

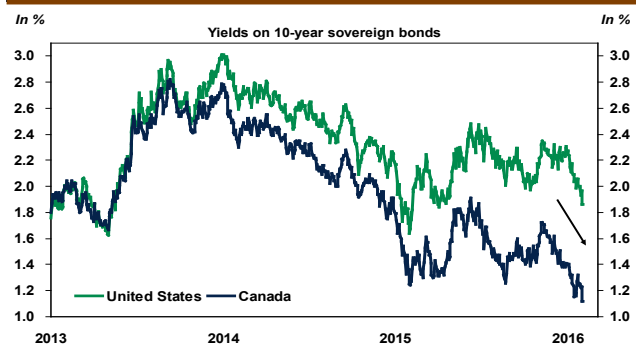
## The bond market gets the year off to a good start

### HIGHLIGHTS

- U.S. bond yields plunged at the start of 2016 when highly negative sentiment emerged in the markets. Once again, China and oil were what triggered the panic.
- Although economic growth have been weak in advanced nations at the end of 2015, the global growth outlook remains fairly good for 2016.
- The events of the last few weeks suggest that inflation will remain low in 2016 and that monetary policies will be even more stimulating than previously expected.
- In the United States, we now expect the Federal Reserve to stay with the status quo in March and only boost its key rates by 0.50% in 2016.
- The Bank of Canada is likely to stay on track in the months to come, leaving the target for the overnight rate at 0.50%. That being said, the possibility of another key interest rate cut in the spring cannot be ruled out should oil prices keep retreating.

It is now clear that the launch of U.S. monetary firming has not killed the bond market. U.S. bond yields rose somewhat in December, especially in the short end of the curve, then plunged at the start of 2016 when highly negative sentiment emerged in the markets (graph 1). The U.S. 10-year yield thus recently dropped back below the symbolic 2.00% mark, with the stock markets posting one of their worst yearly starts and oil apparently attempting to head for US\$20 a barrel.

**Graph 1 – Although U.S. key rates have gone up, bond yields have plunged**



Sources: Datastream and Desjardins, Economic Studies

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### EXCESSIVE PESSIMISM

Once again, China and oil were what triggered the panic. Another drop of Chinese stock markets and downside pressure on the yuan revived investors' concerns. Overall, however, the latest Chinese economic numbers are fairly reassuring; foreign trade and credit seem to be starting to firm up. Although economic growth have been weak in advanced nations at the end of 2015, especially in North America, the global growth outlook remains fairly good for 2016.

### WEAKER OUTLOOK FOR OIL

The tumble taken by oil prices seems to have a little more justification, given the surge in global crude stocks and

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confirmation that the trade sanctions on Iran are being lifted. It now looks like oil prices will not get much above US\$30 a barrel in the first half of 2016. It goes without saying that prices this low are a sizable challenge for the energy sector. It is important to remember, however, that the low oil prices primarily reflect an oil supply shock, not weak global demand. At the peak of January's panic, investors seemed to be overlooking this fact, reading the plunge in oil prices as a sign of a global recession that would justify even lower oil prices. In our opinion, oil prices are currently low enough to rebalance the global oil market over the next few quarters. A further drop could trigger major production cuts, especially in North America.

**THE CENTRAL BANKS ACTED PROMPTLY**

Due to the less favourable outlook for oil prices, we have somewhat trimmed our growth outlook for Canada's economy. For the other advanced economies, the main consequence is that weak inflation will persist longer than previously anticipated. Central banks often do not consider temporary weakness in inflation that results from an external shock. The current situation is different, however, as monetary authorities fear that ongoing weak inflation will trigger a lasting drop by inflation expectations (graph 2) which would hurt their credibility and prevent inflation from returning to the target in the medium term. Furthermore, the economic recovery is fragile in a number of countries, encouraging central banks to respond to unfavourable financial market movements that could impact consumer and business confidence. Such concerns are running especially high in Japan and the euro zone, so it is no surprise that these are the two central banks that responded immediately, announcing or signalling further monetary policy easing. Federal Reserve (Fed) leaders have also clearly indicated that they would keep a very close eye on the evolving situation in the financial markets; the likelihood of a second key rate hike as early as March has clearly declined.

**EVEN SMALLER BOND YIELD INCREASES**

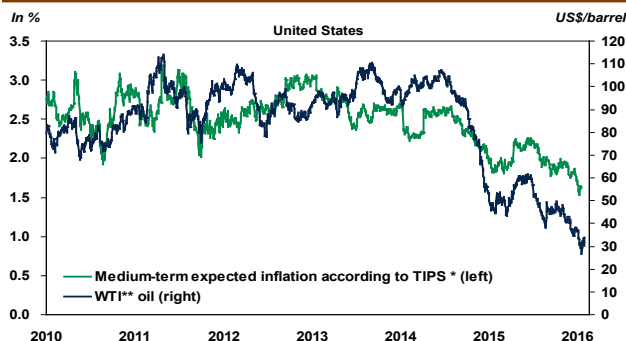
For the bond market, the events of the last few weeks suggest that inflation will remain low in 2016 and that monetary policies will be even more stimulating than previously expected. In the United States, we now expect the Fed to stay with the status quo in March and only boost its key rates by 0.50% in 2016. Unlike last year, the Bank of Canada (BoC) does not seem to be in any hurry to take action, preferring to rely on the weak Canadian dollar and the next federal budget to offset the energy sector's bigger troubles. However, an increase in Canadian key rates cannot be contemplated until very late in 2017. In this context, we have downgraded our forecasts for North American bond yields for the next few quarters.

