



FINANCIAL MARKET FORECASTS

January 5, 2010

Interest rates (% , end of quarter)

	09Q2	09Q3	09Q4	Forecast								2009	Forecast	
				10Q1	10Q2	10Q3	10Q4	11Q1	11Q2	11Q3	11Q4		2010	2011
<b>Canada</b>														
Overnight rate	0.25	0.25	0.25	0.25	0.25	0.75	1.25	2.00	2.75	3.25	3.50	0.25	1.25	3.50
Three-month T-bills	0.24	0.22	0.19	0.30	0.45	1.00	1.45	2.20	2.95	3.40	3.60	0.19	1.45	3.60
Two-year GoC bonds	1.20	1.26	1.43	1.30	1.75	2.15	2.75	3.00	3.30	3.60	4.00	1.43	2.75	4.00
Five-year GoC bonds	2.46	2.57	2.74	2.60	2.95	3.10	3.35	3.60	3.75	3.85	4.10	2.74	3.35	4.10
10-year GoC bonds	3.36	3.31	3.60	3.40	3.90	4.05	4.25	4.10	4.15	4.15	4.25	3.60	4.25	4.25
30-year GoC bonds	3.91	3.84	4.07	4.00	4.25	4.45	4.50	4.50	4.60	4.60	4.60	4.07	4.50	4.60
Yield curve (10s-2s)	216	205	217	210	215	190	150	110	85	55	25	217	150	25
<b>United States</b>														
Fed funds rate	0 to 0.25	0 to 0.25	0 to 0.25	0 to 0.25	0 to 0.25	0 to 0.25	0.75	1.25	2.00	2.50	3.25	0 to 0.25	0.75	3.25
Three-month T-bills	0.19	0.14	0.06	0.15	0.25	0.35	0.90	1.75	2.60	2.75	3.00	0.06	0.90	3.00
Two-year bonds	1.11	0.95	1.14	1.00	1.50	1.85	2.25	2.50	2.75	3.50	4.25	1.14	2.25	4.25
Five-year bonds	2.54	2.31	2.69	2.40	2.60	2.75	3.00	3.00	3.25	3.75	4.00	2.69	3.00	4.00
10-year bonds	3.53	3.31	3.85	3.50	4.00	4.25	4.50	4.25	4.25	4.25	4.50	3.85	4.50	4.50
30-year bonds	4.32	4.03	4.63	4.50	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.63	4.75	4.75
Yield curve (10s-2s)	242	236	271	250	250	240	225	175	150	75	25	271	225	25
<b>Yield spreads</b>														
Three-month T-bills	0.05	0.08	0.13	0.15	0.20	0.65	0.55	0.45	0.35	0.65	0.60	0.13	0.55	0.60
Two-year	0.09	0.31	0.29	0.30	0.25	0.30	0.50	0.50	0.55	0.10	-0.25	0.29	0.50	-0.25
Five-year	-0.08	0.26	0.05	0.20	0.35	0.35	0.35	0.60	0.50	0.10	0.10	0.05	0.35	0.10
10-year	-0.17	0.00	-0.25	-0.10	-0.10	-0.20	-0.25	-0.15	-0.10	-0.10	-0.25	-0.25	-0.25	-0.25
30-year	-0.41	-0.19	-0.56	-0.50	-0.50	-0.30	-0.25	-0.25	-0.15	-0.15	-0.15	-0.56	-0.25	-0.15

Source: Bank of Canada, Federal Reserve Board, Reuters, RBC Economics Research forecasts

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