The Yield Curve

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Can the bond market stay resilient in 2015?

HIGHLIGHTS

- North American economic statistics have been very encouraging over the last few weeks. Nonetheless, bond yields remain quite weak.
- The recent weakness in long-term yields is primarily due to falling inflation expectations, a result of the dramatic plunge in oil and gas prices. It is also consistent with the downtrend in bond yields seen throughout 2014.
- Some of the bond market's good performance in 2014 can be attributed to economic difficulties abroad. The weakness of North American bond yields also reflects the fact that investors are banking on ongoing extremely low key rates.
- The drop in gas prices is an important stimulus for the U.S. economy. In this context, it still seems appropriate to expect monetary firming to start in June 2015.
- While recent developments have been more positive for the Canadian economy, considerable uncertainty remains, due to the drop in commodity prices among other things.

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Editorial

North American economic statistics have been very encouraging over the last few weeks. U.S. and Canadian GDP grew 3.9% and 2.8% respectively in the third quarter, excellent results coming in on the heels of an even stronger second quarter. The labour markets also posted a solid performance, especially in the United States, where 321,000 jobs were created in November. These encouraging figures boosted U.S. 2-year yields, which recently hit 0.67%, their highest point since spring 2011. U.S. 10-year yields remain quite weak, however, under 2.30%, while their Canadian counterparts dropped back below 1.90%.

A FRUSTRATING YEAR FOR FORECASTERS

The recent weakness in long-term yields is primarily due to falling inflation expectations, a result of the dramatic plunge in oil and gas prices (graph 1). It is also consistent with the downtrend in bond yields seen throughout 2014—a trend that most forecasters, including us, had not anticipated.

Graph 1 – The drop in U.S. 10-year yields since mid-2014 is due to the pullback in inflation expectations

* Treasury Inflation Protected Securities.
Sources: Bloomberg and Desjardins, Economic Studies

In 2014's first issue of *The Yield Curve*, we stated that outlooks for the U.S. economy were encouraging, and that the most likely scenario for late 2014 was that: "the Federal

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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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Reserve (Fed) will have ended its quantitative easing program, fears of deflation will have eased, and investors will be starting to prepare for a key rate hike in the second half of 2015."

This scenario turned out to be fairly close to reality, as inflation climbed rapidly in the first half of 2014, the Fed recently ended its third quantitative easing program, and Fed leaders are now signalling that they plan to begin monetary firming around mid-2015. On several points, the U.S. economy's performance even beat our relatively optimistic expectations. Despite all this, long-term yields decreased sharply this year, rather than increasing as we had expected.

ECONOMIC DIFFICULTIES ABROAD FAVOURED THE BOND MARKET

Some of the bond market's good performance in 2014 can be attributed to economic difficulties abroad. The economies in both the euro zone and Japan have been very disappointing in recent quarters, which forced the European Central Bank and the Bank of Japan to step up their monetary easing measures. Everything suggests that these central banks will keep purchasing financial assets for several more quarters, which could continue to support the bond markets. Emerging nations also struggled in 2014, which helped maintain robust demand for safe havens.

In our opinion, though, the serious problems in several foreign economies are not enough to explain the remarkable performance by North American bond yields in 2014. Other factors, including regulatory issues that are prompting many financial institutions to hold more federal bonds, may also have favoured bonds; however, this does not justify yields this low.

The weakness of North American bond yields also reflects the fact that investors are banking on ongoing extremely low key rates. Futures on federal funds are pointing to an increase of just 0.50% in U.S. key rates in 2015, while the median forecast from Fed leaders points to a 1.25% rise. The markets also seem complacent by underestimating the chances of monetary firming in Canada.

FALLING GAS PRICES SHOULD NOT POSTPONE THE FEDERAL FUNDS INCREASE

Gas prices have plummeted in recent months, following the trend of oil prices. As gasoline accounts for just over 5% of the consumption basket for U.S. households, the 25% drop in prices at the pump could temporarily bring the inflation rate down by a bit over 1%. The impact could be even greater, as the price of other goods, for example air transportation and some types of heating, should also fall. However, central banks, who know it takes several months for their actions to affect the economy and inflation, tend to ignore temporary shifts in inflation caused by external factors.

The drop in gas prices is also an important stimulus for the U.S. economy. Prices are down about US$1 per gallon since mid-2014, representing potential annual savings of around US$130B, or 0.7% of the GDP, for all gas users in the United States (households, businesses and public administration). In this context, it still seems appropriate to expect monetary firming to start in June 2015 in the United States.

If the Fed takes action in mid-2015, this should realign investor expectations for key rates in the coming years, and bond yields should generally move up. As in spring 2013, this adjustment could be violent. Several factors that favoured bonds in 2014 should persist in 2015, however, including the soft economies abroad and low inflation. At this point, we thus prefer to expect gradual and relatively limited increases in bond yields.