One lesson of recent weeks is that it will be important to keep a close eye on the fluctuations in oil prices. A further drop could persuade the BoC to lower its key rates or even consider non-conventional measures, while a rebound could put the possibility of slightly faster monetary firming in the United States back on the table.

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**Graph 2 – Tumbling oil prices put downside pressure on inflation expectations**



\* Treasury Inflation Protected Securities; \*\* West Texas Intermediate. Sources: Bloomberg and Desjardins, Economic Studies

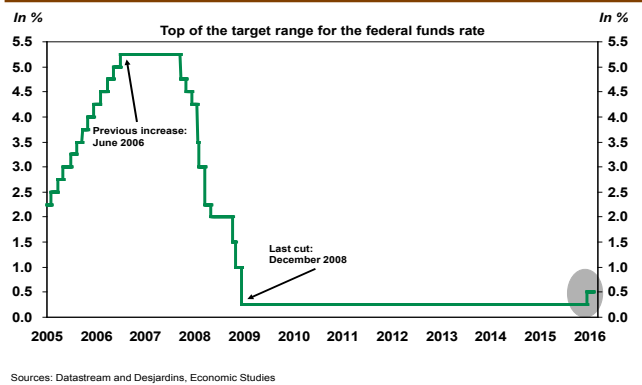
# FEDERAL RESERVE

## The context will make the Federal Reserve even more cautious

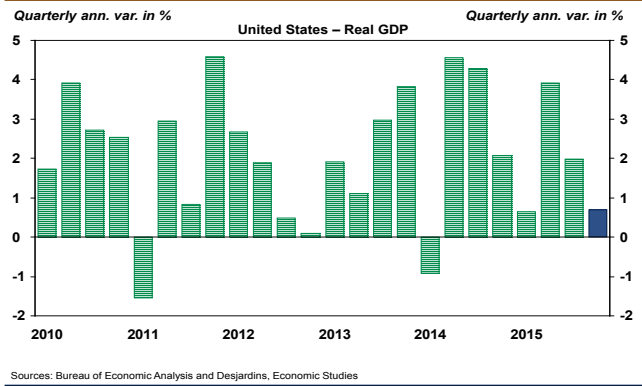
- For the first time since 2006, Federal Reserve (Fed) leaders decided to raise key rates at their December meeting (graph 3). With the decision, they indicated that “economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate.” This message is intended to show that we should not bank on rate increases at every Fed meeting. Moreover, the Fed opted for the status quo at January’s meeting. This was a unanimous monetary policy committee decision; it was fully priced in by the markets and expected by forecasters.
- In any event, the situation since the start of the year did not give Fed leaders any leeway. Still concerned about the Chinese economy and low oil prices, the financial markets were highly volatile, leaving no room for another rate hike. The statement published at the time of January’s meeting also reported some Fed leader concerns about the U.S. economy. True, the latest figures on the U.S. economic situation are not very positive. The advance estimate of the fourth quarter’s real GDP shows annualized growth of just 0.7% (graph 4). January’s ISM manufacturing index remained low, at 48.2. However, we can get some reassurance from gains by some of the consumer confidence indexes, no doubt supported by the low gas prices.
- The drop by oil and, in turn, gas prices means that inflation expectations are being downgraded again. According to the consumer price index, average price growth stands at just 0.1% for 2015. As the national average for gas prices is now even lower than it was at their previous low in January 2015 (graph 5), we can expect total inflation to remain weak in the new year. In January’s statement, the Fed also put a little more stress on the weak price growth. Moreover, longer-term inflation expectations have come down further.

**Forecasts:** December’s median forecast by Fed leaders would suggest four key rate increases in 2016. However, the current situation and forecast weakness for inflation suggest that actual events will differ. For this year, we expect just two 25 basis point increases to the federal funds target rate, in June and December. Three rate increases are expected next year.

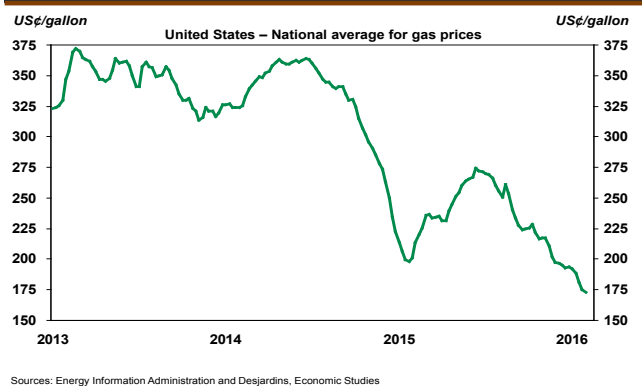
**Graph 3 – The first Federal Reserve rate hike in nearly 10 years**



