Rates Spark: All major Dutch funds now on track for 2026

A stretch higher in the 10Y euro swap rate may need more clarity on the US government shutdown and US jobs data. The three biggest Dutch pension funds planning to transition on 1 January 2026 seem on schedule as they start sending out example calculations. This gives us more certainty about the anticipated longer-dated bonds and swap flows in 2026

The three largest pension funds in the Netherlands are on track to transition on 1 January 2026

Bearish momentum in euro rates may need to wait for more clarity from the US

We continue to see 2.8% as the next target for the 10Y euro swap rate to aim for, but we may have to wait for more clarity on US rates first. The 10Y rate was already close to that level earlier this year after the German spending announcement. 'Liberation Day' pushed rates down again, but recovering growth should keep the bearish momentum going from here.

Whilst the correlation between US rates and euro rates has decreased significantly since Trump's election, a divergence in different directions remains difficult. From a structural view, we see the 10Y UST yield rising from here, towards 4.5%, but the government shutdown and some disappointing jobs market data may delay that move in the near term. As such, until we get more clarity there, the 10Y euro swap may be stuck closer to 2.7%.

More than €400bn pension assets on track to transition in 2026

PMT (c.€85bn AuM), the third-largest Dutch pension fund, confirmed its ambition to transition on 1 January 2026. Whilst no official approval from the Dutch regulator (DNB) is mentioned, the announcement does suggest the fund is on track. The 10s30s curve briefly steepened by 2bp on the news, suggesting such headlines are closely watched by markets. With Bouw already having approval, and PFZW also being on track, together these three funds make up €400bn in assets. This means we are increasingly confident about significant flows out of longer-dated swaps and bonds we can expect in 2026.

PMT previously shared plans to unwind its excessive interest rate hedges over a period of six months, reducing the immediate market impact. Rather than attempting to rebalance the portfolio immediately on 2 January 2026, the fund intends to reduce the hedging ratio in steps, which will be dynamically determined depending on market conditions. Other funds have not been as explicit about their strategy, also to prevent speculators from taking advantage. We still believe funds will try to unwind their excessive hedges as soon as possible to prevent rates rising against them. But as PMT's approach also demonstrates, we don't expect a disorderly sell-off.

Friday's events and market views

With the US official jobs report delayed due to the shutdown, the focus will be on ISM services. It is expected to weaken somewhat to 51 from 52. The other focus will be Fed speakers, with Williams, Logan and Jefferson scheduled to speak.

In EUR rates will look at the final services PMIs and also a slate of central bank speakers at a farewell symposium for Klaas Knot. They include, among others, Lagarde, Schnabel and Knot's successor Sleijpen, as well as the Bank of England's Bailey.

After market close, Moody's is scheduled to review its rating of the EU (Aaa/Stable).

Author

Michiel Tukker
Senior UK & Eurozone Rates Strategist
michiel.tukker@ing.com