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RATES SPARK

Rates Spark: Dutch pension funds may prepare early for 2027 transitions

Rates markets maintain a bullish tone with risk sentiment looking shakier. The next batch of Dutch pension funds may prepare early for their transition, judging by what has been revealed so far. Meanwhile, EU leaders recognise the urgency for further integration, but diverging views on the how can still hinder quick progress



Dutch pension reforms should keep upward pressure at the long end of the curve in 2026

Dutch pension fund transition should keep upward pressure on longer rates in 2026

Almost €1tr of Dutch pension assets are scheduled to transition in 2027, but we should start seeing the impact on markets this year. The Dutch news site PensioenPro reported that many smaller funds had already rebalanced their interest rate hedges in December 2025 (or earlier) instead of waiting until their transition moment in January 2026. On the other hand, for PMT – with around €80bn of assets, the second-largest fund that transitioned – the transition period is planned for the first six months in 2026 and therefore should still bring some flows. PFZW, the largest fund, which transitioned (€250bn assets), is more secretive about its transition strategy.

The flows from pension funds at the start of this year likely disappointed those with 10s30s steeper positions, which may help to explain the significant flattening in mid-January. Interviews with pension funds suggest that many did push for a quick rebalancing of hedges (one fund even finished by 6 January), but the amount of unwinding was not as much as initially expected. Some funds actually needed to increase hedges, allowing bilateral exchanges of positions without having to access public markets. One reason cited for the higher hedging needs was the strong rise in rates at the end of 2025. As we wrote earlier, [estimating the exact flows is difficult](#) and can change depending on market moves.

Since mid-January, the EUR 10s30s curve has actually steepened more than the US, and we still see more steepening ahead. The Dutch pension reforms should continue to put upward pressure on the long end of the curve as we approach 1 January 2027. An important pension fund to watch will be ABP. With its €530bn assets, it is by far the largest fund to transition.

Friday's events and market view

The main release for the day is the US CPI for January, where the consensus is looking for a 0.3% month-on-month price increase in both the core and headline measures. The decline in the annual rate to 2.5% will also mean that the bullish tone in rates markets is unlikely to be disrupted. The Federal Reserve's Lorie Logan and Stephen Miran will speak, meaning both ends of the hawk-dove spectrum are represented.

The eurozone will release its second estimate for 2025's fourth quarter GDP. The focus will likely be more on the geopolitical backdrop with the Munich Security Conference kicking off and continuing over the weekend, including an appearance by European Central Bank President Christine Lagarde. Last year, the event served as the beginning of a strategic rethink in the EU that led to ramped-up defence budgets and gave us the EU's SAFE.

The [EU leaders gathering](#) yesterday showed that politicians at least recognise the urgency that action is needed to restore Europe's competitiveness and growth potential. Views still diverge on the how, as underscored by the opposing views on Eurobonds between France and Germany.

Last night's 30y Treasury auction marked the last primary market supply for the week. But it saw strong demand amid weakening equity markets.

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