

Article | 10 December 2025

RATES

Rates Outlook 2026: Situation Normal, All Fuddled Up

Our reversion to normal for 2026 is akin to a desperate I m okay! It s a normal that s far from boring, as it treks a narrow path along which the ECB holds at normal, the Fed gets to normal, and long-end rates get to levels that map out normal curves. We can go off track, the most pertinent being a deviant Federal Reserve, with varying effects on long-term rates



Rates in 2026: normal, far from boring, and the potential for chaos is very much there

The US, eurozone, spreads and Dutch pension reform dynamics for 2026

2026 is littered with conflicting influences for rates. In the United States, there is the potential to lurch into the unknown of super-low rates if the Trump administration gets its way. That is not our base view. At the other end of the curve, fiscal deficit concerns remain elevated and could spill over to an attack on Treasuries. This is also not our base view. US private credit is being monitored for bad smells and potential correlation risks. We don't assume a dramatic correction. The same goes for the technology space, which has been on a tear. Geopolitics, too, is rattled with uncertainty. We assume a muddle through.

THINK economic and financial analysis

Overall, the potential for a chaotic 2026 is absolutely there. Again, we don't assume that. Instead, we map out what we view as the most likely outcome: an evolution towards normal rates. Here are some of the key points:

- In the US, that means a curve stretching from around 3% on the front end, and a 100bp curve out to the 10yr lopped on top of that. So 10yr SOFR at around 4%. In addition, we add a 50bp Treasury credit spread to give us a 4.5% Treasury yield, with a tendency for it to drift back to the 4.25% area later in the year. Consumer price pressures get us a higher yield to begin with.
- We also examine two scenarios, both premised on the notion that the Fed does not stop at 'around 3%', but rather gets the funds rate down to 'around 2%'. There are two ways to get there. The first way is with justification (positive for 10yr Treasuries – think 3%), while the second is without justification (negative for 10yr Treasuries – think 5%).
- In the eurozone, remarkably, the curve is sitting at normal levels, practically at equilibrium. The question for 2026 is the extent to which it might get whipped around by events. While the front end of the swap curve remains relatively anchored as the ECB stays on hold, longer rates should still drift higher in 2026 on an improving growth outlook. German spending ambitions won't bring stellar growth but will reduce the risk of a return to secular stagnation, helping the 10Y swap rate to 3%.
- In January 2026, the first major Dutch pension funds will move to a defined-contribution system, triggering unwinds of longer-dated swaps and bonds that will leave an impact on the curve. As demand wanes further, we think 30Y rates could climb higher. But before that, early 2026 could see significant volatility in both directions.
- European government bonds will likely see more convergence amid Germany's fiscal expansion and consolidation efforts bearing fruit elsewhere. The macro backdrop remains benign for carry positions, but without the ECB easing more, the dynamics are likely to wane.
- In the SSA space, spreads sit at tight spreads versus core sovereigns. Heavy Bund supply and still record-level funding needs of the SSA sector itself suggest headwinds. But broader context matters – the spread give-up for moving from riskier asset classes into SSAs is at record low levels.

We hope you find this tour of the rates space inspiring, and we wish you the very best of luck for 2026!

Author

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Michiel Tukker

Senior UK & Eurozone Rates Strategist

michiel.tukker@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 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.