December 15, 2025 (***Door 11***)

O Come, All Ye Forecasters

By Ethan Currie & Taylor Schleich

As the holiday season approaches, we carry on (with glee!) through *NBC's 2025 Economic Advent Calendar.*
Let's see what's behind Door #11… (*See **page 2** for full schedule of past and upcoming releases in this series).*

As the turn of a new calendar year nears, now is a natural time to reflect and reassess. We're talking about revisions to your rates forecast, of course! It's been an exciting year for fixed income investors—how is 2026 shaping up?

To us, it's a 50-50 North American rate outlook heading into the new year. That's not shaky conviction, but rather a reference to what we view as the likely changes in policy rates at the FOMC and Bank of Canada. For nearly the past decade, the two central banks have moved directionally in tandem, but that's due to change in 2026. We see the Fed continuing to ease early in the year, while the BoC will remain on hold before starting to increase policy in the fall.

In the U.S., marginal easing—driven still by labour market anxieties—should allow for a modest rally across the curve. But, as conditions stabilize, and fiscal policy kicks in to further bolster growth, it will prove difficult for even the most dovish FOMC participants to justify easing in the second half of the year.

North of the border, investor attitudes about the health of the Canadian economy have quickly shifted. The modest easing bias that had persisted has quickly turned into a tightening bias. To us, patience is still warranted, but our macro outlook is consistent with rate hikes being delivered in the fall. It's also consistent with relative GoC underperformance down the curve—we are expecting the GoC curve to out-flatten on a cross-market basis, though longer-end steepness should persist generally.

For more thoughts on our 2026 rates and macroeconomic outlook, we'd encourage you to read the latest edition of our ***Fixed Income Monitor***. The report also contains a longer dated and more detailed rates forecast than the condensed tables presented below.

NBC Rates Forecast – December 2025

NBC GoC and UST rates projections as at Dec-2025

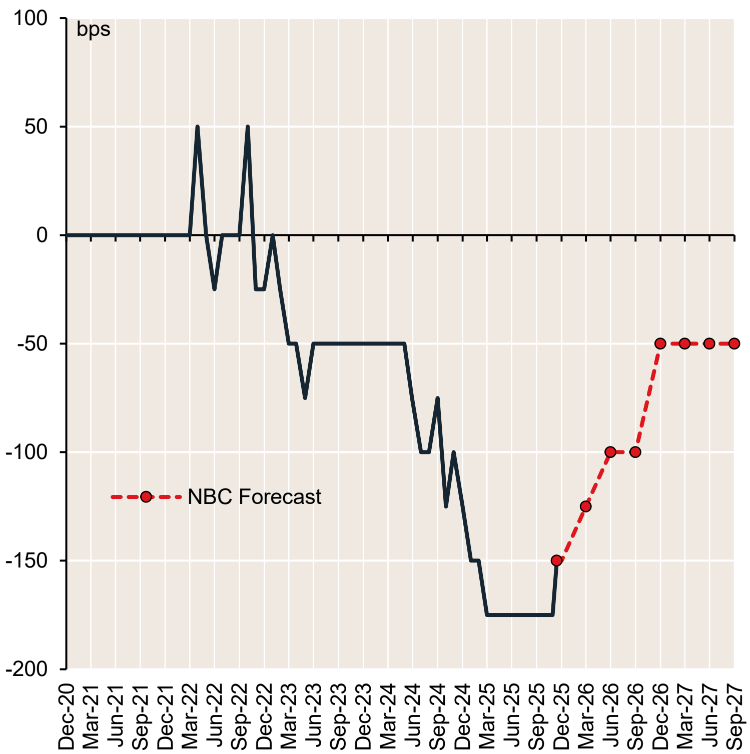
United States				
Quarter	Fed Funds	2YR	10YR	30YR
12-Dec-25	**3.75**	**3.53**	**4.19**	**4.86**
Q1:2026	3.50	3.50	4.10	4.70
Q2:2026	3.25	3.45	4.15	4.70
Q3:2026	3.25	3.40	4.20	4.80
Q4:2026	3.25	3.50	4.30	4.90

Canada				
Quarter	Overnight	2YR	10YR	30YR
12-Dec-25	**2.25**	**2.61**	**3.44**	**3.88**
Q1:2026	2.25	2.50	3.40	3.80
Q2:2026	2.25	2.50	3.35	3.75
Q3:2026	2.25	2.65	3.30	3.75
Q4:2026	2.75	2.80	3.35	3.75

Source: NBC, Bloomberg | Note: End of quarter projections

A 50-50 policy rates call in 2026

BoC-FOMC policy rate: Actual and NBC projected as at Dec-2025



Source: NBC, Bloomberg | Note: FOMC policy aligned to upper-bound; Data is end-of-month, while NBC forecasts are end-of-quarter

NBC's 2025 Economic Advent Calendar

- Door 1: Let it ~~snow~~ cash flow (**link** - *released December 1st*)
- Door 2: Last ~~Christmas~~ Trump Term (**link** - *released December 2nd*)
- Door 3: The anatomy of a ho-ho-hold (**link** - *released December 3rd*)
- Door 4: The (Productivity) Nightmare Before Revisions (**link** - *released December 4th*)
- Door 5: All I want for Christmas is… consistent jobs data (**link** - *released December 5th*)
- Door 6: (Everybody's waitin' for) the man with the ~~bag~~ Bill (**link** – *released December 8th*)
- Door 7: It's beginning to look a lot like… rate hikes? (**link** - *released December 9th*)
- Door 8: JOLTing around the Christmas tree (**link** - *released December 10th*)
- Door 9: Powell, Baby (**link** - *released December 11th*)
- Door 10: Grandma Got Run Over by a ~~Reindeer~~ Tariff (**link** - *released December 12th*)
- Door 11: O Come, All Ye Forecasters (*released December 15th*)
- Door 12: ??? (*coming December 16th*)
- Door 13: ??? (*coming December 17th*)
- Door 14: ??? (*coming December 18th*)
- Door 15: ??? (*coming December 19th*)

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