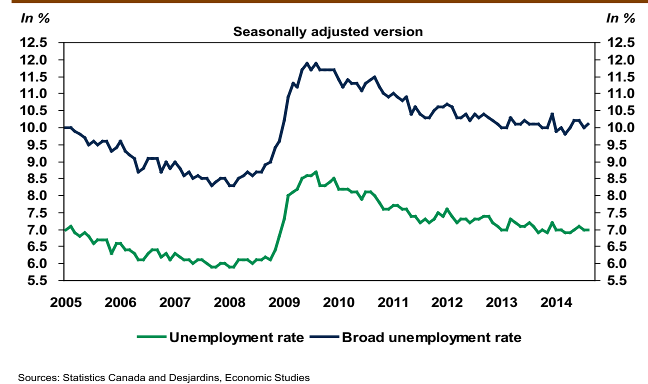
Forecasts: Despite higher inflation and some signs that excess production capacity is being absorbed, there are still significant uncertainties surrounding the economic outlook. Under these conditions, the BoC will remain prudent and hold on to the status quo for its monetary policy until the fall of 2015.

Graph 6 – The utilization rate continues to rise



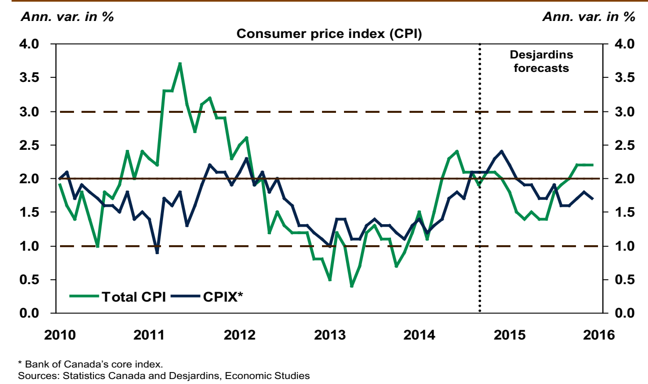
Sources: Statistics Canada and Desjardins, Economic Studies

Graph 7 – The unemployment rate points to lingering surplus capacity in the labour market



Sources: Statistics Canada and Desjardins, Economic Studies

Graph 8 – Inflation will remain close to the median target



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

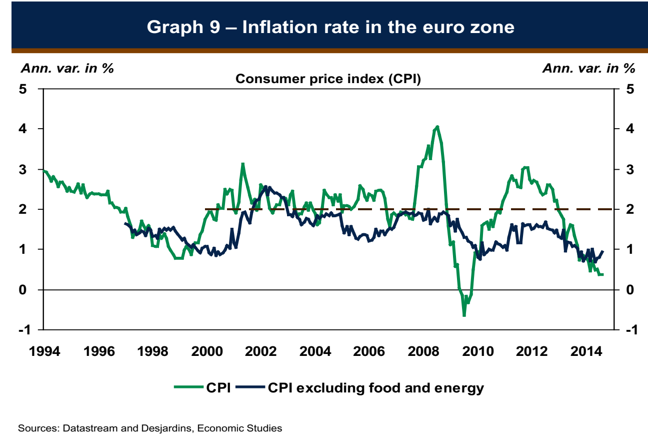
OVERSEAS CENTRAL BANK

Monetary policy will remain very expansionary in the euro zone and Japan

EUROPEAN CENTRAL BANK (ECB)

- Further erosion of the outlooks for economic growth and inflation (graph 9) convinced the ECB to announce a new set of monetary easing measures at its meeting in early September. In addition to cutting its key rates by 10 basis points, the ECB announced an asset-backed security purchasing program and a third covered bond purchasing program, both of which will begin in October. With these measures, combined with the targeted longer-term refinancing operations (TLTRO) announced previously, the ECB hopes to stimulate credit in the euro zone. A second goal for the ECB is to substantially increase the size of its balance sheet, bringing it close to where it was at the start of 2012; this is starting to look a lot like quantitative policy. As the amount requested by banks during the first TLTRO was disappointing and the economic situation remains quite worrisome, the ECB should opt for fairly aggressive financial security purchases. However, the likelihood of massive federal bond purchases remains low.

