

## Rates Outlook 2021: Money for nothing

Our outlook for rates in 2021 is relatively optimistic. That said, there are numerous drags that will contain market rates. A large debt overhang is one. Pushing in the other direction is re-pricing from heavy supply and a potentially jumpy inflation dynamic. Our base forecasts are below followed by a closer look at the many drivers in play



**Padhraic Garvey: Rates in 2021**

[Watch video](#)

**Bond yield forecasts 2021**

	Curr 18-Nov	4Q20F	1Q21F	2Q21F	3Q21F	4Q21F
<b>USD bond yields</b>						
2Y US Treasury	0.17	0.15	0.25	0.25	0.25	0.40
5Y US Treasury	0.38	0.30	0.55	0.55	0.55	0.75
10Y US Treasury	0.84	0.75	1.00	1.00	1.00	1.25
30Y US Treasury	1.58	1.60	1.90	1.95	2.00	2.20
<b>USD yield curves (bp)</b>						
2Y/10Y US Treasury	67	60	75	75	75	85
10Y/30Y US Treasury	74	85	90	95	100	95
<b>EUR bond yields</b>						
2Y German Schatz	-0.74	-0.75	-0.75	-0.70	-0.65	-0.65
5Y German Bobl	-0.75	-0.75	-0.70	-0.60	-0.50	-0.50
10Y German Bund	-0.57	-0.60	-0.50	-0.40	-0.25	-0.25
30Y German Bund	-0.17	-0.20	-0.10	0.05	0.25	0.30
<b>EUR yield curves (bp)</b>						
2Y/10Y Bund	17	15	25	30	40	40
10Y/30Y Bund	40	40	40	45	50	55
<b>Eurozone Spreads (bp)</b>						
10Y Italy/Germany	119	115	105	100	95	90

**Swap rate forecast 2021**

	Curr 18-Nov	1Q20F	1Q21F	2Q21F	3Q21F	4Q21F
<b>USD interest rates</b>						
Fed funds rate (lower bound)	0.00	0.00	0.00	0.00	0.00	0.00
USD Libor 3m	0.22	0.25	0.25	0.25	0.30	0.30
2Y USD IRS	0.26	0.25	0.35	0.35	0.35	0.50
5Y USD IRS	0.44	0.35	0.60	0.60	0.60	0.80
10Y USD IRS	0.84	0.75	1.00	1.00	1.00	1.25
30Y USD IRS	1.26	1.25	1.55	1.60	1.65	1.85
<b>USD swap curves</b>						
2Y/10Y USD IRS	58	50	65	65	65	75
10Y/30Y USD IRS	42	50	55	60	65	60
<b>EUR swap rates (vs 6m)</b>						
ECB deposit facility rate	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
Euribor 3m	-0.52	-0.50	-0.50	-0.50	-0.45	-0.45
2Y EUR IRS	-0.52	-0.55	-0.55	-0.50	-0.45	-0.45
5Y EUR IRS	-0.45	-0.45	-0.40	-0.30	-0.20	-0.20
10Y EUR IRS	-0.24	-0.25	-0.20	-0.10	0.05	0.05
30Y EUR IRS	0.02	-0.05	0.00	0.15	0.35	0.40
<b>EUR swap curves</b>						
2Y/10Y EUR IRS	28	30	35	40	50	50
10Y/30Y EUR IRS	26	20	20	25	30	35

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