The Yield Curve

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The focus is now on the United States

HIGHLIGHTS

- The wave of pessimism that hit the financial markets at the start of 2015 has given way to more confidence since the beginning of February. This has led to an upswing by U.S. bond yields.
- While overseas economies are sending out somewhat more positive signals, a few U.S. figures disappointed in recent weeks. This is raising some questions about the possibility of kicking off monetary firming in the United States in the near future.
- The Federal Reserve should go into action in the third quarter which, combined with a stronger global economy than in 2014, should take the U.S. 10-year yield to about 2.50% at the end of 2015.
- Even if Stephen Poloz recent comments raised some doubts about the outcome of its March meeting, the Bank of Canada will likely order another insurance cut to its key interest rates.
- In the euro zone, the next few monetary policy meetings could be more monotonous, as the European Central Bank will want to give some time for its measures to work.

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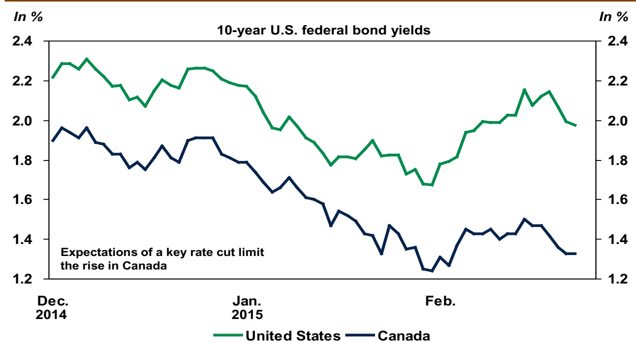
Editorial

The wave of pessimism that hit the financial markets at the start of 2015 has given way to more confidence since the beginning of February. This allowed oil prices to stabilize around US$50/barrel and the U.S. stock markets to recently hit new peaks. The renewed optimism also led to a substantial upswing by bond yields, with the U.S. 10-year yield going from 1.65% at the end of January to around 2.00% (graph 1).

Graph 1 – U.S. bond yields have wiped out much of January's big retreat



Sources: Datastream and Desjardins, Economic Studies

Long-term yields rose even though the geopolitical situation remains difficult. The clashes in Ukraine worsened despite a new cease-fire agreement. The situation between the new Greek government and its European partners remains tense; the four-month extension to the Greek assistance program suggests further difficult negotiations at the end of the spring. Terrorist threats and acts also remain in the headlines.

SOME ENCOURAGING SIGNS FOR ECONOMIES ABROAD

Although the geopolitical climate remains worrisome, the economic news is a little more promising. In mid-2014, there were serious concerns about seeing Japan and the euro

François Dupuis
Vice-President and Chief Economist

514-281-2336 *or* 1 866 866-7000, ext. 2336
E-mail: desjardins.economics@desjardins.com

Mathieu D'Anjou Senior Economist
Benoit P. Durocher Senior Economist
Francis Généreux Senior Economist
Jimmy Jean Senior Economist
Hendrix Vachon Senior Economist

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zone relapse into recession. Japan's economy did in fact contract in the spring and summer of 2014 on the heels of the sales tax increase, but returned to growth in the fourth quarter. Capitalizing on the lower yen and oil prices, the Japanese economy should advance by just over 1% for 2015 as a whole, as the Japanese government decided to postpone a second sales tax increase to 2017.

Euroland's economy is also showing encouraging signs as it, too, is benefiting from movements by its currency and oil prices. The euro zone's real GDP grew an annualized 1.4% in the last quarter of 2014; the German economy posted growth of close to 2.8%, apparently confirming that that economy's slump is over. Although the euro zone still has many economic problems, with deflation continuing to steepen and Italy still in recession, some confidence and activity indicators have risen, which augurs fairly well for upcoming quarters.

SOME DOUBTS IN THE UNITED STATES

While overseas economies are sending out somewhat more positive signals, a few U.S. figures disappointed in recent weeks. This has resulted in sharp contrasts in the movements by the economic surprise indexes on either side of the Atlantic (graph 2). After two very lively quarters, the U.S. economy slowed a little more than anticipated at the end of 2014, and the pullback by the manufacturing ISM and new durable goods orders is raising some concerns about business. This, combined with inflation's spectacular tumble, is raising some questions about the possibility of kicking off monetary firming in the United States in the near future. Accordingly, short-term bond yields have gone up less than long-term yields recently, especially as the minutes of the latest Federal Reserve (Fed) meeting show that many leaders thought the balance of risks had inclined them toward keeping the key rate at zero for a longer time.

Graph 2 – Since the start of 2015, the good economic news has primarily been coming from the euro zone

Sources: Bloomberg, Citigroup and Desjardins, Economic Studies

AN END TO DIVERGENCE?

In 2014, a lot of ink was spilt over the divergence between the U.S. economy's strength and the weakness elsewhere in the world; do the latest economic figures encourage us to abandon this theme? The simple answer is no, although the divergence seems to have stopped widening. The economic situation in the United States is still much better than it is in Europe and Japan. The situation of U.S. businesses will have to be monitored more closely in the coming months to see whether the recent weakness reflects temporary issues (harsh winter weather, adjustment in the energy sector, labour conflict at West Coast ports) or something more fundamental. In any event, everything suggests that the U.S. economy will be able to keep relying on lively consumption sustained by the job market's excellent performance and low gas prices. We therefore expect the U.S. economy to expand by 3.2% in 2015, a performance that will be the envy of other advanced economies.