Graph 9 – Inflation rate in the euro zone

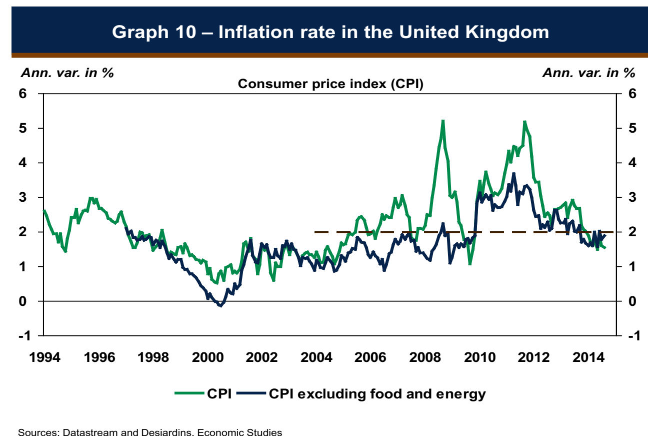


Sources: Datastream and Desjardins, Economic Studies

BANK OF ENGLAND (BoE)

- The Scottish question captured all the attention over the last few weeks. A "Yes" victory could have had considerable impacts on Britain's financial system, which would have probably prompted the BoE to temporarily forgo monetary firming. That risk is now behind us, and the major question is once again, "When will the BoE begin monetary firming?" Note that the pound has been down more than 4% against the greenback since mid-July. The risks of dramatic appreciation now seem a lot smaller and the BoE will thus not be able to count on the pound to rein in inflationary pressure. The recent retreat in inflation (graph 10) and deteriorating economic outlooks for the euro zone are giving the BoE some leeway, though. It should therefore wait until the end of next winter before starting to tighten its monetary policy.

Graph 10 – Inflation rate in the United Kingdom

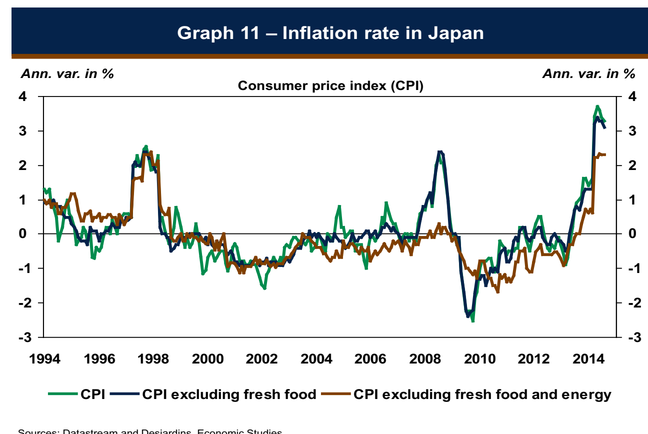


Sources: Datastream and Desjardins, Economic Studies

BANK OF JAPAN (BoJ)

- Japan's economy faced a bigger than anticipated retreat following the consumption tax hike, and its real GDP contracted an annualized 7.1% in the second quarter. The economy is expected to rebound in the third quarter, but not as much as it could have been expected. Japan's economic difficulties increase the possibility that the BoJ will soon accelerate its financial asset purchases. After artificially jumping last spring, inflation has edged down over the last few months (graph 11), another sign that the BoJ must remain on high alert.

Graph 11 – Inflation rate in Japan



Sources: Datastream and Desjardins, Economic Studies

BOND MARKET

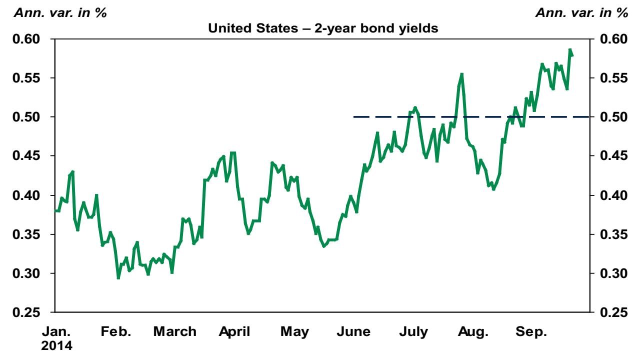
The debate intensifies in the United States, but not in Canada

