

## Macro Roundup Article

**Headline:** [What Is the Probability of a Recession? The Message from Yield Spreads](#)

**Article Link:** <https://www.stlouisfed.org/on-the-economy/2023/sep/what-probability-recession-message-yield-spreads>

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**Tweet:** The nominal yield curve spread predicts a 65% probability of a recession within a year, "unprecedentedly" high for a false recession signal. Real spreads imply a 40% probability, the highest in the history of the series. @stlouisfed

**Summary:** The nominal yield spread is currently negative—quite low by historical standards—and predicts a 65% probability of recession in 12 months. This recession probability would be unprecedentedly high for a false positive. The “real” interest rate spread implies a still elevated, but lower probability of recession in 12 months, of about 40%. This 40% probability is the highest in the history of the series, exceeding that even in any actual recession. Even if a model were literally correct instead of an approximation, these models predict 40%, 50%, and 60% probabilities of recessions, which means there is a fair likelihood of a soft landing. Related: Soft Landing Summer and Has the Fed Tightened Enough? Guideposts to Consider

**Primary Topic:** Business Cycle

**Topics:** Business Cycle, GDP, Op-Ed/Blog Post

**Permalink:** <https://www.edwardconard.com/macro-roundup/the-nominal-yield-curve-spread-predicts-a-65-probability-of-a-recession-within-a-year-unprecedentedly-high-for-a-false-recession-signal-real-spreads-imply-a-40-probability-the-highest-in-the-hi?view=detail>

### Featured Image

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