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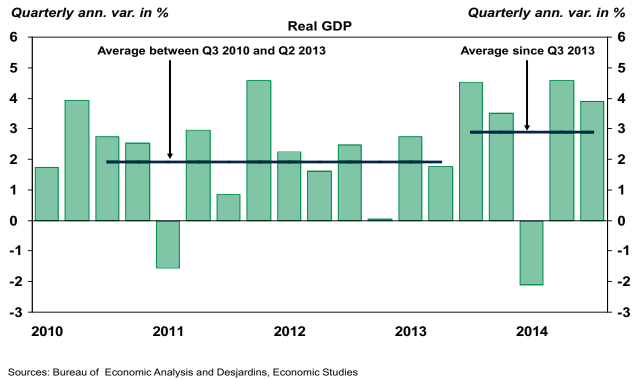
FEDERAL RESERVE

Will we soon say goodbye to the phrase "considerable time"?

- It seems that the more robust economic growth in the United States is finally sustainable. Between 2010 and the first half of 2013, U.S. real GDP grew around 2% on average. Since then, annualized quarterly gains have moved to 3.0% (graph 2). Somewhat weaker growth is expected for the Q4 2014, but the trend seems to be well-entrenched. What's more, employment figures continue to beat expectations, with 321,000 jobs added in November (graph 3), among other things. The uptrend for household confidence and the excellent performance by ISM indexes signal that these solid economic results will continue. The Federal Reserve (Fed) will be encouraged by developments like these. For now, only movements by wages and prices remain disappointing.
- The drop in oil prices might not help price indexes recover quickly. However, this new situation remains largely positive for the U.S. economy. Gas prices have fallen nearly 25% since mid-2014. This pullback gives U.S. households a lot of leeway. Consumption should therefore accelerate further. Investments associated with oil production, especially shale oil, are expected to slow, but this negative effect is not nearly as big as the benefit to households and businesses that use energy. As for the price indexes, growth there should be much weaker than we recently could have believed. The annual change in the total consumer price index may even slide below 1% (graph 4). What's more, market and household inflation expectations have clearly been weighed down by oil prices.
- Should the Fed change its tone because of these disruptions? Comments from some leaders suggest that the Fed, encouraged by the performance of the job market and economy, should not move too far from what it predicted in September, which was consistent with an interest rate hike next June. To clearly mark the way, though, they will have to signal their intentions at the December 17 meeting. Here, they will have to make a substantial adjustment to their mention of the "considerable time" between the end of quantitative easing (which occurred in November) and the onset of rate increases.

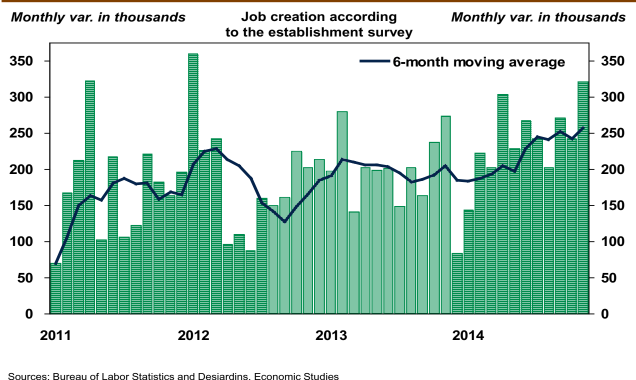
Forecasts: The Fed should begin raising key rates in June 2015. The top of the target range for the federal funds rate should be 1.25% by the end of next year.

Graph 2 – The economy is faring much better in the United States



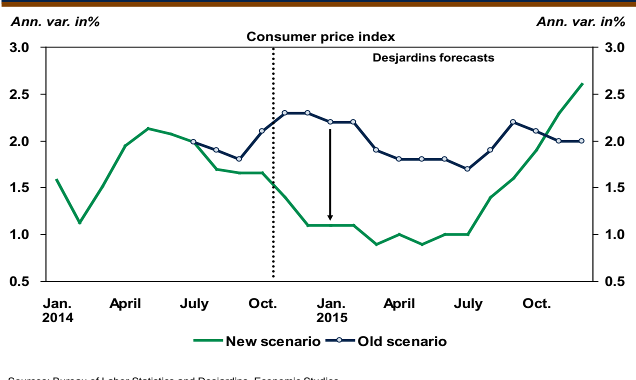
Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

Graph 3 – U.S. job market growth is strong



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

Graph 4 – The drop in gas prices is leading to much weaker inflation in the United States