U.S. FEDERAL BONDS

- The much-awaited change in the bond market trend began to materialize in September. Longer-term bond yields recovered after an extended downtrend that has lasted since the start of the year. 2-year yields are now managing to hold above 50 basis points (graph 12), while 5-year yields are up nearly 15 basis points since August 31.
- For some time now, appealing U.S. economic figures have argued in favour of higher interest rates, but this scenario has been prevented by a number of factors, including lingering geopolitical tensions, soft economies in Europe and Asia, and regulatory requirements that force financial institutions to keep sizable amounts of risk-free securities on hand. Comments from several decision-makers at the Federal Reserve (Fed) in favour of definitive withdrawal of the forward guidance, however, have managed to start moving yields up since the start of the month. New rate forecasts from officials left little doubt as to some leaders' determination to begin the monetary firming cycle in mid-2015. Even though forward markets have adjusted somewhat following the FOMC meeting, priced-in rates are still below the Fed's median forecast (graph 13).
- While it is true that some officials are getting indisposed by the call for patience still being promoted in the Fed statement, Chair Janet Yellen and top officials are also quick to underline the importance, in their opinion, of letting the job market recovery become more entrenched. The troubles in the residential real estate market, weak wage growth and inflation that remains below target are some of the arguments they currently use to support their view. However, assuming that the U.S. economic outlook remains one of the world's healthiest (graph 14), it is hard to see how the Fed will be able to resist changing its stance around December.

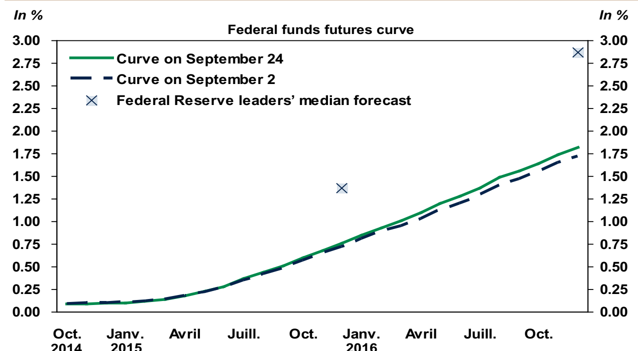
Forecasts: We have moved up our target for the first Fed rate hike to June 2015, an opinion that also seems to be shared by Fed officials. Markets are still too oblivious to the overwhelming likelihood of this scenario, in our opinion. An ongoing job market recovery in the fourth quarter should result in some changes to the Fed's wording around December. This scenario is consistent with a rise in 10-year yields, which we expect to stand at 2.95% at the end of the year, with 5-year yields just above 2.00%.

Graph 12 – 2-year yields are better able to hold above 50 basis points now



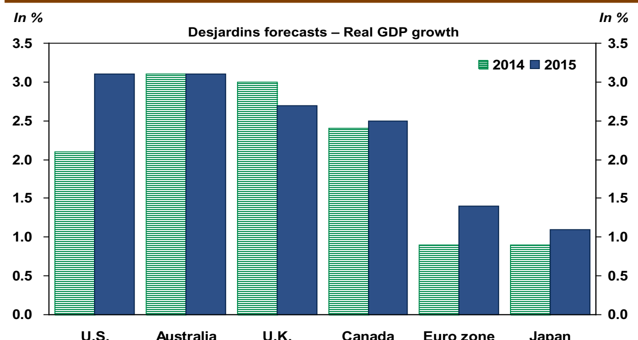
Sources: Bloomberg and Desjardins, Economic Studies

Graph 13 – Market anticipations have barely changed, despite higher rate forecasts from leaders



Sources: Bloomberg, Federal Reserve and Desjardins, Economic Studies

Graph 14 – U.S. growth should be among the strongest of advanced nations in 2015



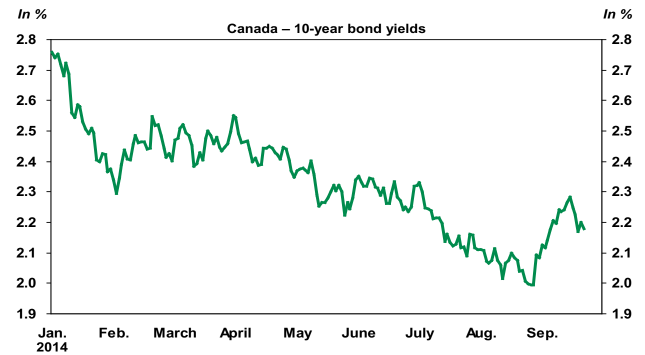
Sources: Datastream and Desjardins, Economic Studies