BOND YIELDS COULD KEEP RISING, ESPECIALLY IN THE SECOND HALF OF THE YEAR

Although the U.S. outlook remains positive, Fed leaders seem to want to be patient about initiating monetary firming. This should limit the upside pressure on bond yields over the next few months, particularly if fears of seeing Greece leave the euro zone resurface. However, the Fed should go into action in the third quarter which, combined with a stronger global economy than in 2014, should take the U.S. 10-year yield to about 2.50% at the end of 2015. The exact timing of the Fed's first key rate increase and changes to its statement in the meantime could have a big influence on the bond market over the coming quarters.

François Dupuis
Vice-President and Chief Economist

Mathieu D'Anjou, CFA
Senior Economist

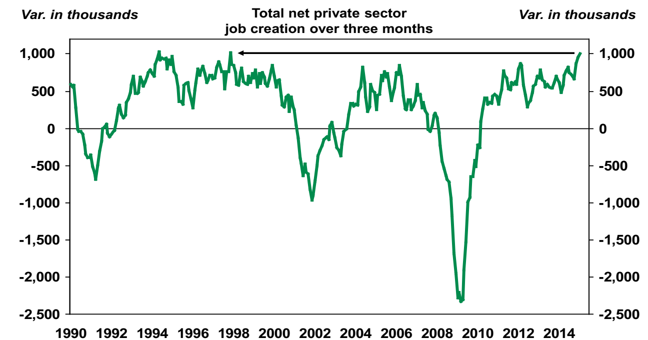
FEDERAL RESERVE

The Federal Reserve does not yet seem convinced enough to drop the word "patience"

- In her semi-annual testimony before a House of Representatives committee, Federal Reserve (Fed) Chair Janet Yellen painted a fairly positive picture of the U.S. economy's growth since mid-2014. True, it has made some major strides. Growth was very lively last summer and the fourth quarter's slowdown by real GDP primarily represents some flagging on the heels of very good results. This deceleration is not manifesting in the job market. Over the three months ending in January, the private sector created more than a million jobs, a first since 1997 (graph 3). The indicators that had attested to a heavily underused labour pool are also improving. Even wages made some progress in January after a fairly disappointing December.
- However, not all of the concerns about the U.S. economy have dissipated; for now, the first quarter's growth is not promising to be as strong as we might have hoped recently. The economy will, of course, benefit from the drop in gas prices, but consumer confidence is struggling to stay at the highs posted in January (graph 4). Retail sales were disappointing in December and January, and the housing market is still taking its time in picking up. Moreover, somewhat like last year, the weather seems especially harsh in several parts of the United States.
- Inflation is still moving away from the Fed's 2% target (graph 5). The tumble by gas prices should take the annual variation in consumer prices into negative territory, at least until next summer. Core inflation will doubtless be more stable but, as Janet Yellen noted, it could undergo downside pressure from the pullback by prices for imported goods (resulting from the dollar's rise) and energy prices.
- Under the circumstances, and despite the job market's solid performance, it is too early for the Fed to be sufficiently convinced to start raising key rates soon. It has called itself patient since December; patience implies a status quo on rates for at least two meetings. Dropping the reference to patience signals that the Fed will contemplate raising rates on a meeting-by-meeting basis. Under the circumstances, the Fed could keep using the concept of patience at its March meeting: in her testimony before Congress, Janet Yellen once again stressed the fact that too many Americans remain unemployed, that wage growth was still sluggish and inflation too low.

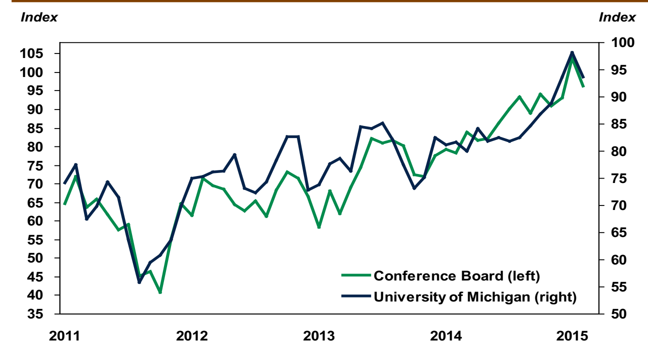
Forecasts: The Fed should start to raise its key rates in September 2015. The top of the target range for the federal funds rate should be 1.00% by the end of the year, then 1.75% at the end of 2016.

