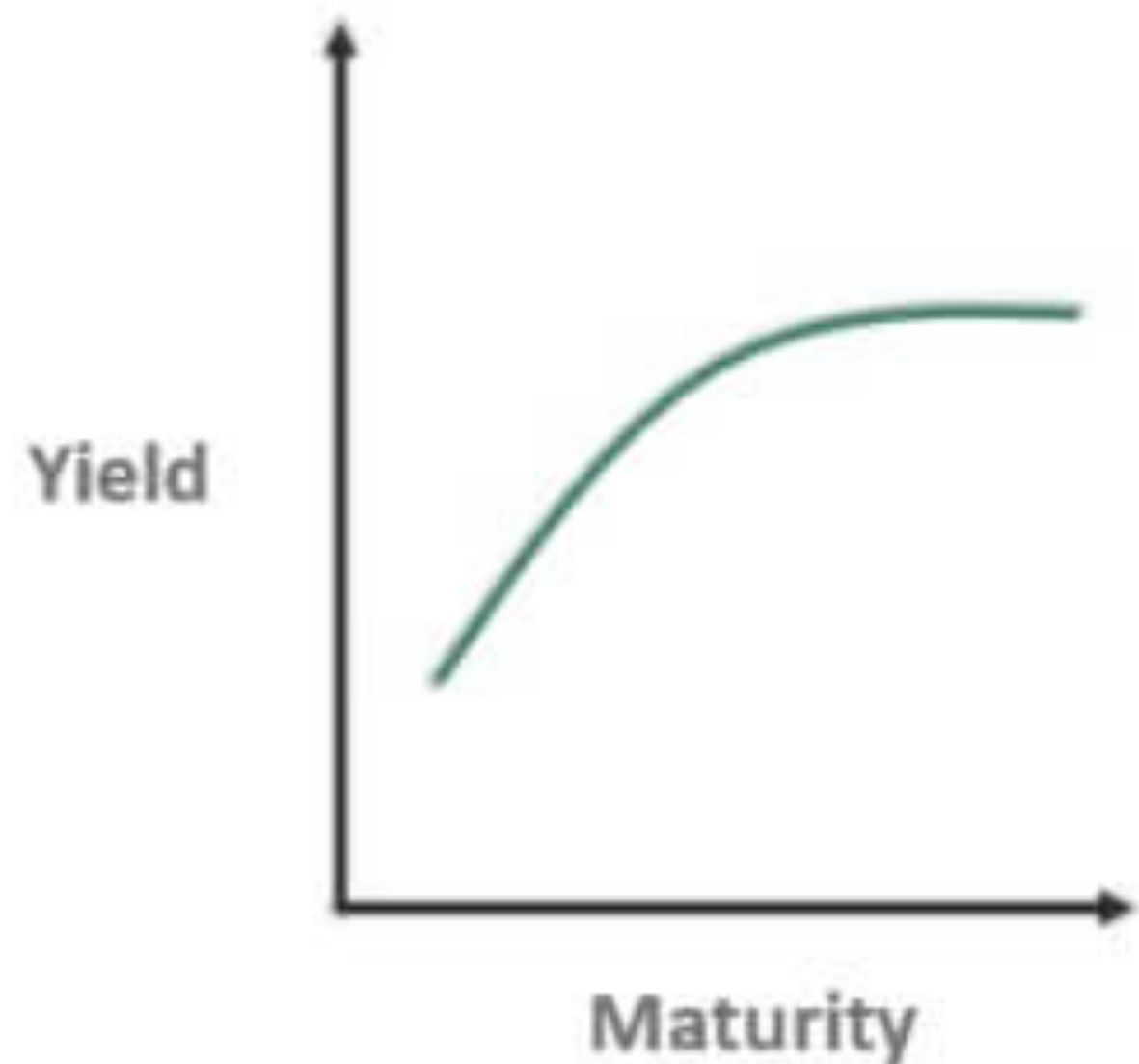
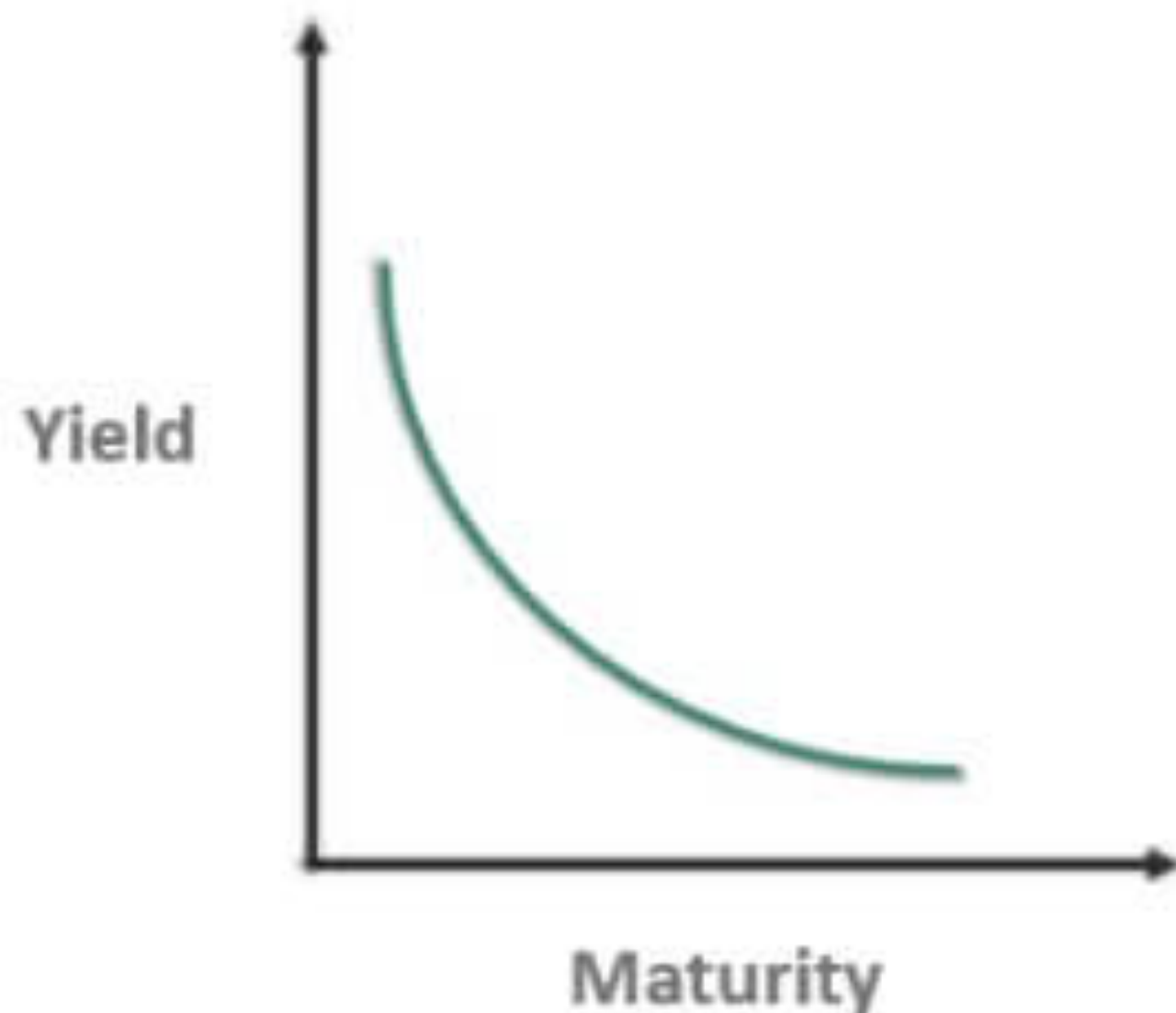