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

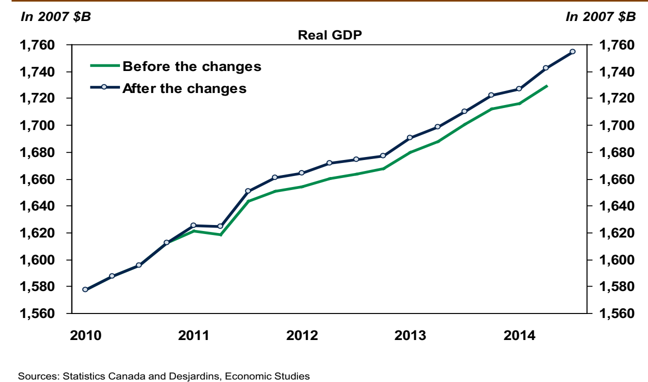
BANK OF CANADA

Surplus production capacity is being absorbed quickly

- The last few weeks have been marked by two surprise pieces of news about Canada's economic conditions. For one thing, Statistics Canada upgraded real GDP growth for 2011 and 2012, as well as for the first two quarters of 2014. For another, real GDP growth substantially beat expectations in the third quarter, with a gain of 2.8% (graph 5).
- Not only have exports continued to rise, but more positive signs were also observed for non-residential investment. What's more, household consumption spending remains lively. Residential investment also continued to rise, especially in some regions, which fuelled concerns about the high level of household debt. Thus, the Bank of Canada (BoC) indicated in its latest statement that, "household imbalances, meanwhile, present a significant risk to financial stability."
- With the upward changes to the last few years' economic growth and the fairly rapid growth in recent quarters, everything suggests that the country's surplus production capacity has been almost completely absorbed. However, we must wait until the next *Monetary Policy Report*, in January 2015, for the BoC's most recent estimates for the output gap.
- The downtrend seen for the unemployment rate over the last few months has confirmed that production capacity is being better used in Canada's economy. At 6.6% in November, the unemployment rate is well below the 7.1% that was recorded in June. If we factor in job seekers who are discouraged, the waiting group and workers who are involuntarily part-time, this alternative unemployment metric hit 9.6% in November (once seasonally adjusted), down from 10.2% in June (graph 6).
- Despite the downside pressure coming from gas, the total annual inflation rate went from 2.0% in September to 2.4% in October. The core index's annual variation rose to 2.3%. The drop in gas prices in recent weeks, combined with some base effects, should still encourage a return below the median target in the next few months (graph 7).

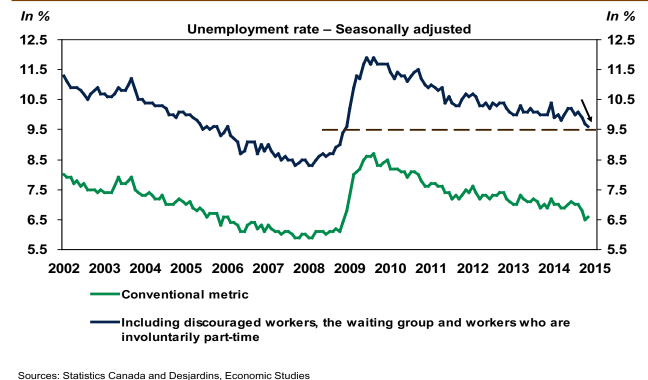
Forecasts: While recent developments have been more positive for the economy, considerable uncertainty remains, due to the drop in commodity prices among other things. The BoC will therefore wait until fall 2015 before introducing its first hike to the target for the overnight rate.

Graph 5 – Canada's economic growth was revised upward



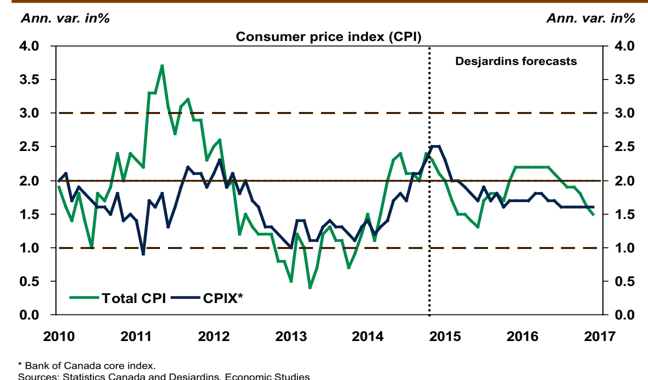
Sources: Statistics Canada and Desjardins, Economic Studies

Graph 6 – The alternative unemployment rate metrics are also improving



Sources: Statistics Canada and Desjardins, Economic Studies

Graph 7 – Inflation should fall below the median target in Canada



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

OVERSEAS CENTRAL BANK

European Central Bank prepares for further action

EUROPEAN CENTRAL BANK (ECB)

- President Mario Draghi raised expectations for further monetary easing in November when he said that that ECB would "do what we must to raise inflation and inflation expectations as fast as possible." Despite this, the ECB announced no changes to its monetary policy in December. However, it clearly indicated that it was considering modifying the scope, pace and composition of its financial asset purchasing programs in early 2015. Since it recently downgraded its forecasts for inflation (graph 8) and economic growth, it seems all but inevitable that the ECB will take action at its January 22 meeting. The big question is whether or not the ECB will start purchasing government bonds, or if it will simply announce an expansion of the range of private securities to be purchased, such as turning to corporate bonds. Note that ECB meetings will no longer take place every month, but every six weeks, starting in 2015.