Graph 3 – The U.S. private sector has not made this many hires since 1997



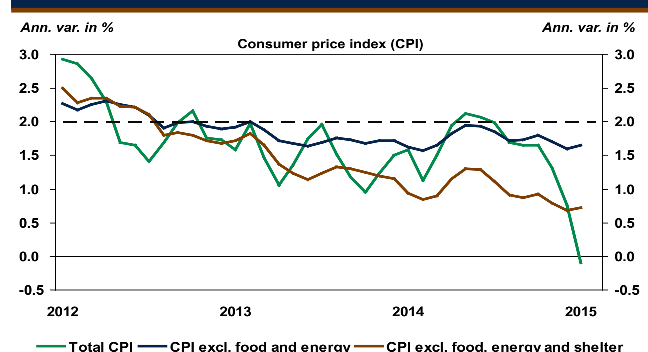
Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

Graph 4 – After a recent jump, U.S. household sentiment retreated in February



Sources: Conference Board, University of Michigan and Desjardins, Economic Studies

Graph 5 – Inflation moves further from the Federal Reserve's target



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

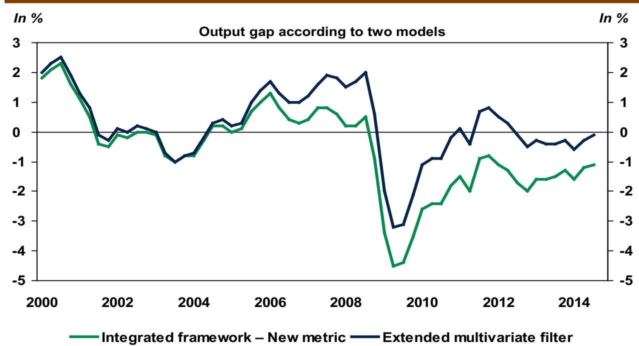
BANK OF CANADA

Monetary authorities remain concerned

- The negative impacts on Canada's economy of the drop in oil prices are at the heart of the Bank of Canada's (BoC) concerns. In her February 10 speech, the Bank of Canada's Senior Deputy Governor Carolyn Wilkins repeated that "the recent drop in oil prices matters a lot for how the recovery continues to unfold. Canada is a net exporter of energy, and so the price of oil has implications for both the speed and distribution of growth."
- In a speech delivered February 19, Deputy Governor Agathe Côté indicated that the 25 basis point cut to key interest rates the BoC ordered in January was a "policy action [...] intended to provide **insurance against downside risks** to the inflation profile and financial stability risks, support the sectoral adjustment needed to strengthen investment and growth, and bring the Canadian economy back to full capacity and inflation to target around the end of 2016."
- The BoC has introduced a new way of measuring the output gap which uses an integrated framework based on the trends for employment and labour productivity. According to the new metric, the Canadian economy's current production is underutilized by about 1%. This finding is quite different from that yielded by the old metric, which instead indicates that the Canadian economy is operating close to full capacity (graph 6).
- Apparently, Canada will see fairly weak economic growth in the first half of 2015, when the impacts of the drop in oil prices will be especially harsh (graph 7). Under these conditions, it will take a little longer than initially anticipated to reach full production capacity.
- The total annual inflation rate fell to 1.0% in January on the drop in gas prices, and should slide soon below the bottom of the target range (1%). We will likely have to wait for the fall to see inflation back within the BoC's target range (graph 8). Core inflation should hold around the mid-point target (2%) in the months to come, which will provide a little leeway for conducting monetary policy.

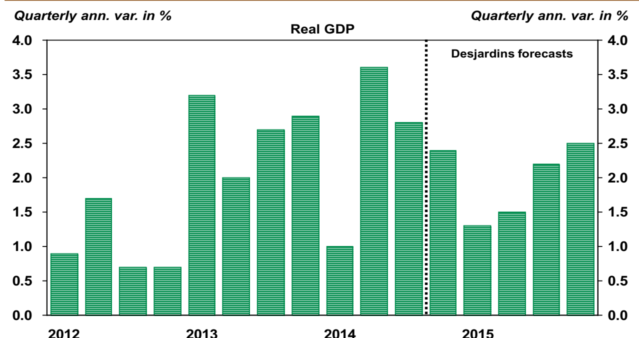
Forecasts: Even if Stephen Poloz February 24 speech raised some doubts about the outcome of its March meeting, the BoC will likely order another insurance cut to its key interest rates. Then, the target for the overnight rate should remain stable for several months.

Graph 6 – Canada's economy still has excess production capacity



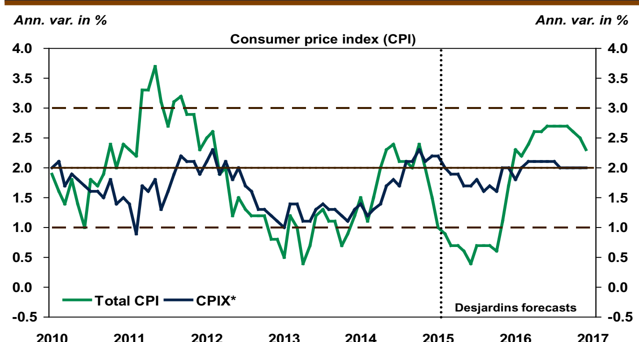
Sources: Bank of Canada and Desjardins, Economic Studies

Graph 7 – The drop in oil prices will curb Canada's economic growth in the first half of 2015