Inverted Yield Curve



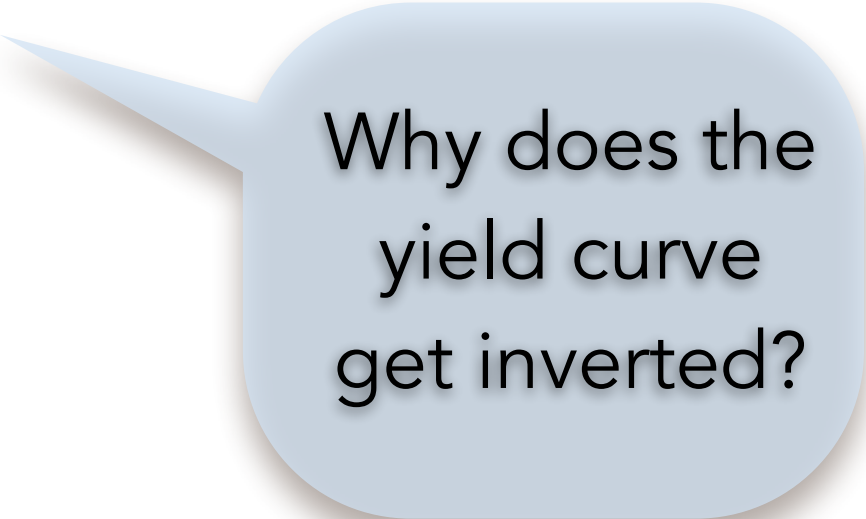
Normal Yield Curve



Inverted Yield Curve

This plot shows a “normal” yield curve because yields are higher for longer-term debt

This plot shows an “**inverted**”
yield curve because yields are
lower for **longer**-term debt



Why does the
yield curve
get inverted?