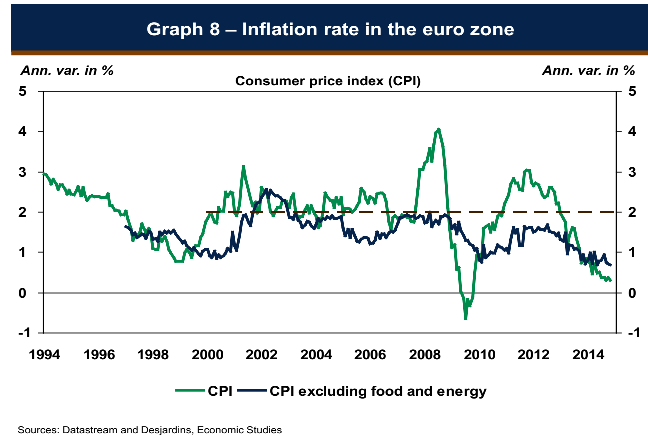
BANK OF ENGLAND (BoE)

- Given inflation's recent weakness (graph 9) and the euro zone's economic difficulties, Governor Mark Carney clearly signalled that he was contemplating later firming for Britain's monetary policy. It now seems likely that the BoE will wait until Q3 2015 before raising its key rate, just after the Federal Reserve. Some investors do not expect rates to go up until 2016 for the United Kingdom, which has amplified the pound's retreat. However, economic outlooks remain rather favourable in the country, and the BoE does not have a lot of leeway, especially since wages seem to be picking up.

BANK OF JAPAN (BoJ)

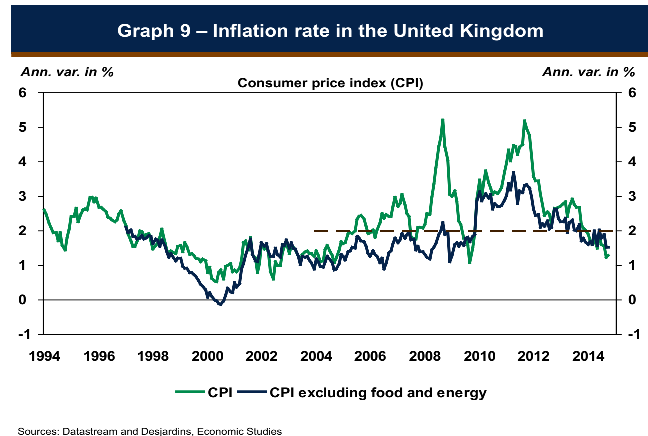
- In October, the BoJ announced that it would expand its securities purchases by ¥10,000B in response to less favourable signals for reaching its 2% inflation target. Since this announcement, we have learned that Japan's economy has fallen back into recession, as a second consecutive pullback by real GDP was posted in the third quarter of 2014. What's more, third-quarter results were revised downwards in December. Japan's lack of economic momentum suggests that the BoJ's balance sheet will keep expanding for several more quarters, and that other measures could be necessary. Though inflation remains above 2% for now (graph 10), the trend is downward again, and an important base effect associated with the sales tax hike will end next April.

Graph 8 – Inflation rate in the euro zone



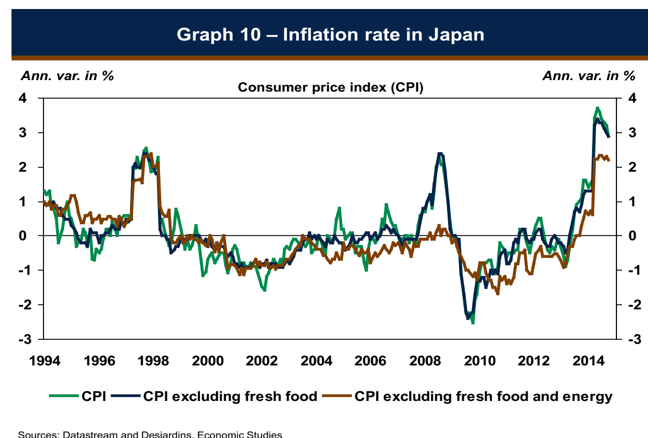
Sources: Datastream and Desjardins, Economic Studies

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

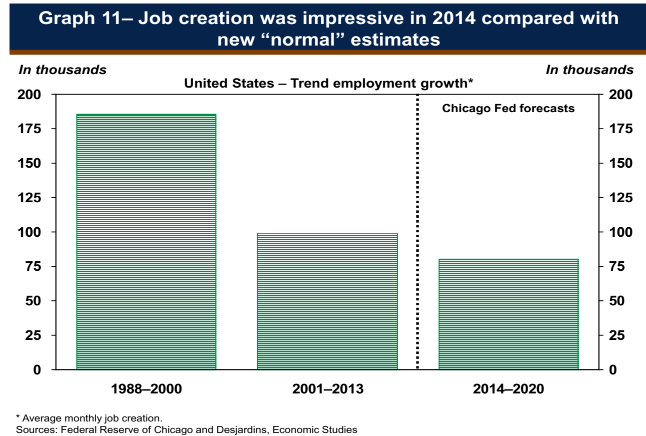
Headwinds will moderate the rise in yields in 2015

