

**SMALL TALK:
YIELD CURVE ???**

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1

DISCLAIMER

- **REMEMBER** = INFORMATION DISCUSSED HERE IS FOR GENERAL INFORMATION PURPOSES ONLY: **NO** RECOMMENDATION OR PERSONALIZED ADVICE INTENDED. EACH INVESTOR NEEDS TO COMPLETE THEIR OWN RESEARCH AND EVALUATION!

2

YIELD CURVE

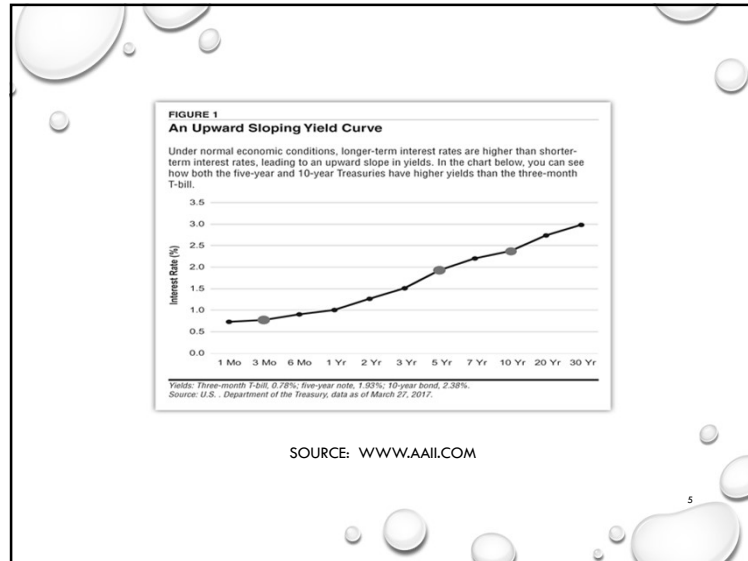
AN INDICATOR OF WHERE THE US ECONOMY IS/MIGHT BE HEADED!