S







2



[REDACTED]

[REDACTED]























9



























S

















F





2













V











U



V





W







































F





2

















d

V











U



V





W















9

a















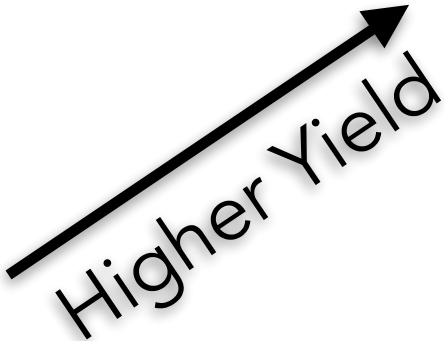


3





Longer Maturity

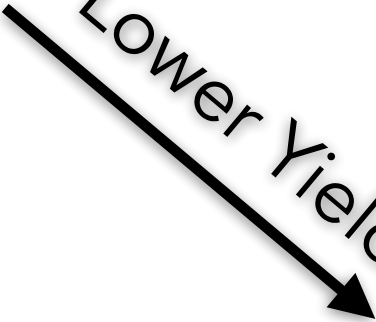


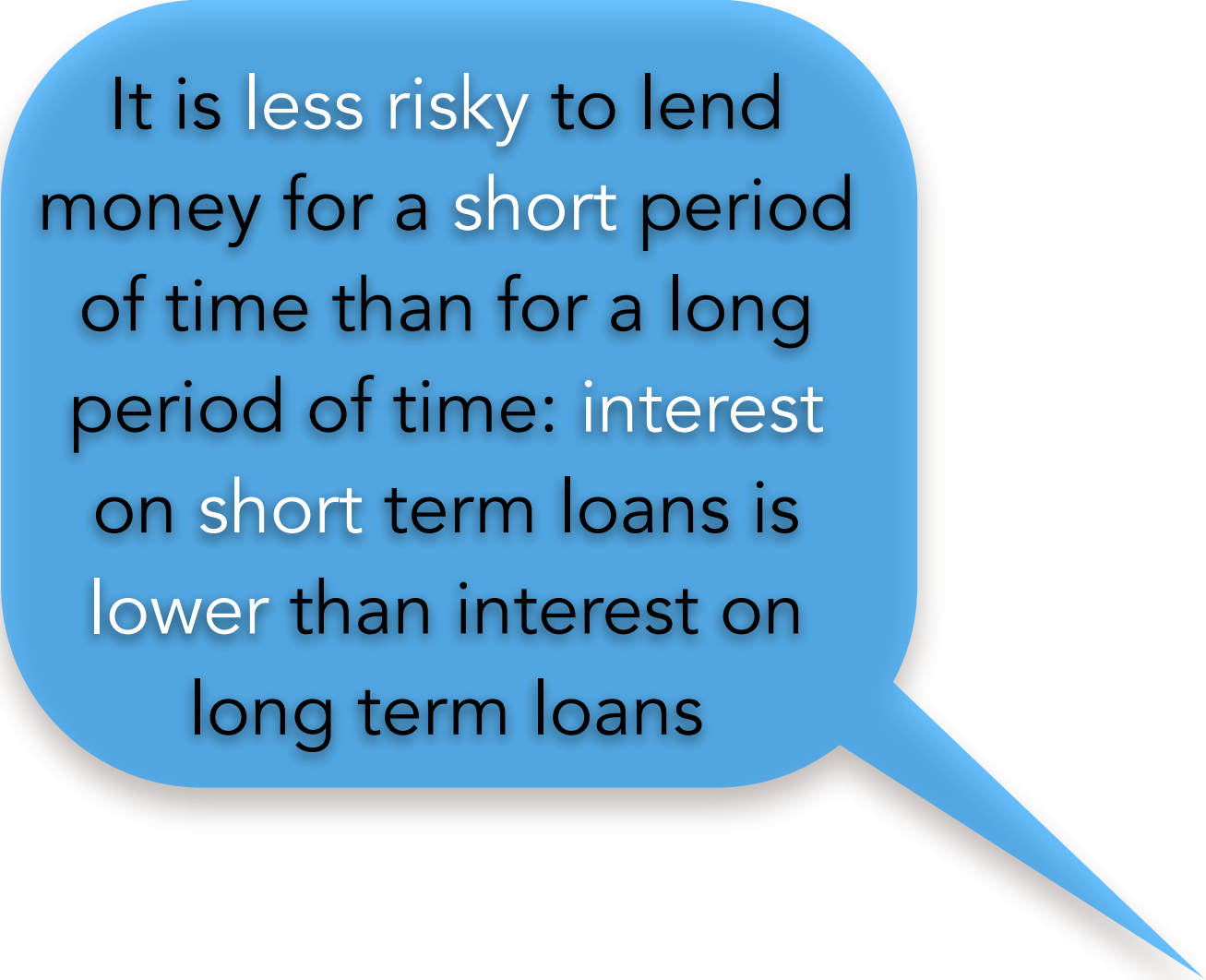
Higher Yield



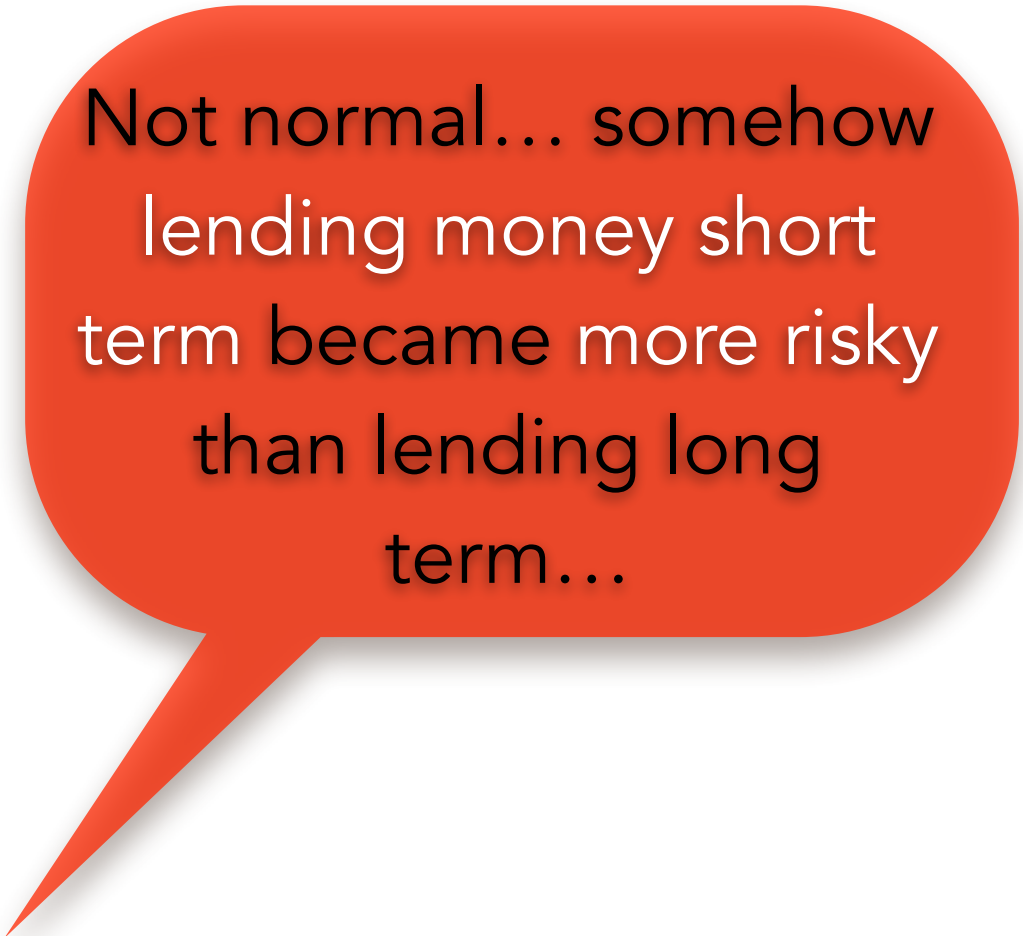
Longer Maturity

Lower Yield

A black arrow pointing downwards and to the right, with the text "Lower Yield" written above it in a black, sans-serif font. The arrow starts at the top left and ends at the bottom right, with a solid black arrowhead.