Sources: Statistics Canada and Desjardins, Economic Studies

Graph 8 – Blips in gas prices will influence Canadian inflation



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

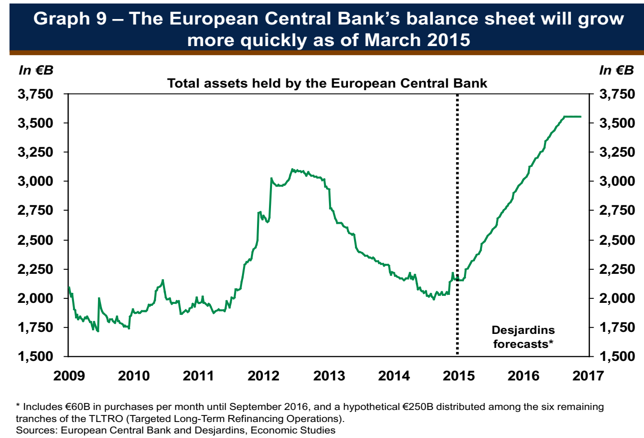
OVERSEAS CENTRAL BANK

No new action expected in the coming months

EUROPEAN CENTRAL BANK (ECB)

- The next few monetary policy meetings could be more monotonous, as the ECB will likely want to give some time for its measures to work. The ECB's decisions have already pulled the euro down and decreased various market interest rates. It remains to be seen whether the real economy will respond well to the favourable macroeconomic environment. The latest data are already suggesting some improvement.
- The ECB now releases minutes of its monetary policy meetings, providing a few more details on the leaders' discussions. The decision to buy sovereign bonds was not unanimous; some leaders would have preferred to purchase corporate bonds. However, it seems the ECB was looking for a quick way to expand its balance sheet, as previously announced measures were taking their time in delivering the goods there. The ECB wants to expand its balance sheet by about €1,100B by September 2016 only with its securities purchases, which would reverse the trend seen in previous years (graph 9).

Graph 9 – The European Central Bank's balance sheet will grow more quickly as of March 2015

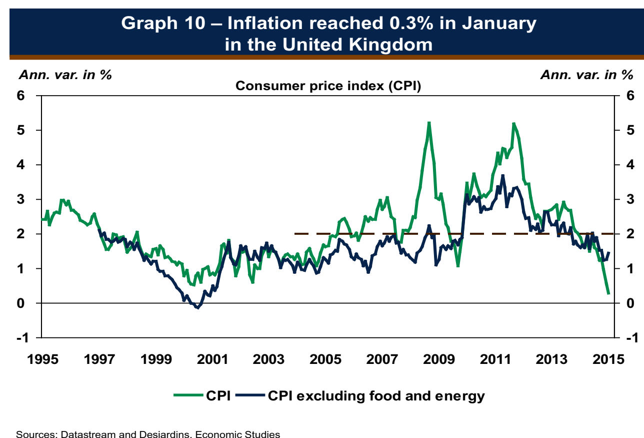


* Includes €60B in purchases per month until September 2016, and a hypothetical €250B distributed among the six remaining tranches of the TLTRO (Targeted Long-Term Refinancing Operations).
Sources: European Central Bank and Desjardins, Economic Studies

BANK OF ENGLAND (BoE)

- Inflation has plunged in the United Kingdom (graph 10), reducing the chances of monetary firming there in 2015. However, the BoE remains very confident in Britain's economy and has upgraded its outlooks for real GDP growth. The drop in oil prices appears to be a positive factor for the global economy, as are the monetary easing measures announced by several countries in recent months. Also, the sense seems to be that extended weak inflation is unlikely. Inflation could quickly rise once the temporary effects of oil and prior currency appreciation have dissipated. The minutes of the February meeting show that the consensus on the monetary status quo is fragile. Two members of the monetary policy committee seem poised to vote for an interest rate hike.

Graph 10 – Inflation reached 0.3% in January in the United Kingdom

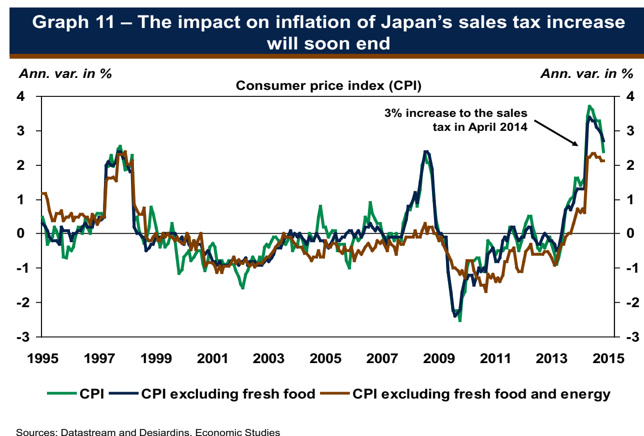


Sources: Datastream and Desjardins, Economic Studies

BANK OF JAPAN (BoJ)

- The BoJ did not announce anything new in February. A door could open this spring, once the sales tax increase's effect on inflation disappears. Total inflation should then fall well below the 2% target (graph 11). However, the BoJ is being more optimistic about Japan's economy. The yen's depreciation and drop by oil prices are two especially favourable factors. This could be enough to make the BoJ wait a while longer before announcing further monetary easing measures.