U.S. FEDERAL BONDS

- As 2014 winds down, the fundamental situation for the United States could hardly be more convincing. Hires rose to 321,000 in November, and the 6-month average is now 258,000, a pace that hasn't been seen since the recovery. In a 2013 study, the Chicago Fed postulated that the new demographic context implied that it would now only take 80,000 jobs per month to bring the jobless rate down (graph 11). From this standpoint, with job creation more than triple this threshold, it's no surprise that the jobless rate has dropped 1.2% in the last year. A year ago, no one would have dared to propose such a scenario for U.S. employment, while maintaining that 10-year yields would be around 2.3% in December (remember that they ended 2013 at nearly 3.0%).
- The lower inflation expectations caused by tumbling oil prices do not fully justify the current yield levels, especially considering that yields have been falling since the start of the year and oil prices did not begin dropping until this summer (graph 12). While it is true that in recent months, implicit inflation expectations have been the dominant factor, yields on inflation-protected bonds are also down (graph 13). Normally, this phenomenon occurs when growth takes a downward trajectory, quite the opposite of what is currently observable. This suggests that the other forces at play (regulation, the effect of unconventional monetary policies in Europe and Japan) are still powerful.
- We incorporate these dynamics a bit more fully into our assumptions for 2015. Hence, 10-year and 30-year yields may react in more muted fashion than usual to the Fed's tightening cycle, expected to begin by the middle of 2015. Softer energy commodity prices and a stronger U.S. dollar may restrict inflation expectations for some time. The more conservative long-term policy rate estimates predicted by FOMC officials earlier this year could also continue to remain part of the market's psychology, acting as another limitation to the uptrend in long-term yields.

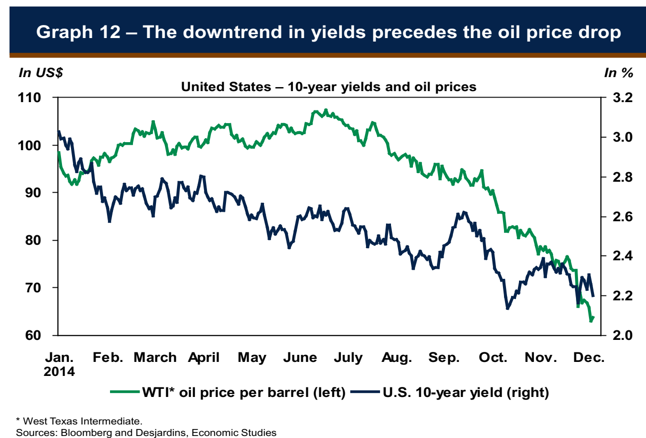
Forecasts: Downside pressures on yields have been tenacious in 2014, prompting us to revise our expectations for 2015. The 10-year yields will not move above 3.00% until mid-year, ending at 3.20%. Yields for shorter maturities will advance a little more slowly than they did in our previous scenario, but our adjustments are smaller than they are for 10- and 30-year bonds. Simply put, the curve should continue to flatten in 2015.

Graph 11 – Job creation was impressive in 2014 compared with new "normal" estimates



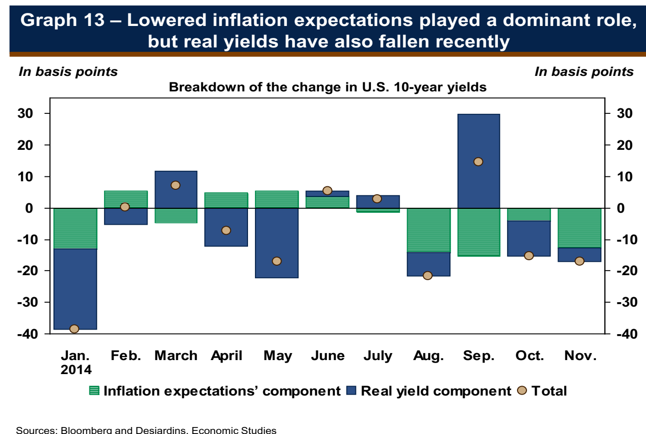
* Average monthly job creation.
Sources: Federal Reserve of Chicago and Desjardins, Economic Studies

Graph 12 – The downtrend in yields precedes the oil price drop



* West Texas Intermediate.
Sources: Bloomberg and Desjardins, Economic Studies

Graph 13 – Lowered inflation expectations played a dominant role, but real yields have also fallen recently



