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A slow start out of the gates

Key points

- After a year of steady rate reductions, most global central banks will now likely be on hold in early 2026.
- Despite central banks' rate cuts, yields available to investors remain near the highest starting levels on offer since 2002.
- Less central bank clarity is likely to mean greater volatility for bond markets.

Over the course of 2025, the central banks of Canada, the United Kingdom, and Europe lowered short-term policy rates by a total of 100 basis points (bps), while the Federal Reserve lowered rates by 75 bps. But, despite rate cuts, bond yields available to investors globally open 2026 at levels we still view as historically attractive.

That said, we anticipate a more challenging year for global bond

markets. Most of the aforementioned central banks are likely now at or near the end of their respective easing cycles. And while we expect most to simply remain on hold this year, markets could at some point begin to entertain the idea of potential rate hikes.

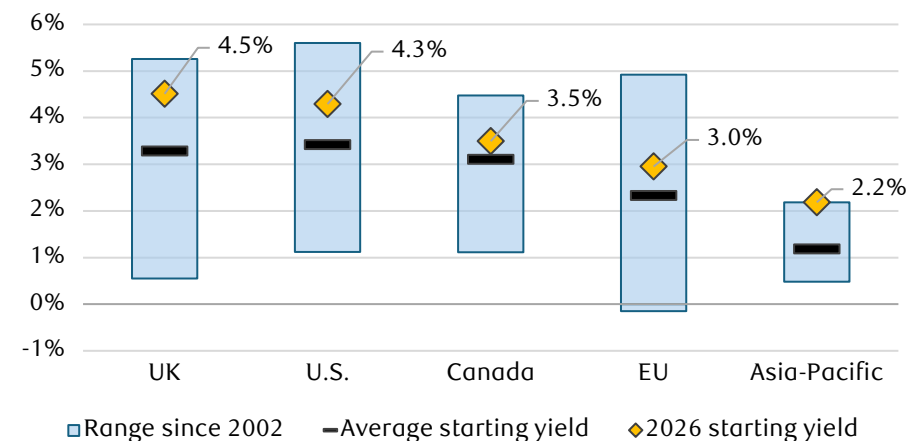
After three consecutive cuts to close out 2025, we look for the Fed to skip a reduction at its Jan. 27–28 meeting and likely remain on hold

Fixed income views

Region	Gov't bonds	Corp. credit	Duration
United States	–	+	3–7
Canada	+	–	3–7
Continental Europe	+	+	3–7
United Kingdom	=	+	3–7

+ Overweight; = Market Weight; – Underweight
Source - RBC Wealth Management

Global yields set to open 2026 at still-lofty levels



Source - RBC Wealth Management, regional Bloomberg Aggregate Bond Indexes

Produced: Jan. 6, 2026, 14:48 ET; Disseminated: Jan. 6, 2026, 15:30 ET

All values in U.S. dollars and priced as of market close, Dec. 31, 2025 unless otherwise stated.

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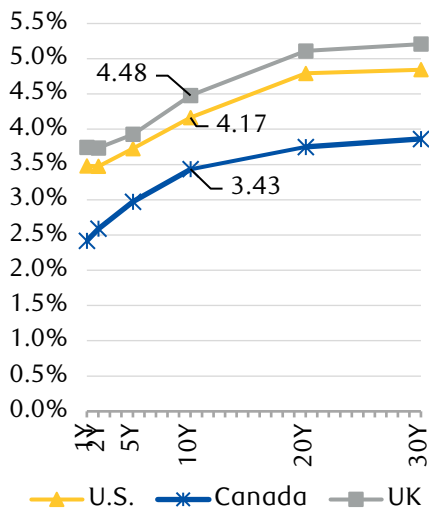
GLOBAL FIXED INCOME

until at least June. The bias will remain toward further cuts, should inflation continue to ease or should labor market weakness continue, but bond market volatility could remain elevated along with uncertainty. We continue to look for the 10-year Treasury yield to hold north of 4.0% this year, with a current year-end 4.35% target.

The Bank of England is likely on a similar trajectory as the Fed with a bias toward further, gradual cuts. But in terms of market pricing, the Bank of Canada is seen as most likely among the major central banks to pivot back to rate hikes this year, while the Bank of Japan is likely to continue with its ongoing rate-hike campaign.

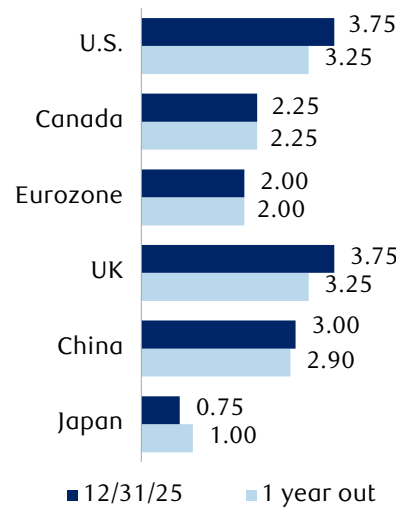
Though 2025 was not without volatility, global yields generally pulled back (and prices rose). We expect more volatility this year, and while yields remain historically high, we look for rangebound trading with a bias for moderately higher yields (and lower prices).

Sovereign yield curves



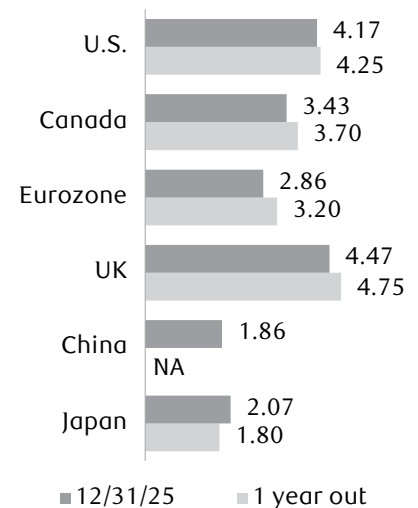
Source - Bloomberg; data through 12/31/25

Central bank rates (%)



Source - RBC Economics, RBC Global Asset Management, Bloomberg

10-year rates (%)



Note: Eurozone utilizes German Bunds.
Source - RBC Economics, RBC Global Asset Management, Bloomberg

Research resources

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