**Graph 4 – U.S. real GDP growth weakened again in the last quarter of 2015**



**Graph 5 – Gas prices are still coming down**

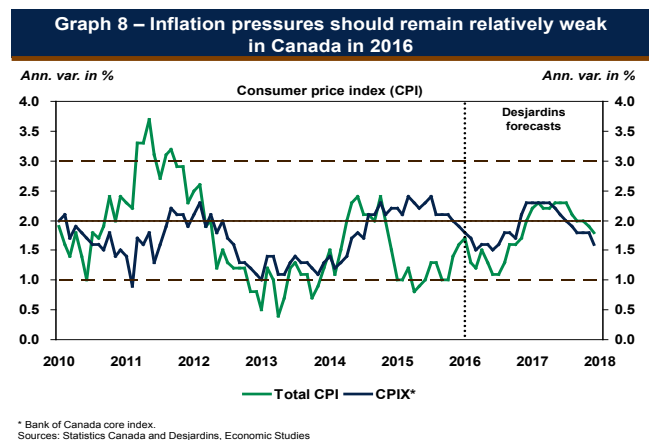
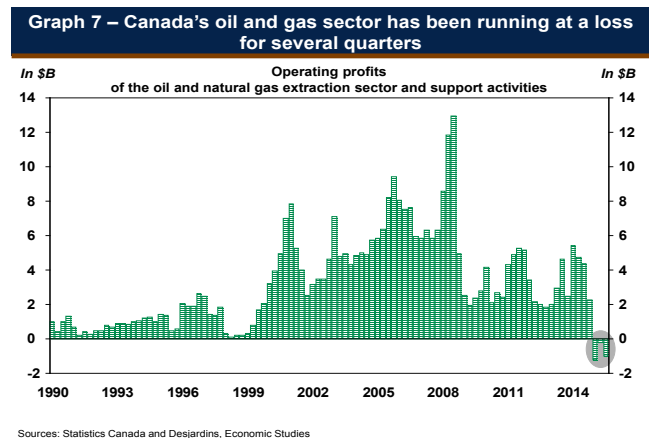
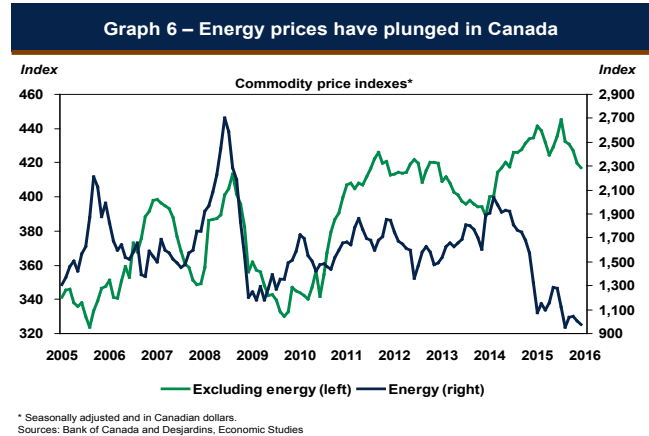


# BANK OF CANADA

## Monetary authorities stay on course

- Although some forecasters thought the Bank of Canada (BoC) would cut its key interest rates again, in the end, monetary authorities opted for the status quo at their meeting on January 20. BoC leaders were also quite reassuring in the latest version of the *Monetary Policy Report*.
- Economic growth did see some difficulties in Q4 2015, due to one-off problems with U.S. demand and the effects of a further drop by commodity prices (graph 6), but the BoC is confident that economic conditions will improve in 2016. Among other things, lively U.S. demand and the loonie's slide should bolster non-energy sectors. After an almost flat Q4 2015, monetary authorities think Canadian real GDP growth will slowly accelerate in 2016. On average, the BoC anticipates a gain of 1.4% in 2016, compared with estimated growth of 1.2% in 2015.
- Many uncertainties persist, however. For one, Canada's economy remains vulnerable to the vagaries of international demand, particularly demand from the United States. For another thing, energy prices have slid further in recent months, resulting in a major erosion of oil producers' profitability (graph 7). Under these conditions, there is a risk that numerous oil and gas extraction businesses will decide to slash output. This could further impact economic growth and intensify the contagion to other sectors.
- The total annual inflation rate has slowly risen over the last few months, going from 1.0% in September to 1.6% in December. The rise should wane in early 2016, as the drop in gas prices will generate substantial downside pressure. The total annual inflation rate should therefore stay below the BoC's mid-point target (2%) throughout 2016 (graph 8), providing for a lot of leeway in conducting monetary policy.

**Forecasts:** Though many uncertainties persist, the BoC is likely to stay on track in the months to come, leaving the target for the overnight rate at 0.50%. That being said, the possibility of another key interest rate cut in the spring cannot be ruled out should oil prices keep retreating, should the problems in the energy sector have a bigger impact on Canadian production, or should the upswing by non-energy exports flag.



