

## CHART OF THE DAY

January 15, 2018

### 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.

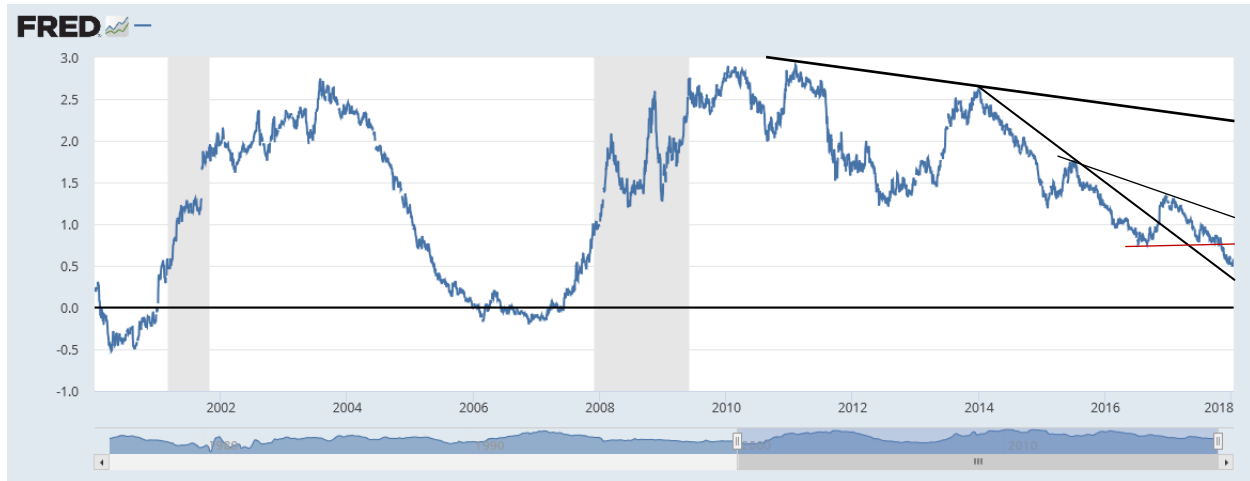
The current (Jan. 11) 10-2 yield curve reading is 0.56x, and falling. (It was 0.80x on Sept. 10.)

This is nowhere near a recessionary reading of 0.00x. The trend is still down and below the secondary **brown** down-trend line and is trying to bounce off the 0.50x level.

Here is a five-year chart (Jan. 2013-Jan. 2018). The **black** 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. Currently, there is no likelihood of a recession looming.



**COMMENT:** *In our last report, in September 2017, we mentioned that “a quadruple bottom may occur short-term”, as shown by the horizontal **rust** support line. Well, it didn’t hold. Even so, at the current 0.56x, the 10-2 yield curve is still nowhere near the 0.00x level needed to denote a recession. With U.S. economic growth continuing positively, the possibility of a recession in the United States seems remote at this point.*

---

## **eRESEARCH DISCLAIMER**

### **eResearch Disclosure Statement**

eResearch is engaged solely in the provision of equity research to the investment community. eResearch provides published research and analysis to its Subscribers on its website ([www.eresearch.ca](http://www.eresearch.ca)), and to the general investing public through its extensive electronic distribution network and through newswire agencies.

With regards to distribution of its research material, eResearch makes all reasonable efforts to provide its publications, via e-mail, simultaneously to all of its Subscribers.

eResearch does not manage money or trade with the general public, provides full disclosure of all fee arrangements, and adheres to the strict application of its Best Practices Guidelines.