

# Observing Yield Curve Inversion and Recession

Karthick Ramasubramanian(kr33733)

## Problem Statement:

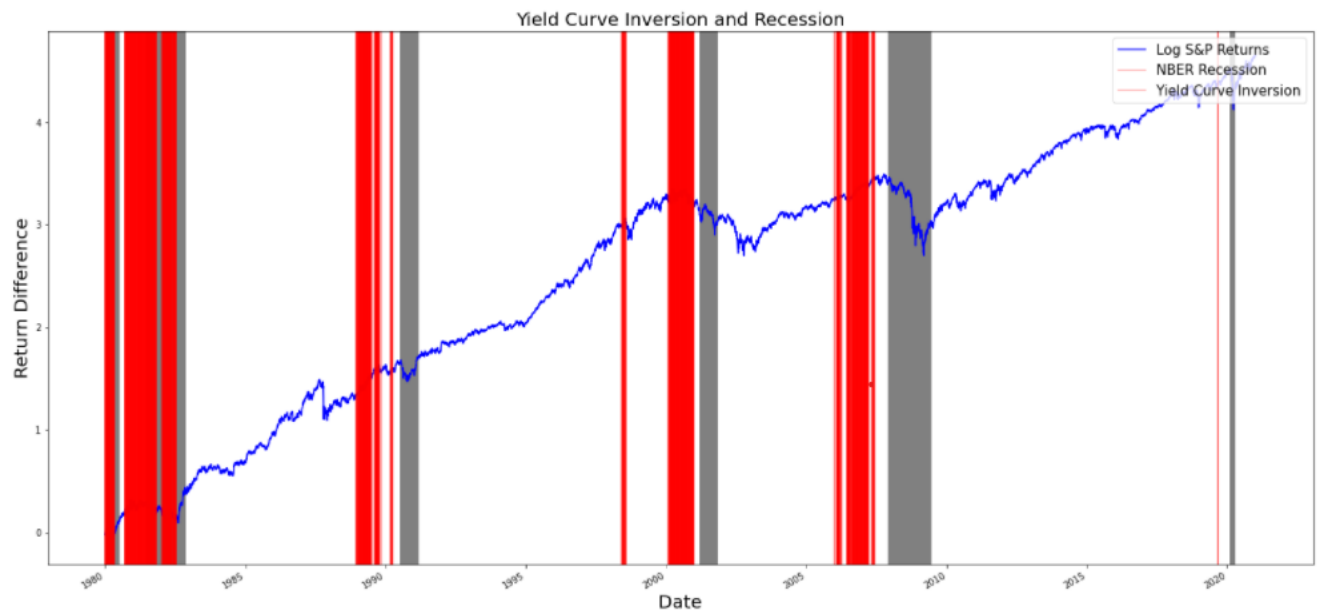
We want to observe the relationship between the period of yield curve inversion and see if it's a good indicator of recession.

## Approach:

We obtain data from 1980 to July of 2021. We use S&P500 returns and NBER recession period (from Peak to Trough) as periods of recession. For curve inversion we use 10 Year T bill – 2 year T bill return. For all these cases daily data was considered.

Recession and Curve inversion data was obtained from <https://fred.stlouisfed.org> and S&P returns from WRDS.

## Findings:



## Conclusions:

From the graph, we observe that the periods of inversion are in most cases followed by periods of recession. However, there does not seem to be any indication or relationship on the total time the inversion and recession will last. Also, the time lag between the inversion and recession is also inconsistent. There was no recession following the 1998 inversion.