3

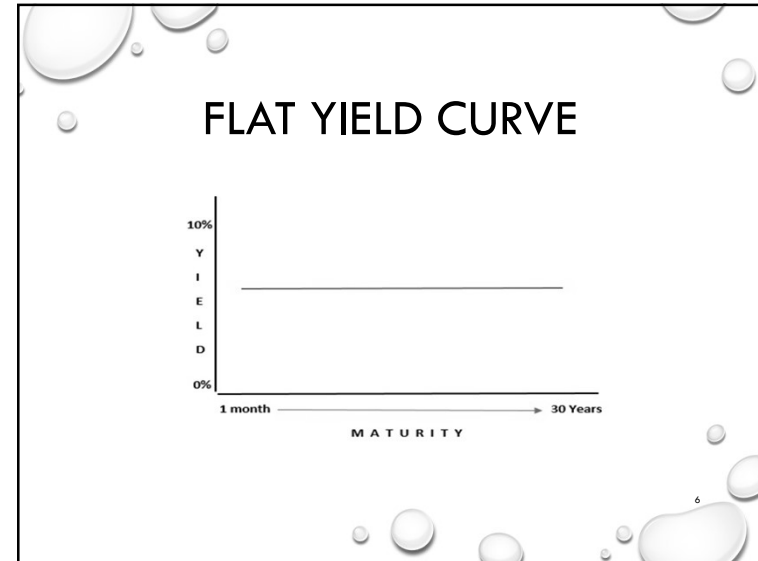
NORMAL YIELD CURVE

10%
Y
I
E
L
D
0%
1 month → 30 Years
MATURITY

4



5

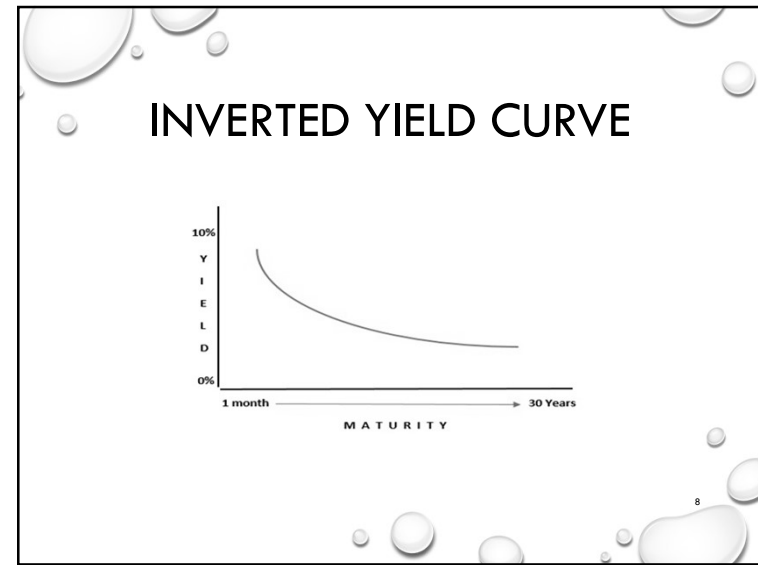


6

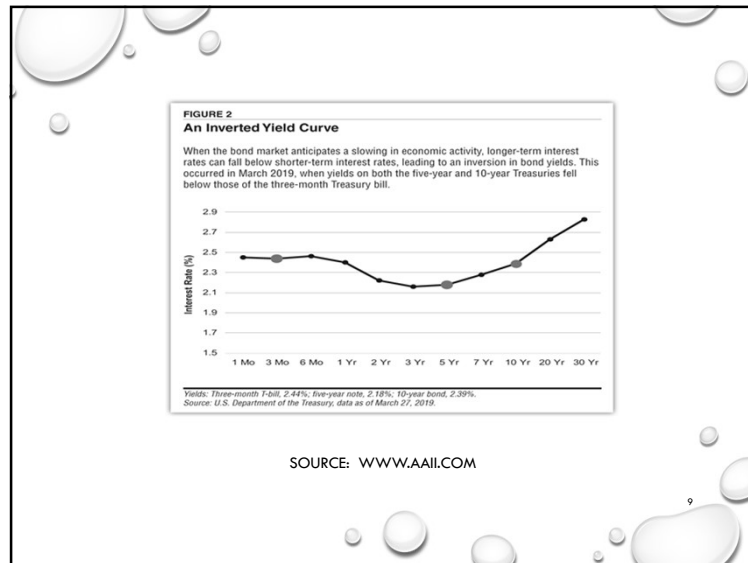
INVERTED YIELD CURVE: DEFINITION

- YIELD ON THE 10-YEAR TREASURY BOND DROPS BELOW THOSE ON THE 2-YEAR TREASURY NOTE

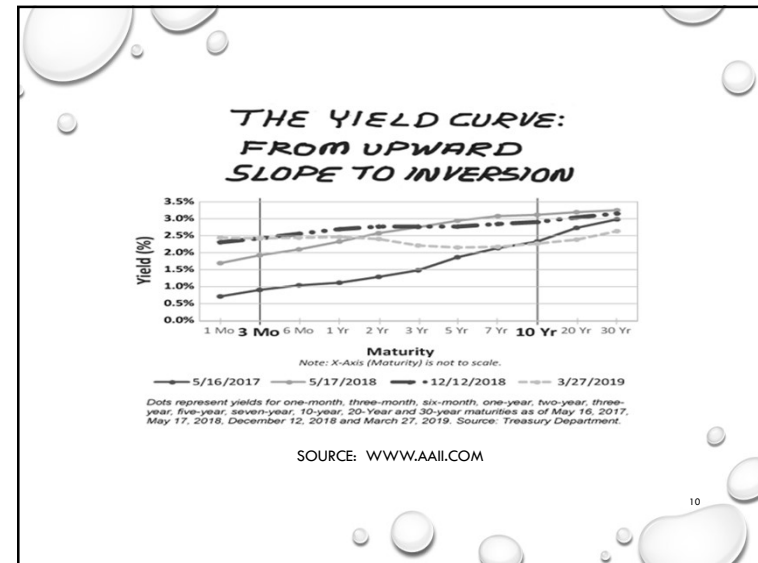
7



8



9



10

CAMPBELL HARVEY

- USED DIFFERENCE BETWEEN 10 YR. TREASURY BOND & 3 MONTH T BILL
- USED QUARTERLY INTEREST RATES
- SUGGESTS WE LOOK OVER THE QUARTER FOR DETERMINING THE YIELD CURVE IS INVERTED

11

10Y-2Y YIELD CURVE INVERSIONS AND AVERAGE TIME TO RECESSION START

(Source: St. Louis Federal Reserve, Ben Carlson)

Yield Curve Inversion Date	Recession Start Date	Months To Recession Once Curve Inverts
August 1978	January 1980	17
September 1980	July 1981	10
December 1989	July 1990	19
February 2000	March 2001	13
December 2005	December 2007	24
Average		16.6

12

RECESSION COMING ?

- NOT NECESSARY: SIGNAL THAT RISK OF RECESSION IS RISING

13

YIELD CURVE IMPLICATIONS ???

- NORMAL YIELD CURVE = SMALL OR MEDIUM SIZE COMPANIES
- FLAT OR INVERTED YIELD CURVE = UTILITIES, HEALTH CARE STOCK, LARGE DIVIDEND COMPANIES, OR CASH!!

14

REFERENCES

- 1."USING ECONOMICAL INDICATORS TO MAKE INVESTMENT DECISIONS" CHRISTI POWELL, STOCK UP , SEPT 5, 2019 (SEE HER REFERENCES)
- 2.ROT BUT, C. & HARVEY. C., "BOND YIELD'S ROLE AS A RECESSION WARNING SIGNAL" MAY, 2019, WWW.AAII.COM

15

- THANK YOU TO THE ROCKY MOUNTAIN BOARD FOR THEIR ASSISTANCE IN THIS PRESENTATION!

16



17