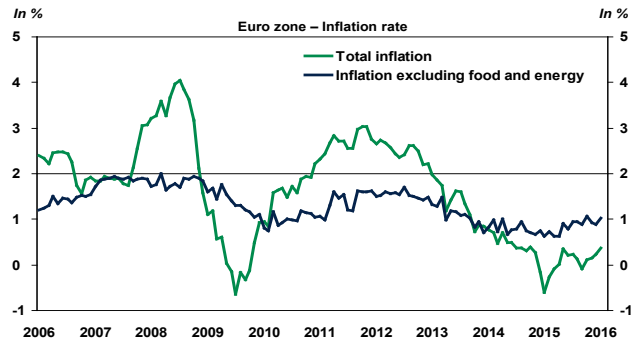
# OVERSEAS CENTRAL BANK

## The Bank of Japan also adopts a negative interest rate

### EUROPEAN CENTRAL BANK (ECB)

- The ECB is still in stimulus mode; it reiterated this position clearly in January, indicating it could announce new actions in March. In December, the ECB took the rate on its deposit facility further into negative territory, to -0.30%, in addition to extending its asset purchasing program by six months. For March, all of the options seem to be on the table. The target rate for refinancing operations could be taken below zero, for one thing. This rate has been steady at 0.05% since September 2014. That being said, in December, the markets were disappointed with the fact that the pace of asset purchases was not increased. This time, the ECB could make a decision about this option.
- That being said, the decision to act will not simply be taken in order to please the markets. Prolonged low inflation appears to be a growing issue for the ECB (graph 9). New inflation outlooks will be released in March; they could be downgraded again.

**Graph 9 – The period of low inflation has now lasted about three years**

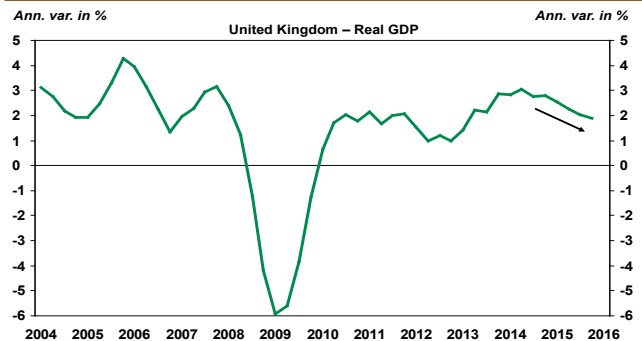


Sources: Datastream, European Central Bank and Desjardins, Economic Studies

### BANK OF ENGLAND (BoE)

- Not too long ago, many expected early monetary firming in the United Kingdom, as the economy was doing well and inflation pressures were making themselves felt, especially on wages. The situation has changed, however, starting with the fact that economic growth has slowed (graph 10). Inflation pressures have ebbed, as well. Annual private sector wage growth recently slid around 2%—last summer, it was over 3%. Lastly, an eventual referendum on the United Kingdom's exit from the European Union is an additional source of uncertainty that argues for a long BoE status quo.

**Graph 10 – The arguments in favour of early monetary firming in the United Kingdom have evaporated**

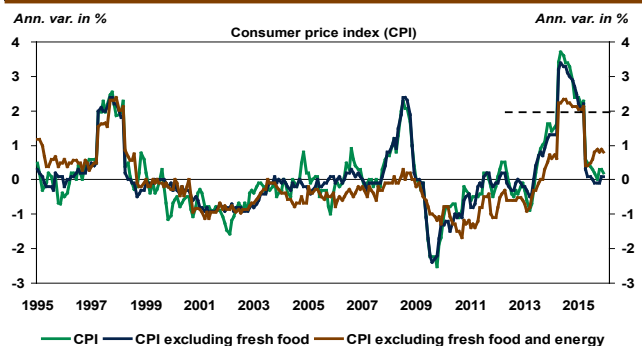


Sources: Datastream and Desjardins, Economic Studies

### BANK OF JAPAN (BoJ)

- The BoJ announced a negative rate policy at its January meeting, to general surprise. The measure is intended to get the inflation rate back to the 2% target (graph 11), a target that is especially ambitious given Japan's lengthy history of low inflation. However, the vote on the new measure was very close, 5 to 4. Among other things, dissidents doubt the policy will work. That being said, Japan joins numerous European countries that have applied negative rates. Japan's step is comparatively timid: the interest rate applied to some deposits at the BoJ will be -0.10%. Still, based on the experience in Europe, once the first step has been taken, further rate cuts can be expected.

