

A "normal" yield curve gives us

positive spread



Spreads are above zero



An "inverted" yield curve gives us

negative spread



Spreads are below zero



h 0

`

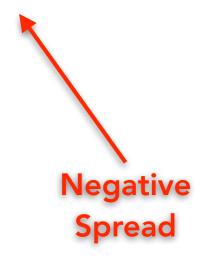




_ 7













Historical Yield Spread between 10Year and 1Year Government Bonds

If investors are worried about a recession they buy Long Term Government bonds and the Yield Curve gets inverted as a precursor for recession