Graph 11 – The impact on inflation of Japan's sales tax increase will soon end



Sources: Datastream and Desjardins, Economic Studies

BOND MARKET

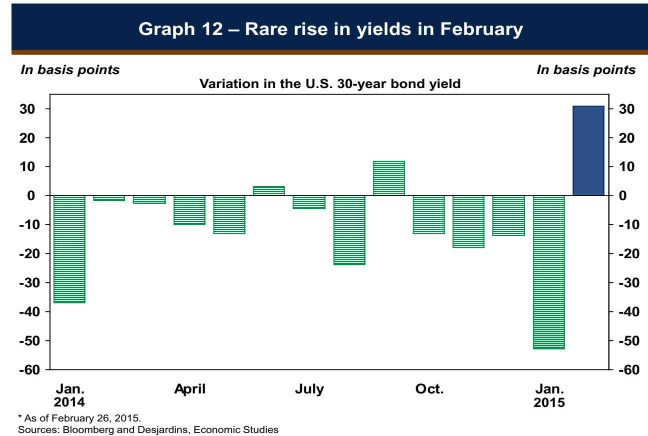
Bond yields edge up somewhat

U.S. FEDERAL BONDS

- Early 2015 was jam-packed with events and February has not been short on drama worldwide. Although the cascade of rate cuts clearly stole the show in January, negotiations between Greece and its European backers took centre stage in February. Added to that is the intense manoeuvring over a cease-fire in Ukraine. Yet a glance at movements in U.S. bond yields would not suggest such a tense global backdrop. After hitting a low of 1.64% on January 30, the U.S. 10-year yield surged temporarily above the 2% mark in mid-month. February could thus be one of the few months to see bond yields rise since the start of last year (graph 12). The curve has also been steepening since the middle of January, a sharp contrast with the recent trend (graph 13).
- Stabilizing oil prices may have a key role to play in the rise in yields. The big shakeout came to a resolute end in mid-January; since then, WTI (West Texas Intermediate) oil has been fluctuating around US$50. Implicit inflation expectations have come back up since the start of the year, which could reflect a drop in the uncertainty over the trajectory that oil prices will take (graph 14). Real rates have also recovered, although they remain negative for horizons of five years or less.
- Beyond these adjustments, the markets continue to expect the Federal Reserve (Fed) to opt for prudence and remain patient until next fall. The minutes of January's meeting suggest that monetary policy committee leaders are a little nervous about how markets will react when they drop the mention of patience from the statement. Clearly, they have not forgotten the rapid surge in yields that occurred in the summer of 2013: the Fed seems to want to avoid a recurrence of this scenario. Another item on the leaders' checklist is more convincing signs that wages are rising; they are also keeping a close eye on the global economic and political situation. From this perspective, we still expect the Fed to wait until September 2015 to raise its policy rates.

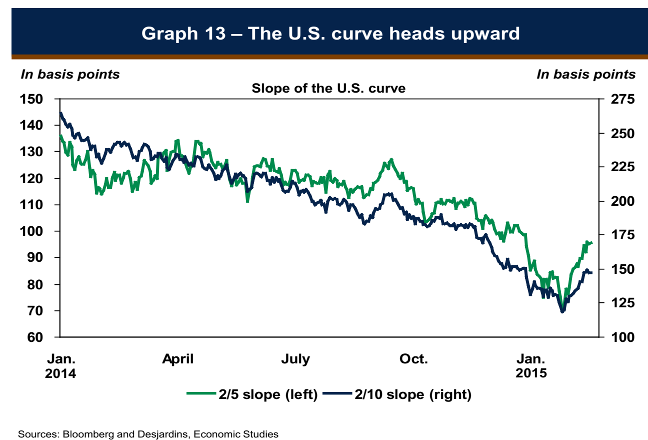
Forecasts: There are few changes to our scenarios, aside from some adjustments to the very near term outlooks. The stabilization in oil prices should be followed by a gradual rise, which will make it possible to bring up inflation expectations. The Fed will remain prudent; the global turbulence and low yields in most other developed nations will maintain the appeal of U.S. bonds. These factors argue for a very slow rise in yields.

Graph 12 – Rare rise in yields in February



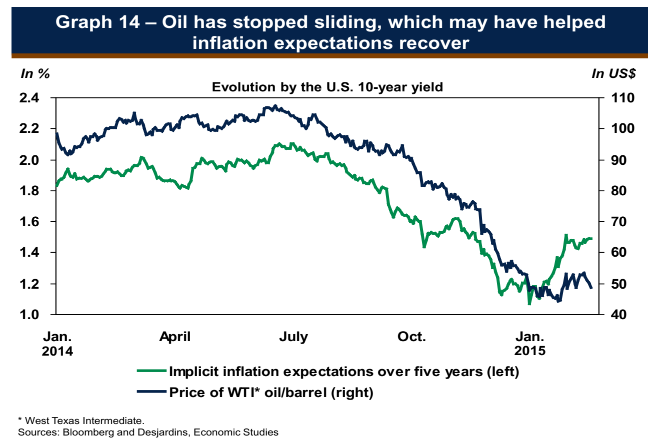
* As of February 26, 2015.
Sources: Bloomberg and Desjardins, Economic Studies

Graph 13 – The U.S. curve heads upward



Sources: Bloomberg and Desjardins, Economic Studies

Graph 14 – Oil has stopped sliding, which may have helped inflation expectations recover



