
CHART OF THE DAY

December 11, 2018

Spotlight on : **Recession Lag Time From Inversion**

COMMENT:

Each week, we post our “The 10-2 Yield Curve Recession Barometer” (for the latest report, see the link on the following page). This report analyzes the trend in interest rates for 10-year and 2-year U.S. Treasuries. (We also track the 10-2 yield curve for Canadas.) A recession usually occurs when the 10-2 yield curve flattens and then inverts, i.e., the yield on the 10-year Treasuries falls below the yield on the 2-year Treasuries. (Other popular metrics include the 10-year/3-month ratio and the 30-year/10-year ratio, but the 10-year/2-year ratio is the most widely watched.)

In our weekly report, we provide a chart that shows all of the inversions and subsequent recessions going back to the beginning of 2000. We state: “A recession usually occurs a few months (or possibly up to two years) after the yield curve inverts.”

The chart on the following page shows the number of months from the point of inversion until the beginning of a recession. This chart is an extract from the report from The Reformed Broker that was posted late yesterday on the eResearch website and entitled “The R Word”. The chart was compiled by JP Morgan Asset Management.

The chart goes back to the recession of 1969. In all, there were seven recessions identified. The average lag-time for all seven was 20 months, although this was skewed somewhat by the 51-month lag shown by the 1969 recession. Omitting it, the average for the remaining six recessions was 15 months.

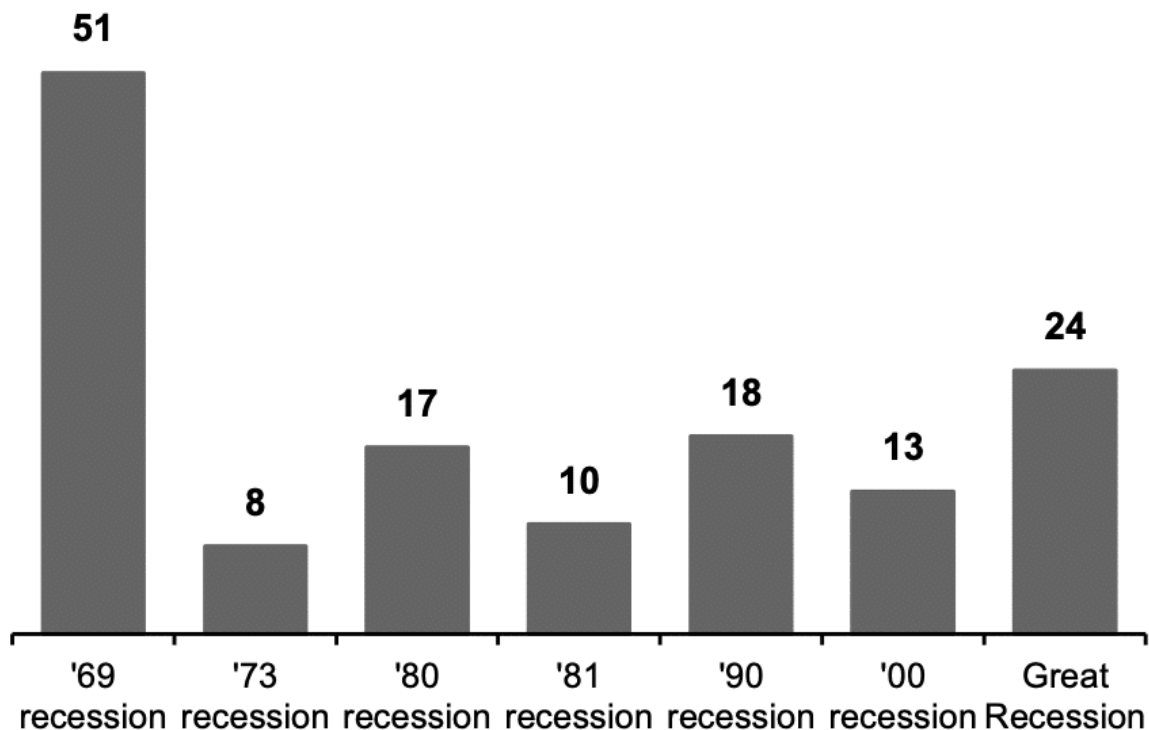
Thus, if, say, the inversion in the current situation occurs around January 1, 2019, then the recession, on average, would kick in between May 2020 to October 2020.

<continued>

Here is the JP Morgan table of how long it has taken during each of the last seven recessions from the first yield curve inversion until the actual start of the recession for the years shown.

CHART OF THE WEEK

Months between the first inversion of the yield curve and the start of a recession



Source: JP Morgan Asset Management

LINK to the December 7, 2018 eResearch report, “The 10-2 Yield Curve Recession Barometer” is [HERE](#)

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