CANADIAN FEDERAL BONDS

- The widening of spreads between Canadian and U.S. yields proved temporary. Since late August, spreads for short-term yields narrowed quickly, before stabilizing. The spread for 2-year yields is at around 60 points, while the 5-year spread remains close to -10 basis points. This need not imply Canadian yields did not rise in September. For example, after edging below 2.00% at the start of the month, 10-year yields firmed up, holding above 2.20%. However, this is still well below the 2.75% seen at the start of the year (graph 15).
- Macroeconomic trends are not responsible for the low interest rates in the United States, and the same is generally true for Canada. Both total inflation and core inflation are slightly above the Bank of Canada's (BoC) targets. Moreover, last summer, the BoC had to drop its note that risks were skewed to the downside. The fact that Canadian bonds have largely outperformed U.S. bonds in 2014, despite inflation's return to the target, and despite Canada enjoying some of the strongest economic growth among advanced nations, says a lot about the tone of BoC officials. Here, nothing has changed, and although we now believe the Fed will raise its rates starting in June 2015, we stick with the assumption that the BoC will begin monetary firming next fall.
- The coming months could be eventful that said. In a hypothetical scenario where the pace of seasonally-adjusted inflation remained in line with this year's average, and factoring in the typical seasonal adjustments, headline inflation would top 2.50% by year-end (graph 16). The BoC is adamant that inflation will not accelerate further, saying it was exaggerated by temporary factors earlier this year. The downtrend in commodities prices tends to support this argument (graph 17). If inflation were to hold further upside surprises, some investors might be tempted to bet on a change of tone from the BoC. However, the prevailing custom since Governor Poloz's arrival has been to nuance this type of outcome. At most, there would be temporary volatility, but risks of a major trend change seem low.

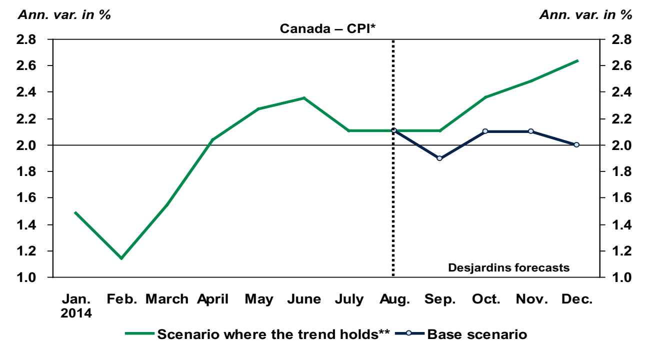
Forecasts: The BoC is being parsimonious with hawkish signals; for now, it is hard to determine when a shift in stance might come, so remote it seems. Recent remarks from Stephen Poloz suggesting that monetary policy is currently more restrictive in Canada than in the United States strengthen our view that the BoC wants to let the Fed raise its rates first. In our opinion, short-term spreads are destined to narrow further in such context.

Graph 15 – Yields have increased in Canada recently, but they remain far below what they were at the start of the year



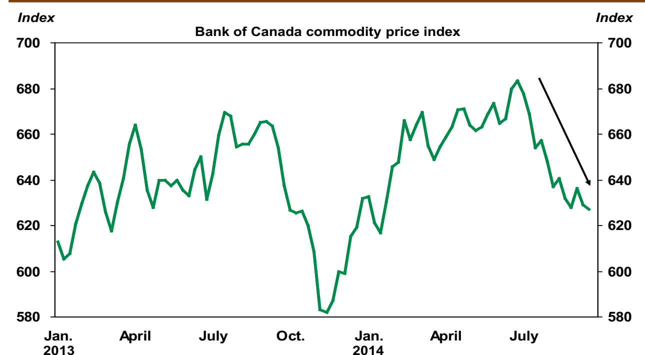
Sources: Bloomberg and Desjardins, Economic Studies