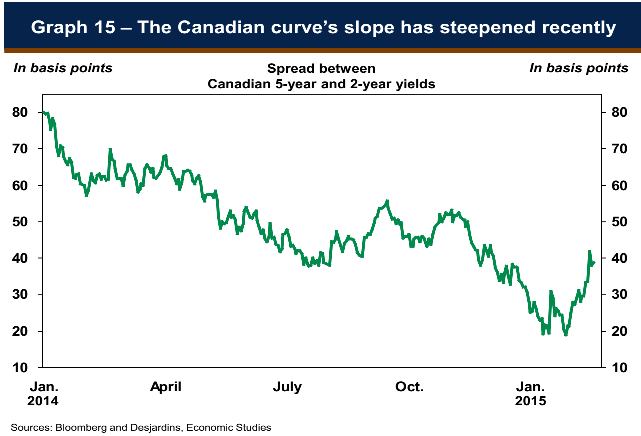
* West Texas Intermediate.
Sources: Bloomberg and Desjardins, Economic Studies

CANADIAN FEDERAL BONDS

- Nearly fifteen central banks have announced monetary easing actions since the start of the year, including the Bank of Canada (BoC). Last month, we suggested that the curve could keep steepening. That was what happened: the 2/10 slope hit 100 basis points. The 2/5 slope was at about 20 basis points at the start of February and it recently rose to 40 basis points. Also at the start of the month, markets seemed undecided about the potential for further rate cuts, but some recent speeches from BoC leaders had offered significant enlightening.
- At the G20 meeting, Governor Stephen Poloz mounted a ferocious defence against the suggestion that he was deliberately trying to make the currency depreciate; he argued that the rate cut was justified under the premise that the oil price shock could end up wiping out a whole year of revenue growth. Senior Deputy Governor Carolyn Wilkins characterized the impact of the recent tumble in oil prices as a "setback," justifying the action ordered by the BoC. For her part, Deputy Governor Agathe Côté mentioned that the shock in the energy sector would have knocked one-half point off underlying inflation over the forecast horizon, without intervention from the BoC.
- In light of these comments, markets had come to expect a further decline in rates with much conviction. The debate rather shifted to the question of whether the BoC might announce a third rate cut in the coming quarters. Governor Stephen Poloz threw cold water on market speculations in his speech of February 24, as he suggested that a single rate cut could provide the necessary "insurance" (graph 16). However, we can be skeptical, especially as retail rates only partly transmitted the reduction in policy rates. We choose to keep our monetary policy scenario intact (graph 17).

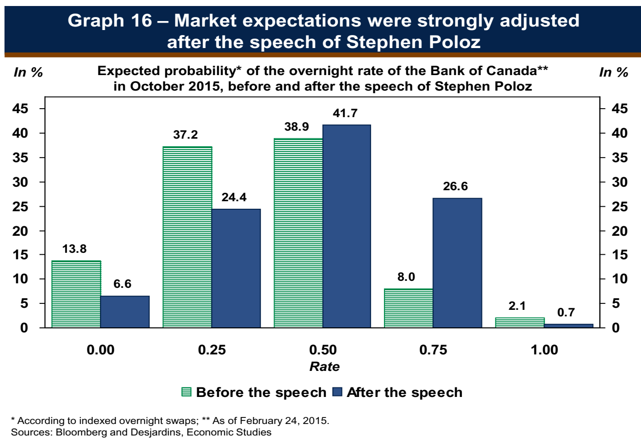
Forecasts: We are raising our end-of-quarter targets, particularly for 5-year yields, to factor in the recent rise. We still expect the 10-year bond yield to be at 1.90% at year's end. Canada–U.S. short-term spreads will continue to drop as the Fed draws closer to monetary firming. Among other things, the 2-year spread, now at -14 basis points, could end the year at -50 points.

Graph 15 – The Canadian curve's slope has steepened recently



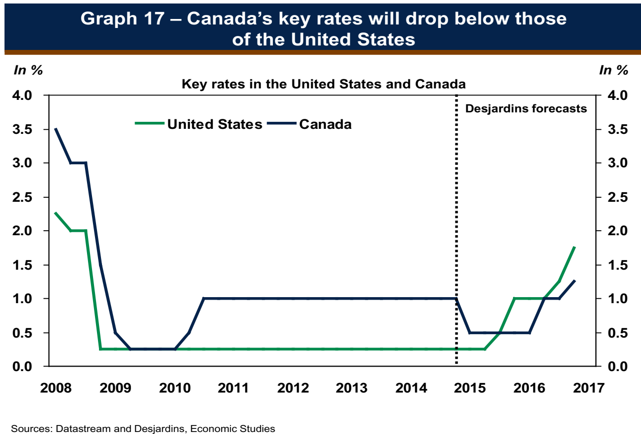
Sources: Bloomberg and Desjardins, Economic Studies

Graph 16 – Market expectations were strongly adjusted after the speech of Stephen Poloz



* According to indexed overnight swaps; ** As of February 24, 2015.
Sources: Bloomberg and Desjardins, Economic Studies