**Graph 11 – The Bank of Japan turns to a negative rate policy to help it get inflation to its 2% target**



Sources: Datastream and Desjardins, Economic Studies



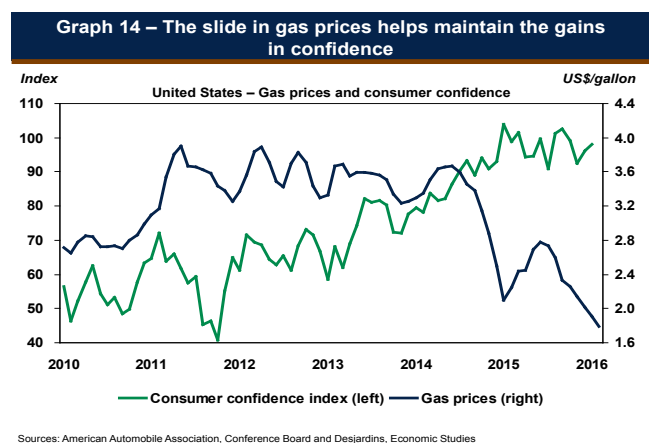
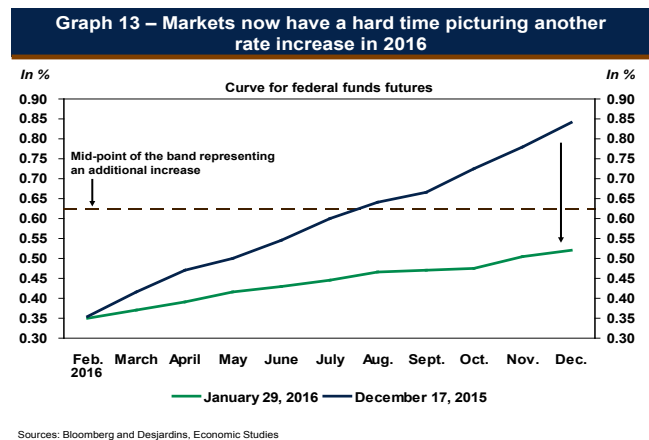
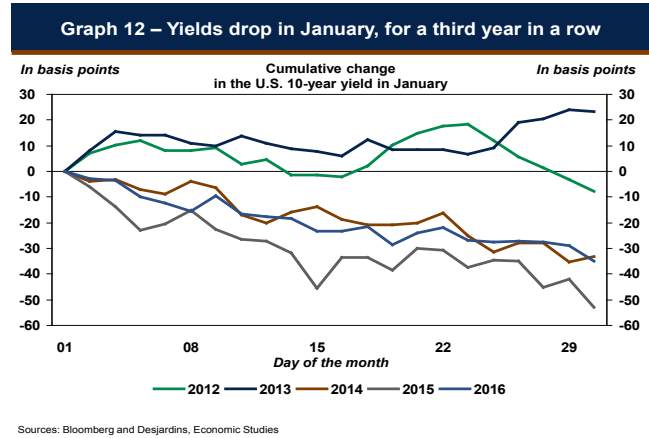
# BOND MARKET

## Another turbulent start to a year

### U.S. FEDERAL BONDS

- Despite the Federal Reserve's (Fed) first decision to raise key rates in December, the climate of risk aversion that persisted throughout January has been very good for U.S. bonds. This is not a new phenomenon. In 2014 and 2015, the U.S. 10-year yield posted a similar tumble (graph 12). In 2014, the markets responded to a disappointing job creation report. In 2015, the collapse in oil prices set off a cascade of surprise decisions from central banks around the world. This year, the drop in oil prices is still a dominant theme, but it is combined with the Chinese financial market difficulties and the major global stock market correction.
- Futures on federal funds are currently pricing in a scenario in which the Fed would have the courage to perform only one rate hike in 2016; this would come at the very end of the year (graph 13). In its January 27 statement, the Fed reintroduced a remark stating that it is keeping a very close eye on global economic and financial developments. It had introduced the remark last September, in the context of a tight decision in which it ended up staying on the sidelines. The upheaval in China was subtly blamed for the decision. The Fed eventually dropped the piece of language from December's statement, when it announced a rate increase. At the very least, the fact that the remark was brought back signals that the Fed is not in a hurry to order additional firming. We now expect the next announcement to only come in June.
- Short-term yields are still expected to recover. The 2-year yield has dropped nearly 30 basis points since the end of December. At that time, markets were still pricing in two rate increases in 2016. Some abatement in the volatility could help the 2-year yield return to 1.00%. Fundamentally, the U.S. job market remains strong and consumer confidence is capitalizing on low gas prices (graph 14), improved wages, and the jump in international purchasing power created by the dollar's rise.

**Forecasts:** We are now expecting just two key rate increases in 2016 and we have trimmed our yield targets, especially for short maturities. Short-term yields have, however, tumbled substantially and some normalization should cause the curve to flatten slightly. Our year-end target for the 10-year yield is 2.50%, compared with the previous 2.75%.