Graph 16 – If the seasonally adjusted CPI* maintained its pace of earlier this year, inflation would move further from the target



* Consumer price index; ** Assumes a seasonally adjusted inflation rate equal to the average from January to August.
Sources: Statistics Canada and Desjardins, Economic Studies

Graph 17 – The considerable drop in commodity prices lowers the risk of a surge in inflation

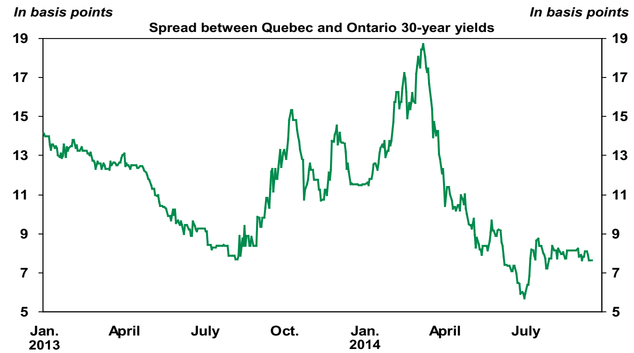


Sources: Bank of Canada and Desjardins, Economic Studies

PROVINCIAL AND CORPORATE BONDS

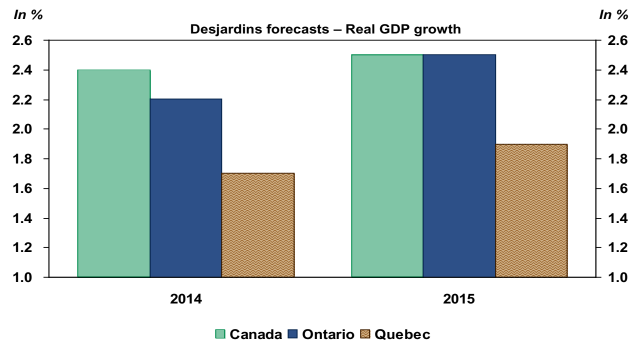
- At the fiscal level, several provinces have recently released quarterly updates. Alberta stands out, announcing an increased target for its 2014–2015 budget surplus, which goes from $1.1B to $1.4B, chiefly due to upgraded forecasts for its revenues from natural resources and corporate income taxes. However, its $2.8B reduction in its estimate of financing needs for this fiscal year was what the markets reacted more positively to.
- British Columbia announced minor adjustments to its debt forecast for this fiscal year, but the fact that the situation seems stable has reassured investors. In Quebec, the fact that year-over-year revenue growth surpassed spending growth from April to June was taken as an encouraging sign. Even though it will take some time before we learn the scope of the reforms intended to put public finances in a better shape, the markets do not seem overly concerned. The spread between Quebec and Ontario yields is much narrower than at the start of the year (graph 18). The spread's modest uptick seems all the more surprising as signs of economic improvement have appeared in Ontario, especially within the automobile manufacturing sector. Shipments of auto parts, an industry that accounts for a sizable share of Ontario's manufacturing activity, are up an annualized 21.0%. We expect Ontario's growth to join the national average in 2015 (graph 19). In contrast, we expect growth of just 1.9% in Quebec. Thus, from a fundamental standpoint, Quebec bonds seem rich relative to those of Ontario.
- Although volatility has intensified a little since mid-summer, corporate yield spreads remain low. In Canada, corporate bond issuance had been particularly high in 2013 and thus, financing activity moderated in 2014, particularly as businesses remain very reluctant to invest in capital goods (graph 20). Moreover, several financial institutions turned to the United States for their financing needs, further reducing the supply. Demand, for its part, remains strong, and companies that went to the markets capitalized on that situation to issue highly prized long-term securities. Given the conditions of supply and demand, as well as the liquidity businesses are sitting on, sharp widening of corporate spreads appears unlikely in the near term.

