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Yield Curve Really Does Matter For Unemployment

***e*Research Corporation** is pleased to provide a weekly commentary, authored by Tom McClellan, entitled "The McClellan Chart-In-Focus", which is a free technical analysis article published each week.

In this article, Mr. McClellan looks at the 10-year/1-year yield curve spread oin relation to the unemployment rate to predict an inversion and subsequent recession.

The article is reproduced below, beginning on the next page, or you can use this link to go to the article directly: <Ctrl-Click> **HERE**

You can also visit the McClellan Financial Publications Home Page at the link below. This is a subscription service, and there are two publications which can be subscribed for: (1) **The McClellan Market Report**; and (2) **The Daily Edition**.

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March 8, 2019

The McClellan Chart-In-Focus

by Tom McClellan (bio at end)

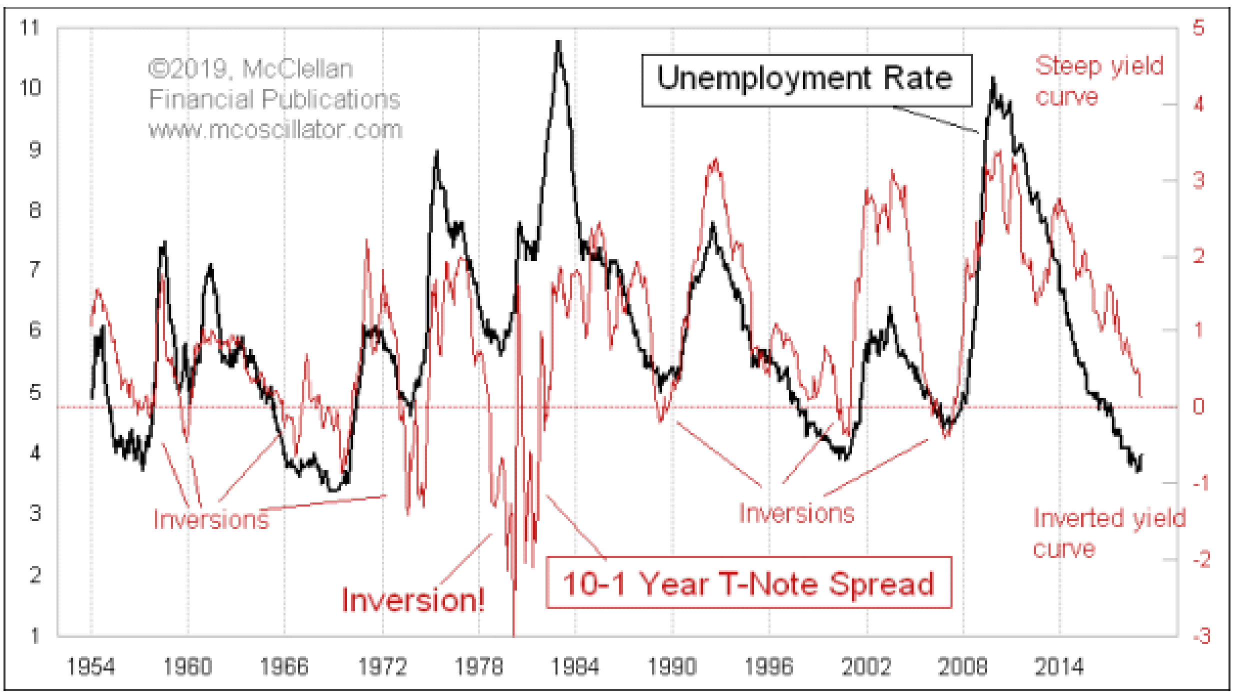
Yield Curve Really Does Matter For Unemployment

Back in February 2007, former Fed Chairman Ben Bernanke actually said the following:

> "I think the yield curve could be inverted for a considerable period without significant implications for the economy as a whole, yes--- possibly for some banks, but not for the economy as a whole."

He said that in testimony before the Senate Banking Committee. To our knowledge, Dr. Bernanke has not been stripped of his degree in economics for that comment, as he rightfully should be.

This week's chart is one which appeared in our most recent issue of The McClellan Market Report. It highlights the very strong correlation (most of the time) between the Unemployment Rate and the yield spread between the 10-year and the 1-year T-Notes. I say "usually" because the really extreme episode from 1978 to 1982 shows just how extreme that time period was. The rest of the time, these two plots are usually pretty close to right on top of each other, given the scaling chosen for this chart.



Note also that every big up-move in the Unemployment Rate over the past 60+ years has been preceded by a dip to a negative 10-1 yield spread. Right now, the spread is getting dangerously close to inverting. If the Fed could somehow manage the banking system in such a way as to forestall or even avoid such an inversion, then history shows that the Fed could postpone or fend off the next big damaging recession.

But wishing for that outcome is not greatly justified, based on either the Fed's actual ability to make it happen, or the Fed members' hubris in thinking that "it's different this time", and that they can manage things better than their predecessors..

Tom McClellan, Editor,

The McClellan Market Report

BW: Information on Tom McClellan and *The McClellan Market Report* and *The Daily Edition* is provided on the following page.

ABOUT THE AUTHOR

Tom McClellan

Tom McClellan has done extensive analytical spreadsheet development for the stock and commodities markets, including the synthesizing of the four-year Presidential Cycle Pattern. He has fine-tuned the rules for inter-relationships between financial markets to provide leading indications for important market and economic data.

Tom is a graduate of the U.S. Military Academy at West Point, where he studied aerospace engineering, and he served as an Army helicopter pilot for 11 years. He began his own study of market technical analysis while still in the Army, and discovered ways to expand the use of certain indicators to forecast future market turning points.

Tom views the movements of prices in the financial market through the eyes of an engineer, which allows him to focus on what the data really say rather than interpreting events according to the same "conventional wisdom" used by other analysts.

In 1993, he left the Army to join his father in pursuing a new career doing this type of analysis. Tom and his Father spent the next two years refining their analysis techniques and laying groundwork.

In April 1995 they launched their newsletter, The McClellan Market Report, an 8-page report covering the stock, bond, and gold markets, which is published twice a month. They utilize the unique indicators they have developed to present their view of the market's structure as well as their forecasts for future trend direction and the timing of turning points.

A Daily Edition was added in February 1998 to give subscribers daily updates on their indicators and also provide market position indications for stocks, bonds, and gold. Their subscribers range from individual investors to professional fund managers. Tom serves as editor of both publications, and runs the newsletter business from its location in Lakewood, WA.

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