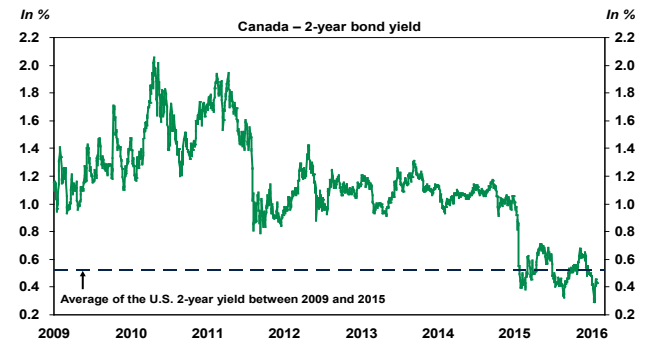


### CANADIAN FEDERAL BONDS

- Oil prices' unstoppable plunge joined concern over China and grim economic statistics in Canada to persuade many investors that the Bank of Canada (BoC) would cut its key rates at the January 20 meeting. Expectations adjusted surprisingly quickly, however. At the end of 2015, the markets were pricing in a strong probability of a rate cut in 2016, but did not go over the top by expecting an announcement as of January. The financial upheaval early in the year and worrisome results of the BoC's *Business Outlook Survey* helped change the situation. The 2-year yield fell to set a new historic low at 0.25%. To put this in perspective, from 2009 until the Fed's December rate hike, the U.S. 2-year yield maintained an average of 0.53% (graph 15).
- The BoC's decision to wait, and a Governor striving to be reassuring, resulted in an about-face for yields, even though they are well below where they were in early November. For many investors, it is just a postponement. At the time of writing, rate cut towards the summer is still being priced in by the market (graph 16). Oil price instability is a major factor in the speculation. The BoC itself acknowledged the risk that many producers would halt extraction activities for current projects because of a lack of profits. However, there has been clamouring recently about the potentially adverse impact of further loonie depreciation on Canadian consumer and business confidence, and the BoC seems to have taken note of this. Our main scenario still calls for a long status quo on rates, but we must not overestimate the BoC's patience if the economic circumstances erode further.
- The focus is now on the federal Department of Finance. In a recent *Economic Viewpoint*,<sup>1</sup> we judged that the government could run \$25B deficits without increasing its indebtedness ratio. Canada is also one of the countries with the most budgetary leeway in the developed world (graph 17). All else being equal, substantial announcements in that area could convince the BoC to stick with its patient approach.

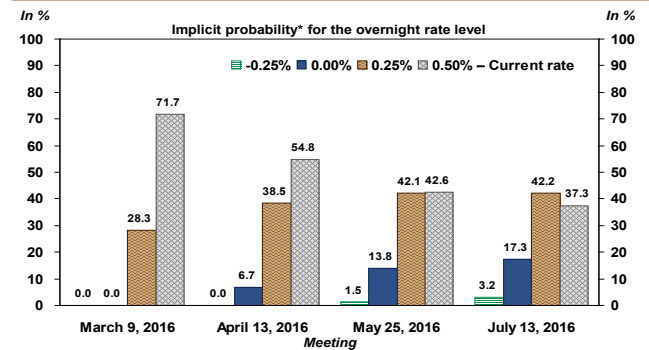
**Forecasts:** In keeping with a key rate status quo scenario, our base scenario leans toward very gradual increases in Canadian bond yields. The trend should be helped by a drop in risk aversion, the federal government's announcements, and an uptick by oil prices. Our target for the 10-year yield at the end of 2016 is 1.60%.

**Graph 15 – The 2-year yield is below the average set by the U.S. 2-year yield in recent years**



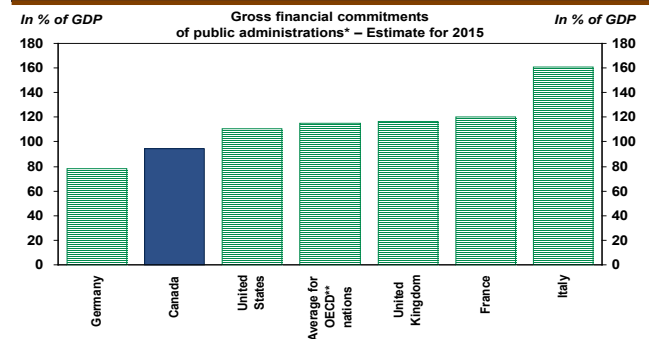
Sources: Bloomberg and Desjardins, Economic Studies

**Graph 16 – Markets think that a key rate cut around mid-year is very likely**



\* Derived from overnight indexed swaps as at February 1, 2016.  
Sources: Bloomberg and Desjardins, Economic Studies

**Graph 17 – Relatively speaking, Canada has a smaller public debt than the average for industrialized nations**



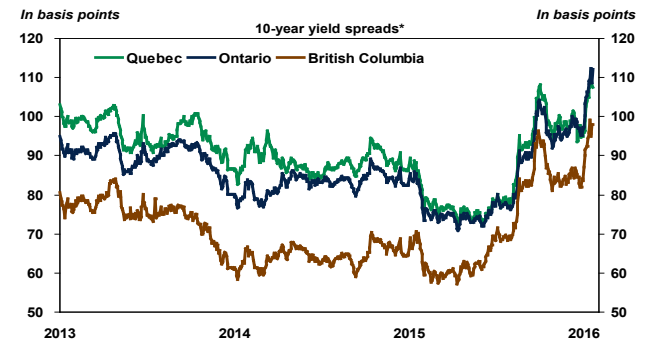
\* Aggregation of central, state and local governments, and the social security administrations affiliated with these entities.  
\*\* Organisation for Economic Co-operation and Development.  
Sources: Organisation for Economic Co-operation and Development and Desjardins, Economic Studies

<sup>1</sup> Desjardins, Economic Studies, *Economic Viewpoint*, "The federal government has some leeway in terms of budget deficits", January 21, 2016, [www.desjardins.com/ressources/pdf/pv160121-e.pdf?resVer=1453386791000](http://www.desjardins.com/ressources/pdf/pv160121-e.pdf?resVer=1453386791000).