Graph 18 – The Quebec-Ontario yield spread remains remarkably narrow



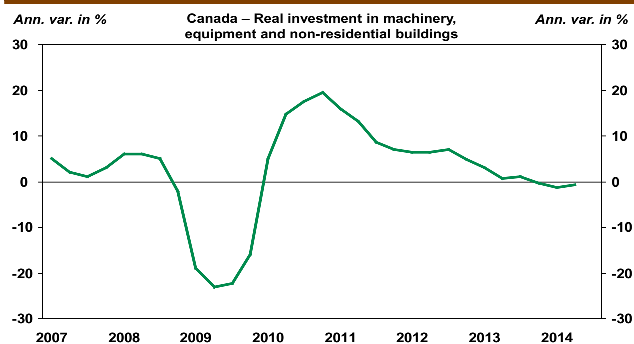
Sources: Desjardins, Capital Markets and Desjardins, Economic Studies

Graph 19 – Ontario's growth should reach the national average next year



Sources: Statistics Canada and Desjardins, Economic Studies

Graph 20 – Canadian businesses are hesitant to invest



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 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	0.50	1.00	1.25
Canada												
Overnight funds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	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
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	---	---
September 2014			
2	Reserve Bank of Australia	s.q.	2.50
3	Bank of Brazil	s.q.	11.00
3	Bank of Canada	s.q.	1.00
3-4	Bank of Japan	---	---
4	European Central Bank	-10 b.p.	0.05
4	Bank of England	s.q.	0.50
4	Bank of Sweden	s.q.	0.25
5	Bank of Mexico	s.q.	3.00
10	Reserve Bank of New Zealand	s.q.	3.50
17	Federal Reserve	s.q.	0.00 / 0.25
18	Bank of Norway	s.q.	1.50
18	Swiss National Bank	s.q.	0.00

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

Table 3
Coming soon

Date	Central 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
18-19	Bank of Japan
December 2014	
1	Reserve Bank of Australia
3	Bank of Brazil
3	Bank of Canada
4	European Central Bank
4	Bank of England
5	Bank of Mexico
10	Reserve Bank of New Zealand
11	Bank of Norway
11	Swiss National Bank
16	Bank of Sweden
17	Federal Reserve

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	0.50	1.00	1.25
Treasury bills												
3-month	0.07	0.04	0.02	0.07	0.05	0.04	0.00	0.15	0.30	0.60	1.10	1.35
Federal bonds												
2-year	0.25	0.34	0.32	0.36	0.39	0.42	0.60	1.00	1.40	1.80	2.00	2.25
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	2.55	2.95	3.25	3.45	3.55	3.65
30-year	3.11	3.50	3.69	3.94	3.56	3.34	3.25	3.60	3.80	3.95	4.05	4.10
Yield curve												
5-year - 3-month	0.67	1.32	1.34	1.64	1.66	1.56	1.80	1.95	2.05	2.00	1.70	1.65
10-year - 2-year	1.60	2.14	2.30	2.65	2.34	2.09	1.95	1.95	1.85	1.65	1.55	1.40
30-year - 3-month	3.04	3.46	3.67	3.87	3.51	3.30	3.25	3.45	3.50	3.35	2.95	2.75

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	0.90	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	1.15	1.40	1.60	1.75	1.90	2.10
5-year	1.30	1.80	1.86	1.96	1.71	1.53	1.65	1.95	2.20	2.45	2.65	2.80
10-year	1.76	2.44	2.54	2.78	2.46	2.24	2.20	2.55	2.85	3.05	3.15	3.25
30-year	2.51	2.90	3.07	3.24	2.96	2.78	2.70	3.00	3.25	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	1.15	1.25	1.30	1.25	1.15
30-year - 3-month	1.54	1.88	2.09	2.33	2.07	1.84	1.80	2.00	2.25	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	0.70	0.40	0.10	0.15
2-year	0.75	0.88	0.87	0.78	0.68	0.68	0.55	0.40	0.20	-0.05	-0.10	-0.15
5-year	0.56	0.44	0.50	0.25	-0.00	-0.07	-0.15	-0.15	-0.15	-0.15	-0.15	-0.20
10-year	-0.09	-0.04	-0.08	-0.23	-0.27	-0.28	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40
30-year	-0.60	-0.60	-0.62	-0.70	-0.60	-0.56	-0.55	-0.60	-0.55	-0.55	-0.55	-0.55

f: forecasts
Sources: Datastream and Desjardins, Economic Studies