Rates Spark: Positive signs from Dutch pension reforms

US rates are finding bullish signals in second-tier data as the US government shutdown continues. The second-largest Dutch pension fund is showing confidence about its transition date of 1 January 2026, which should help support the 10s30s steepening. Approval from the regulator, however, has not been explicitly communicated yet

The second-largest Dutch pension funds seems to be on track for its transition date of 1 January 2026

Without payrolls, second-tier data is now driving US rates

With the US government in shutdown, rates will have to find signals from other sources, which in turn could trigger more dovish moves. Already, the disappointing ADP job numbers were enough to pull the 10Y UST yield down some 6bp. And with a low probability of seeing non-farm payroll numbers on Friday, the Fed's Beige Book next week may be the next information to work with. As a reminder, the August Beige Book was quite downbeat on the jobs market, with quotes such as "most districts mentioned an increase in the number of people looking for jobs."

Markets are already positioned for a more dovish Fed, and thus the room to move the front end lower may be limited for now. 100bp of cuts are already priced in by September 2026, which would bring the policy rate down to 3.25%. We're still discussing a cooling job market, not an imminent recession. As such, the signals needed to trigger a significant stretch lower in 2Y UST yields may not come in the very near term.

The second-largest Dutch pension fund seems on track for 2026

PFZW – the second-largest Dutch pension fund with €250bn AUM – shows confidence about its transition date on 1 January 2026, reflecting decreased risks of delays. Of the largest three funds to transition in 2026, so far only Bouw has explicitly communicated approval from the Dutch regulator (DNB). If everything continues to move according to plan, we expect a significant unwinding of swaps and bonds with maturities of 30 years and longer. The market reaction to the PFZW headlines was already captured by the subsequent steepening of the 10s30s curve.

Whilst the fund doesn't explicitly mention it has approval from DNB, based on Wednesday's signals, we believe it is closing in. In a newspaper interview, the fund's director emphasised that it is on schedule and that participants should see significant gains in their pensions. The news page of PFZW also highlighted the start of sending out personalised pension calculations, which need to be completed at least a month before transitioning. Additionally, a new implementation plan has been published, which will be used for these calculations. Having said all that, the publication also points out that the transition date in 2026 is still contingent on getting DNB's approval.

Thursday's events and market views

There will be little data to watch from the eurozone; the unemployment rate for the bloc, at 6.2%, has been hovering at its historic lows for some time now. European Central Bank officials will be busy again with Villeroy, de Guindos and Makhlouf scheduled to speak, but they look unlikely to offer anything new at this stage.

With the shutdown delaying the key official reports, an even greater focus falls on private sector releases. US jobless claims data won't be released, a Labour Department spokesperson confirmed, which means that on Thursday we are watching the Challenger job cuts numbers for September.

In primary markets, we will look to Spain and France. Spain will auction a new 7y bond alongside 4y and 17y taps, the long bond being 'green'. Spain will also reopen an inflation-linked bond, bringing overall issuance up to €6.25bn. France will auction longer-dated bonds from 10y out to 35y maturities for a total of up to €11.5bn. Also, here, a 'green' bond is on the auction schedule.

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