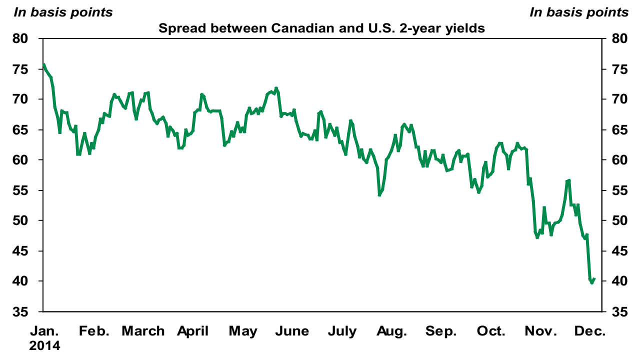
Sources: Bloomberg and Desjardins, Economic Studies

CANADIAN FEDERAL BONDS

- The pressures that gave a boost to U.S. bonds in 2014 did not neglect Canadian bonds. In fact, Canadian bonds largely outperformed for much of the year (except for 30-year bonds). In recent weeks, the spread for 2-year yields fell to around 40 basis points; this spread has narrowed by more than 35 basis points since the start of the year (graph 14). Canadian 5-year yields remain more than 10 basis points below their U.S. equivalents, while Canadian 10-year yields are oscillating nearly 35 basis points below their U.S. counterpart.
- Their performance in recent weeks has been impressive, considering that inflation is above the Bank of Canada (BoC) target and that Canada is stands out from the other developed nations in this respect. A relatively robust 21,300 jobs were created per month on average between June and November, and the unemployment rate is at just 6.6%. Growth beat expectations in the third quarter, after being upgraded for the second, and the BoC's has evolved to focus on household debt. Despite this, markets were up until very recently expecting a first rate hike to occur no earlier than 2016.
- Falling oil prices may have convinced some that the negative impacts on Canada's economy would keep the BoC on the sidelines for longer, but Canada should not be affected as badly as some producers in emerging nations, for example (graph 15). The weaker currency (graph 16) will help shield Canada against an overly brutal shock. We continue to expect monetary firming to begin in late 2015, but were it not for the negative risk posed by oil prices and that still needs to be acknowledged, chances of an earlier adjustment would have taken greater importance.

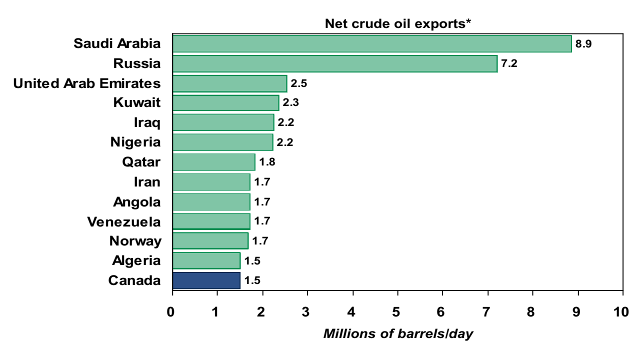
Forecasts: Uncertainties about the impact of lower oil prices on Canada's economy will remain alive in the coming months, limiting the uptrend in short-term yields. However, assuming that the Canadian economy shows it is absorbing the shock with minimal damage, tightening anticipations in Canada should intensify, especially once the Fed begins its own normalization in June. We expect 10-year yields to end 2015 at 2.80%, a downward revision of 20 points from our previous scenario, in line with the adjustments made to our forecasts for U.S. yields.

Graph 14 –The 2-year yield spread has narrowed dramatically recently



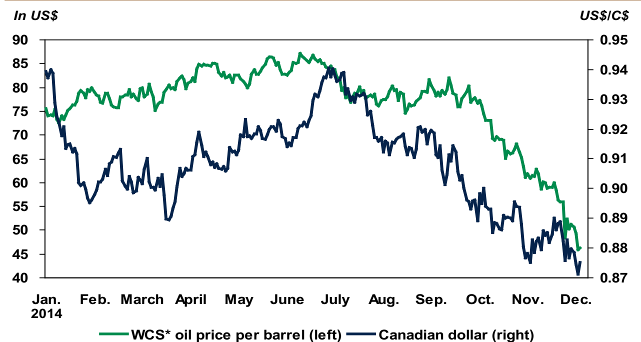
Sources: Bloomberg and Desjardins, Economic Studies

Graph 15 – Canada's net oil exports are smaller than those of many countries



* 2012 data.
Sources: Energy Information Administration and Desjardins, Economic Studies

Graph 16 – The loonie's depreciation helps mitigate the impact of falling oil prices