Graph 17 – Canada's key rates will drop below those of the United States

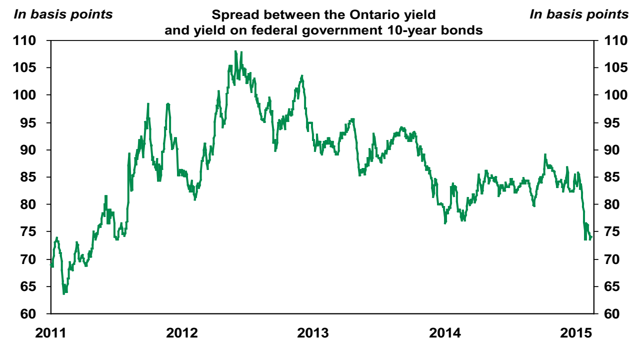


Sources: Datastream and Desjardins, Economic Studies

PROVINCIAL AND CORPORATE BONDS

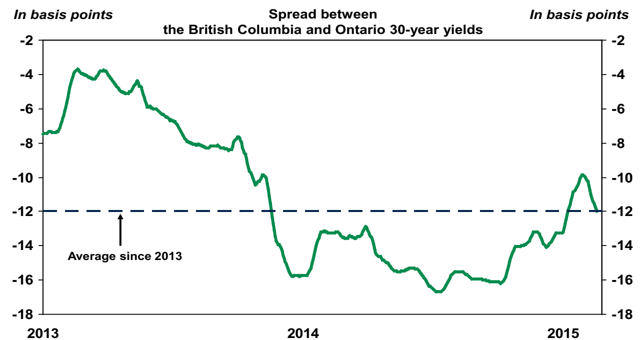
- Rising federal government bond yields since the end of January triggered substantial narrowing in provincial bond spreads. The spread between Ontario 10-year bond yields and their federal counterparts is oscillating around 75 basis points, well below the average of 83 basis points in 2014. In fact, the spread is at its lowest point since 2011 (graph 18). The situation is similar for Quebec and British Columbia. Compared with Ontario, the spreads for Quebec bonds are still trading low. In contrast, rate spreads for British Columbia bonds have continued to trend up until the province's budget was tabled in mid-February. With the near-doubling of the projected budget surplus for the current fiscal year from initial projections, and with debt forecast to rise by just $6.6B over the next three years (primarily to finance capital expenditure initiatives), British Columbia's bonds seem to be back in investors' good books and spreads have fallen somewhat. All in all, with the spread for the 30-year horizon at -12 basis points, the difference between the cost of borrowing for British Columbia and Ontario is around the average for the last three years (graph 19).
- As for Alberta, the government is contemplating cutting its budget by 5% to offset the expected tumble in royalty revenues. Despite that, deficits are projected for the next three years: oil prices are forecast to rise slowly, which means the government will have to get by with much less revenue than in recent years. Spreads between Alberta's long-term yields and Ontario's have nevertheless stopped increasing: the bad news seems to have been factored in and oil prices have been somewhat more stable since the start of the year. Barring further surprises when the budget is unveiled in the next few weeks, Alberta's spreads should keep holding close to current levels.
- For corporate bonds, the drop in stock market volatility seen since the end of January has prompted spreads to narrow (graph 20). As a result, businesses are still benefiting from extremely advantageous borrowing conditions. For example, the yields to maturity of securities issued by some major European corporations, such as Électricité de France, Nestlé and Royal Dutch Shell, briefly tumbled into negative territory recently. This attests to an environment of frenetic pursuit for returns globally. This situation is not likely to change in the near term, as quantitative easing measures in Europe and Japan will continue to steer investors toward risky asset classes.

Graph 18 – A low that dates back to 2011 for the Ontario–Canada yield spread



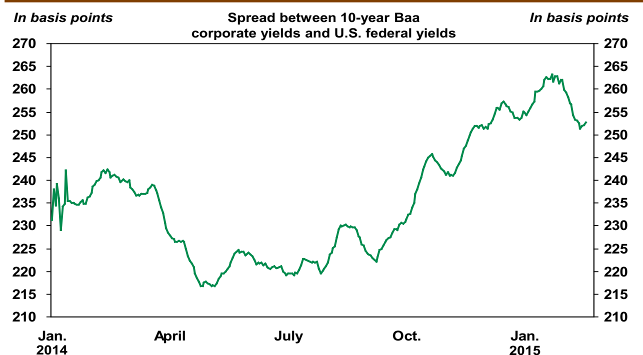
Sources: Bloomberg and Desjardins, Economic Studies

Graph 19 – The British Columbia–Ontario spread returns to its average



Sources: Bloomberg and Desjardins, Economic Studies

Graph 20 – The trend for corporate yield spreads has reversed somewhat since the start of the year



Sources: Bloomberg and Desjardins, Economic Studies

Table 1
Key interest rates

End of period in %	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1f	2015 Q2f	2015 Q3f	2015 Q4f	2016 Q1f	2016 Q2f	2016 Q3f	2016 Q4f
United States												
Federal funds	0.25	0.25	0.25	0.25	0.25	0.25	0.50	1.00	1.00	1.00	1.25	1.75
Canada												
Overnight funds	1.00	1.00	1.00	1.00	0.50	0.50	0.50	0.50	0.50	1.00	1.00	1.25
Euro zone												
Refinancing rate	0.25	0.15	0.05	0.05	0.05	0.05	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	0.75	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
December 2014			
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
16	Bank of Sweden	s.q.	0.00
17	Federal Reserve	s.q.	0.00 / 0.25
18	Swiss National Bank	-25 b.p.	-0.25
18-19	Bank of Japan	---	---
January 2015			
8	Bank of England	s.q.	0.50
14	Bank of Korea	s.q.	2.00
15	Swiss National Bank	-50 b.p.	-0.75
20-21	Bank of Japan	---	---
21	Bank of Brazil	+50 b.p.	12.25
21	Bank of Canada	-25 b.p.	0.75
22	European Central Bank	s.q.	0.05
28	Reserve Bank of New Zealand	s.q.	3.50
28	Federal Reserve	s.q.	0.00 / 0.25
29	Bank of Mexico	s.q.	3.00
February 2015			
2	Reserve Bank of Australia	-25 b.p.	2.25
5	Bank of England	s.q.	0.50
12	Bank of Sweden	-10 b.p.	-0.10
17	Bank of Korea	s.q.	2.00
17-18	Bank of Japan	---	---