**PROVINCIAL AND CORPORATE BONDS**

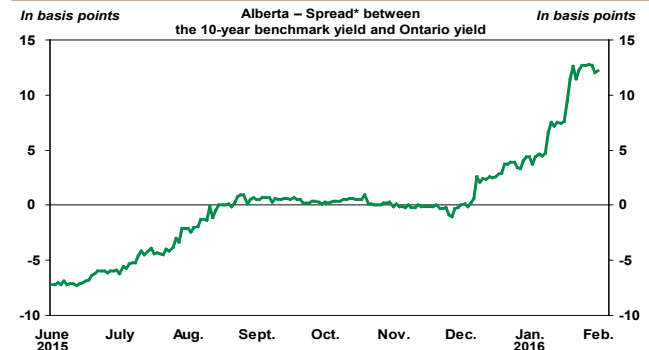
- The climate of risk aversion at the start of the year caused provincial bond spreads to widen again. In a way, January was a repetition of what happened from August to October 2015. Spreads for most provinces beat the peaks set during that period (graph 18). On one hand, the recent ambiance and speculation about the BoC's next moves gave federal bonds a lot of support. On the other, the stock market shakeout and problems with high-yield corporate bonds prompted fund managers to reduce their exposure to all credit assets. The correlation between provincial yield spreads and implicit volatility indexes also hit high levels. Several emerging nation central banks were liquidating reserves, another headwind for provincial bonds, especially as the loonie's plunge at the end of 2015 led many reserve managers to reduce their exposure to the losses associated with their Canadian asset holdings.
- There are fewer fundamental reasons for this kind of backing off. Yes, the Canadian economy is fragile, but this is nothing new. It has been in worse position before without generating this many waves. For example, during the two quarters of GDP contraction in 2015, spreads tended to narrow. The theme of a not fully justified market reaction, fundamentally speaking, is not unique to provincial bonds, however. The vagaries of oil prices seem to be the main factor governing market movements, and it will definitely take a recovery there to bring back the bargain hunters. If so, and with a federal government announcement of a stocky economic recovery program, provincial bond spreads could start to slide by the end of the quarter. Despite the problems in Alberta's economy, the province's bonds seem most able to benefit from a turnaround, given their substantial depreciation (graph 19).
- As for corporate bonds, there is little respite for low quality securities. Investors continued to offload high-yield bonds. Initially limited to energy securities, the sell-off spread to junk bonds in other sectors. In a context this difficult for corporate bonds in general, it is not surprising to note that issues have slowed sharply since the start of the year from the totals for the same time in previous years (graph 20).

**Graph 18 – Provincial yield spreads climb again**



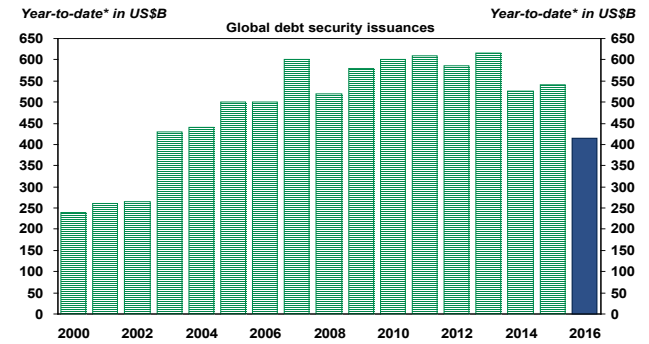
\* Against 10-year federal bond yields.  
Sources: Bloomberg and Desjardins, Economic Studies

**Graph 19 – Alberta's bonds were devalued sharply**



\* Alberta: coupon 2.60%, maturing June 2025; Ontario: coupon 2.35%, maturing June 2025.  
Sources: Desjardins, Capital Markets and Desjardins, Economic Studies

**Graph 20 – Market volatility curbs issuers' enthusiasm**



\* As at January 28.  
Sources: Financial Times, Thomson Reuters and Desjardins, Economic Studies



**Table 1**  
Key interest rates

End of period in %	2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
<b>United States</b>												
Federal funds	0.25	0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.25	1.25	1.50	1.75
<b>Canada</b>												
Overnight funds	0.75	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75
<b>Euro zone</b>												
Refinancing rate	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.25
<b>United Kingdom</b>												
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
<b>Japan</b>												
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
<b>November 2015</b>			
11	Bank of Korea	s.q.	1.50
18-19	Bank of Japan	---	---
25	Bank of Brazil	s.q.	14.25
30	Reserve Bank of Australia	s.q.	2.00
<b>December 2015</b>			
2	Bank of Canada	s.q.	0.50
3	European Central Bank	s.q.	0.05
9	Bank of Korea	s.q.	1.50
9	Reserve Bank of New Zealand	-25 b.p.	2.50
10	Bank of England	s.q.	0.50
10	Swiss National Bank	s.q.	-0.75
15	Bank of Sweden	s.q.	-0.35
16	Federal Reserve	+25 b.p.	0,25 / 0,50
17	Bank of Norway	s.q.	0.75
17	Bank of Mexico	+25 b.p.	3.25
17-18	Bank of Japan	---	---
<b>January 2016</b>			
13	Bank of Korea	s.q.	1.50
14	Bank of England	s.q.	0.50
20	Bank of Brazil	s.q.	14.25
20	Bank of Canada	s.q.	0.50
21	European Central Bank	s.q.	0.05
27	Federal Reserve	s.q.	0,25 / 0,50
28	Reserve Bank of New Zealand	s.q.	2.50
28-29	Bank of Japan	---	---
<b>February 2016</b>			
1	Reserve Bank of Australia	s.q.	2.00
4	Bank of England	s.q.	0.50

s.q.: status quo; b.p.: basis points  
Source: Desjardins, Economic Studies
**Table 3**  
Coming soon