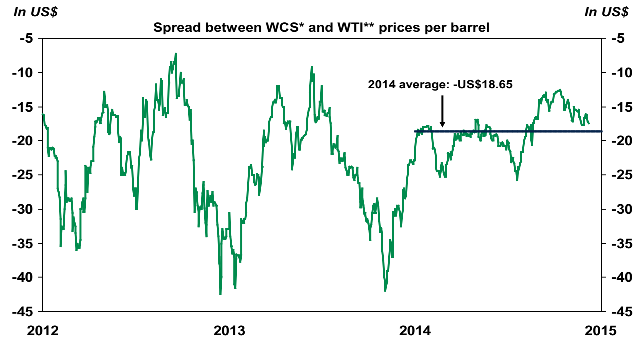


* Western Canada Select.
Sources: Bloomberg and Desjardins, Economic Studies

PROVINCIAL AND CORPORATE BONDS

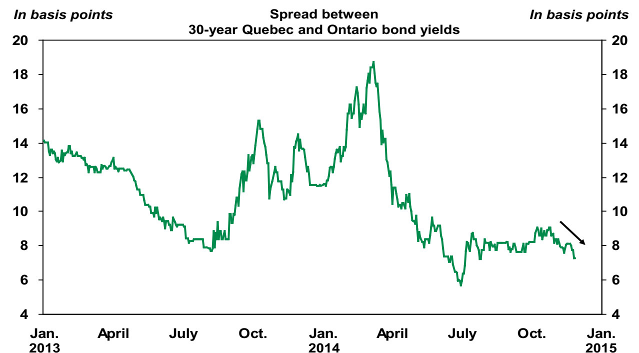
- After perking above 70 basis points in October, the spread between Alberta and federal 10-year yields pulled back to slightly below this level, even though oil prices continued to fall. Note that Alberta's government surprised some investors who were bracing for the worst ahead of the recent fiscal update, as it announced a surplus of $933M for this fiscal year. This projection is just below the one contained in the budget tabled in the spring. Part of this result can be attributed to the smaller difference between Canadian oil prices and West Texas Intermediate (WTI) prices, compared with the assumptions the province used in its budget (graph 17). According to the government, each percentage point of spread compression is worth $274M in additional revenue. The weak currency and lower interest rates are also helping to mitigate the impact of the drop in oil prices. The spread between Alberta and federal government yields will probably not return to its September level, but the province does not seem to be on the brink of disaster. The most likely economic scenario is that Albertan growth converges closer to the national average next year, after years of significant outperformance
- Doubts were also temporarily raised for British Columbia, but in this case, higher-than-expected revenue caused the government to raise its targeted budgetary surplus by $178M from the update done in the first quarter of its fiscal year. There as well, spreads have narrowed in recent weeks. In central Canada, the Quebec–Ontario 30-year spread began to narrow starting in early November (graph 18). Though the Quebec government revised its projected own-source income for fiscal 2014–2015 downward by $215M, it announced a number of measures to continue to adhere to its deficit target of $2.35B, something markets seem to have received favourably.
- The situation remains tense in some segments of the corporate bond sector. Though U.S. stock markets have become less volatile since October, high-yield corporate bonds continue to feel downside pressure. In recent years, several U.S. oil companies issued debt securities in this market sector, so much so that the weight of issuers exposed to the price drop is now relatively large in some high-yield bond indexes (graph 19). There is a risk that weaker oil prices will compromise the profitability of the most fragile producers, leading to defaults. In all likelihood, this would be an isolated incident. The acceleration in U.S. growth and the positive effect of lower gas prices on consumption will be positive for most businesses, and a widespread escalation in bankruptcies seems unlikely in this context. Nonetheless, until oil prices find some stability, upside pressure on high-yield corporate bonds will remain intense.

Graph 17 – The spread between Canadian and U.S. oil prices remains relatively tight



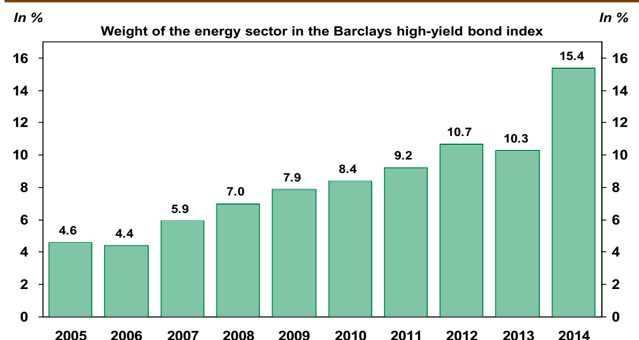
* Western Canada Select; ** West Texas Intermediate.
Sources: Bloomberg and Desjardins, Economic Studies

Graph 18 – The Quebec–Ontario spread narrows further



Sources: Bloomberg and Desjardins, Economic Studies

Graph 19 – The energy sector takes up a larger share in some high-yield bond indices



