

Article | 9 July 2026

RATES

Rates: Curve pivots and steady spreads

Our three calls for the second half of the year centre on the maintenance of high long-tenor real rates, a curve-steepening tendency on many core curves, and the stability of spreads between the US and the eurozone. And that includes US and eurozone swap spreads



It's a close call whether the Fed will hike rates this year. We think the central bank will hold rates steady for an extended period

Look for elevated real rates, steeper curves and Treasury/Bund/Swap stability

Over the past few weeks, we've been opining on long-dated *real* rates as a factor of significance for bond markets. Primarily, [here](#). There is a link, even if seemingly tenuous, with the ongoing technical and productivity revolution being discounted in the risk asset space. It's not easy to glean this from the ups and downs in bond yields through business cycles, but it's certainly there. They should be higher than normal, and certainly well above the ultra-low real rates seen post the global financial crisis / pandemic periods.

Meanwhile, inflation expectations have dampened dramatically and completely discount a reversal lower in the higher headline prints seen of late. The juxtaposition between the calming of inflation expectations versus the resilience to the rate hike narrative is tough to square, but we think the rate hike discount is mispriced. It is a very close call whether the Fed will hike rates this year, but on balance, we think it will instead choose to look through the near-term

energy spike and hold rates steady for an extended period.

We stick to the view that the long end remains heavy (yields holding up), while the front end should richen (yields fall). The richness of the 5yr area of the curve suggests the same (the 5yr rate is below an interpolated line between the 2yr and 10yr rates). This can be seen on the eurozone curve, but it's especially pronounced on the US curve. When the 5yr is rich like this, rate hikes are typically not a dominant force. In fact, cuts are more probable.

Essentially, we have the US yield curve steepening from both ends. Front-end yields should get back below 4%, while the 10yr yield will have a tendency to hug the 4.5% area (and quite potentially test higher). The eurozone curve sees a similar tendency, as the front end calms on reduced rate hike pressure, and the back end holds steady, we think, with the 10yr holding broadly in the 3% area (Germany and Euribor).

Consequently, we don't anticipate much variation in Treasury/Bund spreads. We'd extend that to swap spreads, which appear quite comfortable at around zero for 10yr German Bunds and at or about 40bp for 10yr US Treasuries. There are deficit stories to be told, but they are not proving impactful, and we don't anticipate much change to this in the coming months.

Author

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this

THINK economic and financial analysis

report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.