It is less risky to lend money for a short period of time than for a long period of time: interest on short term loans is lower than interest on long term loans



Not normal... somehow
lending money short
term became more risky
than lending long
term...

$$\text{Spread} = \text{Yield for Long Term} - \text{Yield for Short Term}$$

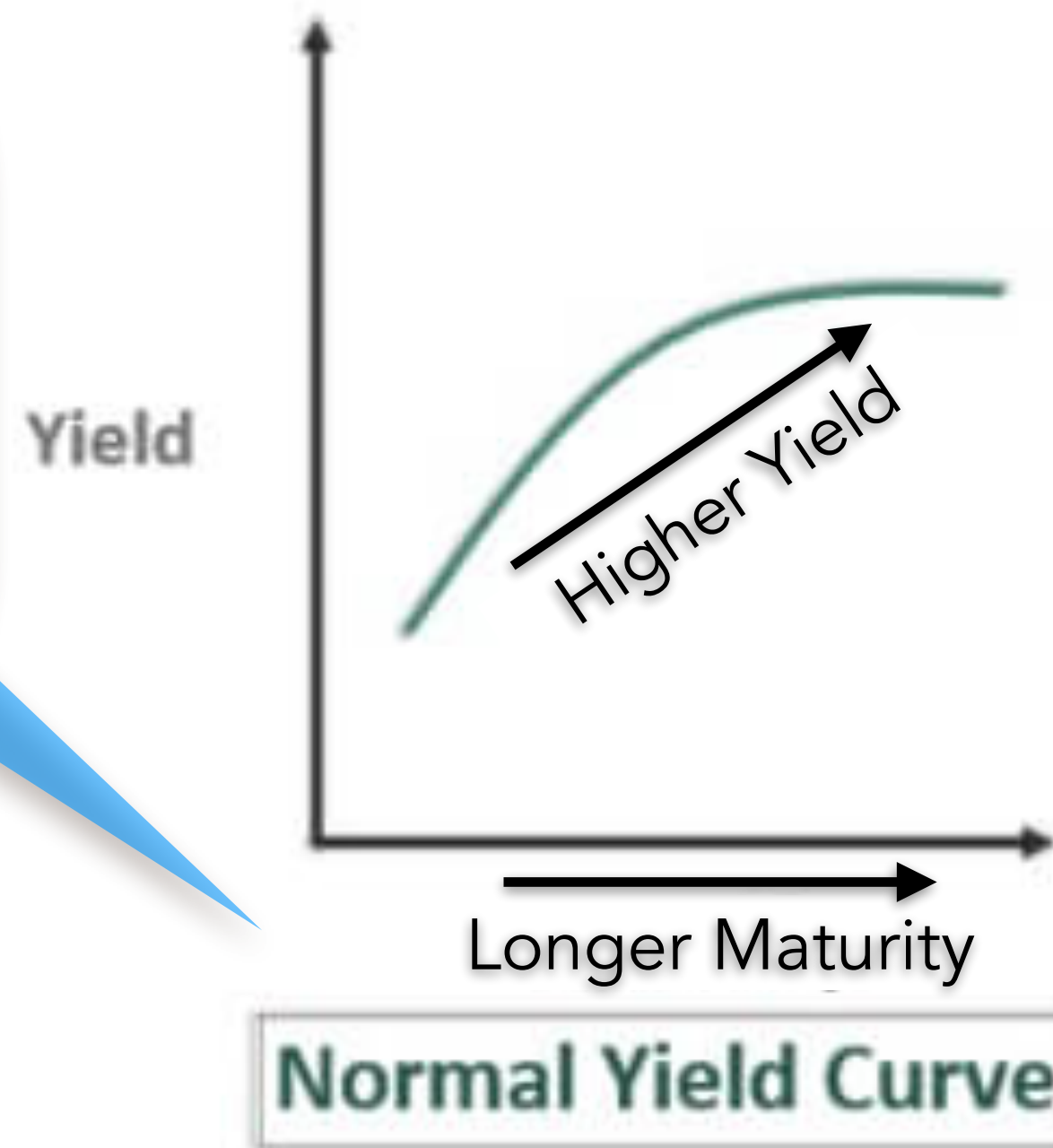
For a **normal** yield curve, we get a **positive** spread