Sources: Barclays 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 Q3	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	0.05	0.05	0.05	0.05	0.05	0.05
United Kingdom												
Base rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00
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
October 2014			
2	European Central Bank	s.q.	0.05
6	Reserve Bank of Australia	s.q.	2.50
6-7	Bank of Japan	---	---
9	Bank of England	s.q.	0.50
22	Bank of Canada	s.q.	1.00
23	Bank of Norway	s.q.	1.50
28	Bank of Sweden	-25 b.p.	0.00
29	Reserve Bank of New Zealand	s.q.	3.50
29	Bank of Brazil	+25 b.p.	11.25
29	Federal Reserve	s.q.	0,00 / 0,25
31	Bank of Japan	---	---
31	Bank of Mexico	s.q.	3.00
November 2014			
3	Reserve Bank of Australia	s.q.	2.50
6	European Central Bank	s.q.	0.05
6	Bank of England	s.q.	0.50
18-19	Bank of Japan	---	---
December 2014			
1	Reserve Bank of Australia	s.q.	2.50
3	Bank of Brazil	+50 b.p.	11.75
3	Bank of Canada	s.q.	1.00
4	European Central Bank	s.q.	0.05
4	Bank of England	s.q.	0.50
5	Bank of Mexico	s.q.	3.00
10	Reserve Bank of New Zealand	s.q.	3.50
11	Bank of Norway	-25 b.p.	1.25
11	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
December 2014	
16	Bank of Sweden
17	Federal Reserve
18-19	Bank of Japan
January 2015	
5	Bank of Mexico
8	Bank of England
15	Bank of Korea
20-21	Bank of Japan
21	Bank of Brazil
21	Bank of Canada
22	European Central Bank
28	Federal Reserve
29	Reserve Bank of New Zealand
February 2015	
3	Reserve Bank of Australia
5	Bank of England
11	Bank of Sweden
17	Bank of Korea
17-18	Bank of Japan
March 2015	
3	Reserve Bank of Australia
4	Bank of Brazil
4	Bank of Canada
5	European Central Bank
5	Bank of England
12	Bank of Korea
12	Reserve Bank of New Zealand
16-17	Bank of Japan
18	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 Q3	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	0.02	0.05	0.20	0.55	1.00	1.25
Federal bonds												
2-year	0.25	0.34	0.32	0.36	0.39	0.42	0.56	0.65	1.00	1.40	1.80	1.95
5-year	0.74	1.36	1.36	1.71	1.71	1.60	1.77	1.70	1.90	2.20	2.40	2.50
10-year	1.85	2.48	2.62	3.01	2.73	2.52	2.51	2.40	2.65	2.95	3.10	3.20
30-year	3.11	3.50	3.69	3.94	3.56	3.34	3.21	3.05	3.20	3.30	3.40	3.50
Yield curve												
5-year - 3-month	0.67	1.32	1.34	1.64	1.66	1.56	1.75	1.65	1.70	1.65	1.40	1.25
10-year - 2-year	1.60	2.14	2.30	2.65	2.34	2.09	1.95	1.75	1.65	1.55	1.30	1.25
30-year - 3-month	3.04	3.46	3.67	3.87	3.51	3.30	3.19	3.00	3.00	2.75	2.40	2.25

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 Q3	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	0.92	0.90	0.95	1.00	1.20	1.50
Federal bonds												
2-year	1.00	1.22	1.19	1.14	1.07	1.10	1.12	1.10	1.25	1.45	1.65	1.75
5-year	1.30	1.80	1.86	1.96	1.71	1.53	1.63	1.55	1.70	1.95	2.10	2.20
10-year	1.76	2.44	2.54	2.78	2.46	2.24	2.15	2.05	2.25	2.55	2.70	2.80
30-year	2.51	2.90	3.07	3.24	2.96	2.78	2.67	2.55	2.70	2.80	2.90	3.00
Yield curve												
5-year - 3-month	0.33	0.78	0.88	1.05	0.82	0.59	0.71	0.65	0.75	0.95	0.90	0.70
10-year - 2-year	0.76	1.22	1.35	1.64	1.39	1.14	1.03	0.95	1.00	1.10	1.05	1.05
30-year - 3-month	1.54	1.88	2.09	2.33	2.07	1.84	1.75	1.65	1.75	1.80	1.70	1.50
Spreads (Canada - U.S.)												
3-month	0.90	0.98	0.96	0.84	0.84	0.90	0.90	0.85	0.75	0.45	0.20	0.25
2-year	0.75	0.88	0.87	0.78	0.68	0.68	0.56	0.45	0.25	0.05	-0.15	-0.20
5-year	0.56	0.44	0.50	0.25	-0.00	-0.07	-0.14	-0.15	-0.20	-0.25	-0.30	-0.30
10-year	-0.09	-0.04	-0.08	-0.23	-0.27	-0.28	-0.36	-0.35	-0.40	-0.40	-0.40	-0.40
30-year	-0.60	-0.60	-0.62	-0.70	-0.60	-0.56	-0.54	-0.50	-0.50	-0.50	-0.50	-0.50

f: forecasts
Sources: Datastream and Desjardins, Economic Studies