Date	Central Bank
<b>February 2016</b>	
4	Bank of Mexico
11	Bank of Sweden
15	Bank of Korea
29	Reserve Bank of Australia
<b>March 2016</b>	
2	Bank of Brazil
9	Bank of Korea
9	Bank of Canada
10	European Central Bank
10	Reserve Bank of New Zealand
14-15	Bank of Japan
16	Federal Reserve
17	Bank of England
17	Bank of Norway
17	Swiss National Bank
18	Bank of Mexico
<b>April 2016</b>	
5	Reserve Bank of Australia
13	Bank of Canada
14	Bank of England
15	Bank of Korea
21	European Central Bank
21	Bank of Sweden
27	Bank of Brazil
27	Federal Reserve
27-28	Bank of Japan
28	Reserve Bank of New Zealand
<b>May 2016</b>	
3	Reserve Bank of Australia

Source: Desjardins, Economic Studies

**Table 4**  
**United States: fixed income market**

End of period in %	2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
<b>Key rate</b>												
Federal funds	0.25	0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.25	1.25	1.50	1.75
<b>Treasury bills</b>												
3-month	0.03	0.01	0.00	0.16	0.30	0.55	0.55	0.80	1.05	1.05	1.30	1.55
<b>Federal bonds</b>												
2-year	0.54	0.60	0.60	1.04	0.90	1.10	1.15	1.40	1.60	1.65	1.85	2.00
5-year	1.37	1.63	1.33	1.65	1.50	1.75	1.80	2.00	2.15	2.20	2.35	2.45
10-year	1.93	2.35	2.03	2.27	2.05	2.30	2.30	2.50	2.65	2.65	2.75	2.80
30-year	2.54	3.12	2.85	3.02	2.85	2.95	2.95	3.05	3.10	3.10	3.15	3.20
<b>Yield curve</b>												
5-year - 3-month	1.34	1.62	1.33	1.49	1.20	1.20	1.25	1.20	1.10	1.15	1.05	0.90
10-year - 2-year	1.39	1.75	1.44	1.23	1.15	1.20	1.15	1.10	1.05	1.00	0.90	0.80
30-year - 3-month	2.51	3.11	2.85	2.86	2.55	2.40	2.40	2.25	2.05	2.05	1.85	1.65

f: forecasts

Sources: Datastream and Desjardins, Economic Studies

**Table 5**  
**Canada: fixed income market**

End of period in %	2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
<b>Key rate</b>												
Federal funds	0.75	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75
<b>Treasury bills</b>												
3-month	0.56	0.58	0.44	0.50	0.45	0.50	0.50	0.50	0.50	0.50	0.55	0.85
<b>Federal bonds</b>												
2-year	0.50	0.48	0.52	0.48	0.45	0.50	0.55	0.70	0.85	0.95	1.15	1.35
5-year	0.76	0.82	0.80	0.73	0.70	0.80	0.85	1.05	1.20	1.30	1.55	1.75
10-year	1.36	1.69	1.43	1.40	1.20	1.35	1.40	1.60	1.80	1.85	2.00	2.10
30-year	1.98	2.31	2.20	2.15	2.00	2.10	2.15	2.30	2.40	2.40	2.50	2.60
<b>Yield curve</b>												
5-year - 3-month	0.20	0.24	0.36	0.23	0.25	0.30	0.35	0.55	0.70	0.80	1.00	0.90
10-year - 2-year	0.86	1.21	0.91	0.92	0.75	0.85	0.85	0.90	0.95	0.90	0.85	0.75
30-year - 3-month	1.42	1.73	1.76	1.65	1.55	1.60	1.65	1.80	1.90	1.90	1.95	1.75
<b>Spreads (Canada - U.S.)</b>												
3-month	0.53	0.57	0.44	0.34	0.15	-0.05	-0.05	-0.30	-0.55	-0.55	-0.75	-0.70
2-year	-0.04	-0.12	-0.08	-0.56	-0.45	-0.60	-0.60	-0.70	-0.75	-0.70	-0.70	-0.65
5-year	-0.61	-0.81	-0.53	-0.92	-0.80	-0.95	-0.95	-0.95	-0.95	-0.90	-0.80	-0.70
10-year	-0.57	-0.66	-0.60	-0.87	-0.85	-0.95	-0.90	-0.90	-0.85	-0.80	-0.75	-0.70
30-year	-0.56	-0.81	-0.65	-0.87	-0.85	-0.85	-0.80	-0.75	-0.70	-0.70	-0.65	-0.60

f: forecasts

Sources: Datastream and Desjardins, Economic Studies