CHART OF THE DAY

July 10, 2017

Spotlight on : **10-2 Yield Curve**

A key metric to follow is the relationship, i.e., the spread, between the 10-Year U.S. Treasuries yield and the 2-Year U.S. Treasuries yield.

A widening spread denotes bullishness and economic growth expectations, while a declining spread that goes negative (or inverts) signifies slowing economic growth and, even, the likelihood of a recession.

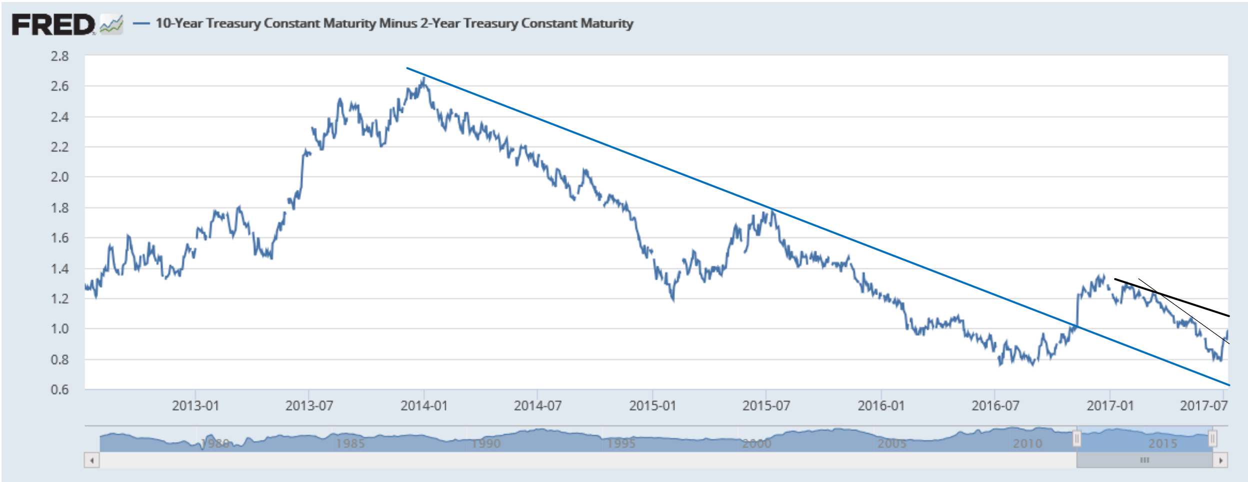
For clarity, a negative or inverted yield curve indicates that long-term debt instruments have a lower yield than short-term debt instruments, given that these debt instruments are of the same or similar credit quality.

Historically, inversions of the yield curve have preceded many U.S. recessions. Thus, the yield curve is considered an important barometer for predicting turning points in the business cycle.

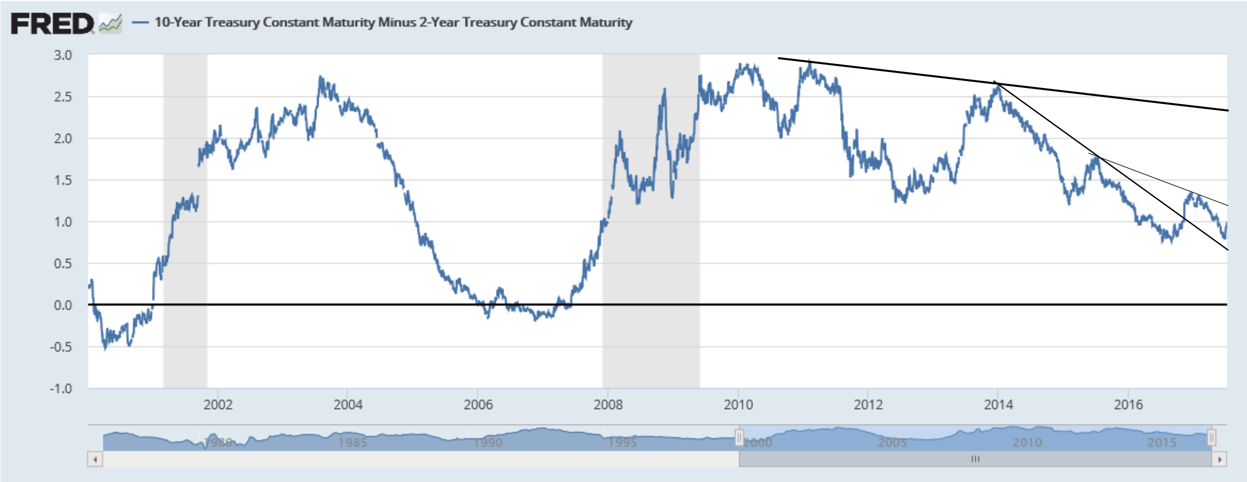
The current (June 27) 10-2 yield curve reading is 0.99x, and rising. (It was 0.83x on June 29.)

This is nowhere near a recessionary reading of 0.00x. Eeven with this recent up-tick, the trend is still down and below the (thicker) primary **black** down-trend line drawn on the chart.

Here is a five-year chart (July 2012-July 2017). The **blue** longer-term down-trend is passé:



Here is a look at the 10-2 yield curve going back to January 2000. It shows the negative occurrences and the corresponding recessions that soon followed.



COMMENT: *The 10-2 yield curve is nowhere near the 0.00x level needed to denote a recession. With U.S. economic growth moderately motoring along, the possibility of a recession in the United States seems remote at this point.*

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