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

Table 3
Coming soon

Date	Central Bank
March 2015	
2	Reserve Bank of Australia
4	Bank of Brazil
4	Bank of Canada
5	European Central Bank
5	Bank of England
11	Reserve Bank of New Zealand
12	Bank of Korea
16-17	Bank of Japan
18	Federal Reserve
19	Bank of Norway
19	Swiss National Bank
26	Bank of Mexico
April 2015	
7	Reserve Bank of Australia
7-8	Bank of Japan
9	Bank of England
9	Bank of Korea
15	European Central Bank
15	Bank of Canada
29	Reserve Bank of New Zealand
29	Bank of Sweden
30	Bank of Japan
30	Bank of Mexico
May 2015	
5	Reserve Bank of Australia
7	Bank of Norway
11	Bank of England
15	Bank of Korea
21-22	Bank of Japan

Source: Desjardins, Economic Studies

Table 4
United States: fixed income market

End of period in %	2014				2015				2016			
	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key rate												
Federal funds	0.25	0.25	0.25	0.25	0.25	0.25	0.50	1.00	1.00	1.00	1.25	1.75
Treasury bills												
3-month	0.05	0.04	0.02	0.04	0.05	0.10	0.55	0.85	0.90	1.00	1.30	1.60
Federal bonds												
2-year	0.39	0.42	0.56	0.63	0.65	0.80	1.10	1.30	1.40	1.55	1.70	1.80
5-year	1.71	1.60	1.77	1.64	1.60	1.70	1.90	2.00	2.05	2.15	2.30	2.40
10-year	2.73	2.52	2.51	2.17	2.05	2.20	2.35	2.50	2.55	2.65	2.80	3.00
30-year	3.56	3.34	3.21	2.75	2.65	2.75	2.85	3.00	3.05	3.10	3.20	3.35
Yield curve												
5-year - 3-month	1.66	1.56	1.75	1.60	1.55	1.60	1.35	1.15	1.15	1.15	1.00	0.80
10-year - 2-year	2.34	2.09	1.95	1.54	1.40	1.40	1.25	1.20	1.15	1.10	1.10	1.20
30-year - 3-month	3.51	3.30	3.19	2.71	2.60	2.65	2.30	2.15	2.15	2.10	1.90	1.75

f: forecasts
Sources: Datastream and Desjardins, Economic Studies

Table 5
Canada: fixed income market

End of period in %	2014				2015				2016			
	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key rate												
Federal funds	1.00	1.00	1.00	1.00	0.50	0.50	0.50	0.50	0.50	1.00	1.00	1.25
Treasury bills												
3-month	0.89	0.94	0.92	0.92	0.35	0.40	0.40	0.40	0.60	1.00	1.10	1.40
Federal bonds												
2-year	1.07	1.10	1.12	1.01	0.40	0.55	0.70	0.80	0.90	1.25	1.40	1.55
5-year	1.71	1.53	1.63	1.34	0.75	0.90	1.25	1.40	1.55	1.70	1.80	1.90
10-year	2.46	2.24	2.15	1.79	1.40	1.55	1.70	1.90	2.00	2.20	2.30	2.40
30-year	2.96	2.78	2.67	2.34	2.00	2.10	2.25	2.40	2.50	2.60	2.65	2.80
Yield curve												
5-year - 3-month	0.82	0.59	0.71	0.42	0.40	0.50	0.85	1.00	0.95	0.70	0.70	0.50
10-year - 2-year	1.39	1.14	1.03	0.78	1.00	1.00	1.00	1.10	1.10	0.95	0.90	0.85
30-year - 3-month	2.07	1.84	1.75	1.42	1.65	1.70	1.85	2.00	1.90	1.60	1.55	1.40
Spreads (Canada - U.S.)												
3-month	0.84	0.90	0.90	0.88	0.30	0.30	-0.15	-0.45	-0.30	0.00	-0.20	-0.20
2-year	0.68	0.68	0.56	0.38	-0.25	-0.25	-0.40	-0.50	-0.50	-0.30	-0.30	-0.25
5-year	-0.00	-0.07	-0.14	-0.30	-0.85	-0.80	-0.65	-0.60	-0.50	-0.45	-0.50	-0.50
10-year	-0.27	-0.28	-0.36	-0.38	-0.65	-0.65	-0.65	-0.60	-0.55	-0.45	-0.50	-0.60
30-year	-0.60	-0.56	-0.54	-0.41	-0.65	-0.65	-0.60	-0.60	-0.55	-0.50	-0.55	-0.55

f: forecasts
Sources: Datastream and Desjardins, Economic Studies