For an **inverted** yield curve, we get a **negative** spread

Inverted Yield Curve

For a **normal** yield curve, we get a **positive** spread

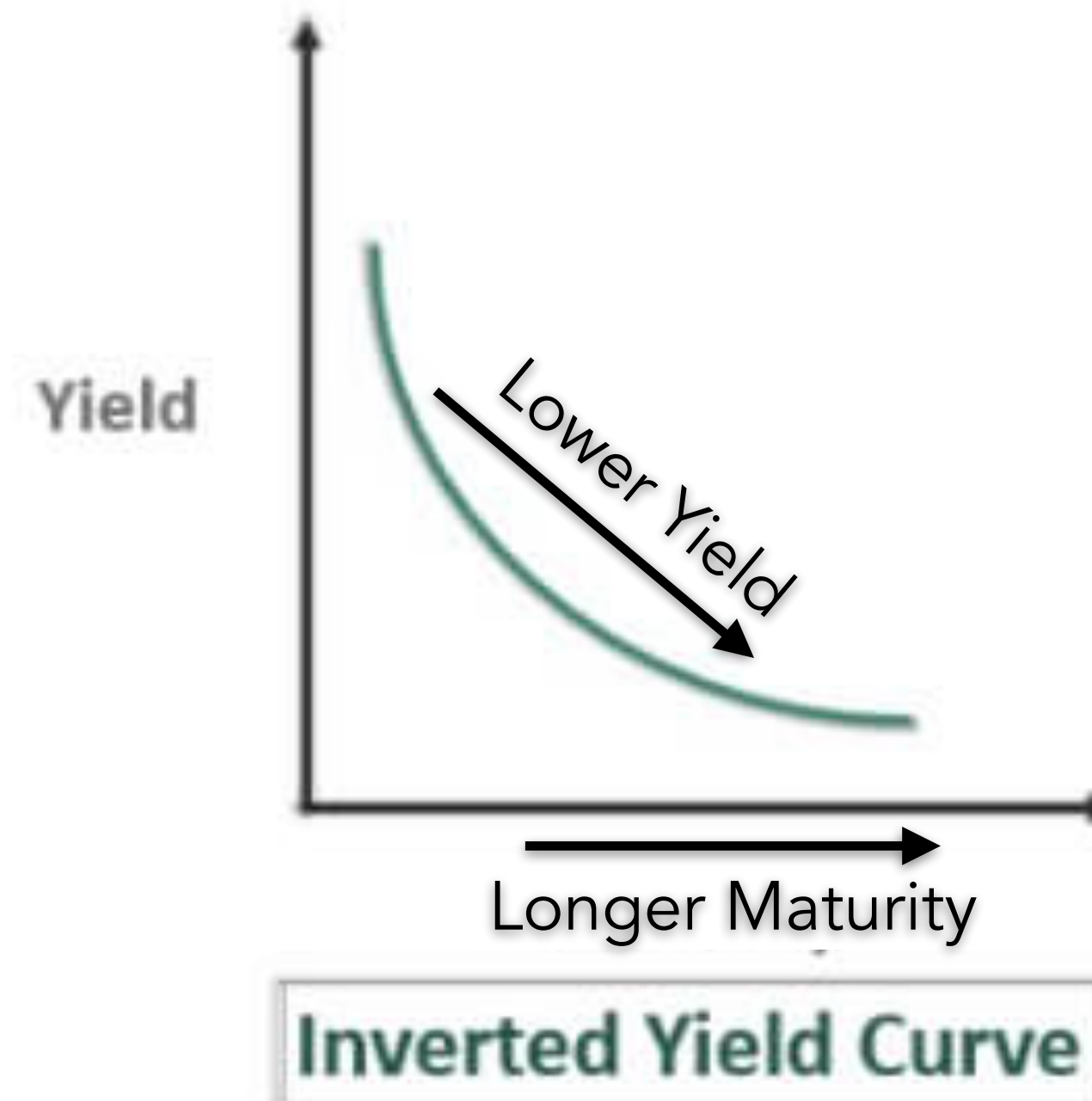
It is less risky to lend money for a short period of time than for a long period of time: interest on short term loans is lower than interest on long term loans



This plot shows a "**normal**" yield curve because yields are **higher** for **longer**-term debt

For an **inverted** yield curve, we get a **negative** spread

Not normal... somehow lending money short term became more risky than lending long term...



This plot shows an "**inverted**" yield curve because yields are **lower** for **longer**-term debt

Why does the yield curve get inverted?

$$\text{Spread} = \text{Yield for Long Term} - \text{Yield for Short Term}$$

The Bond Market