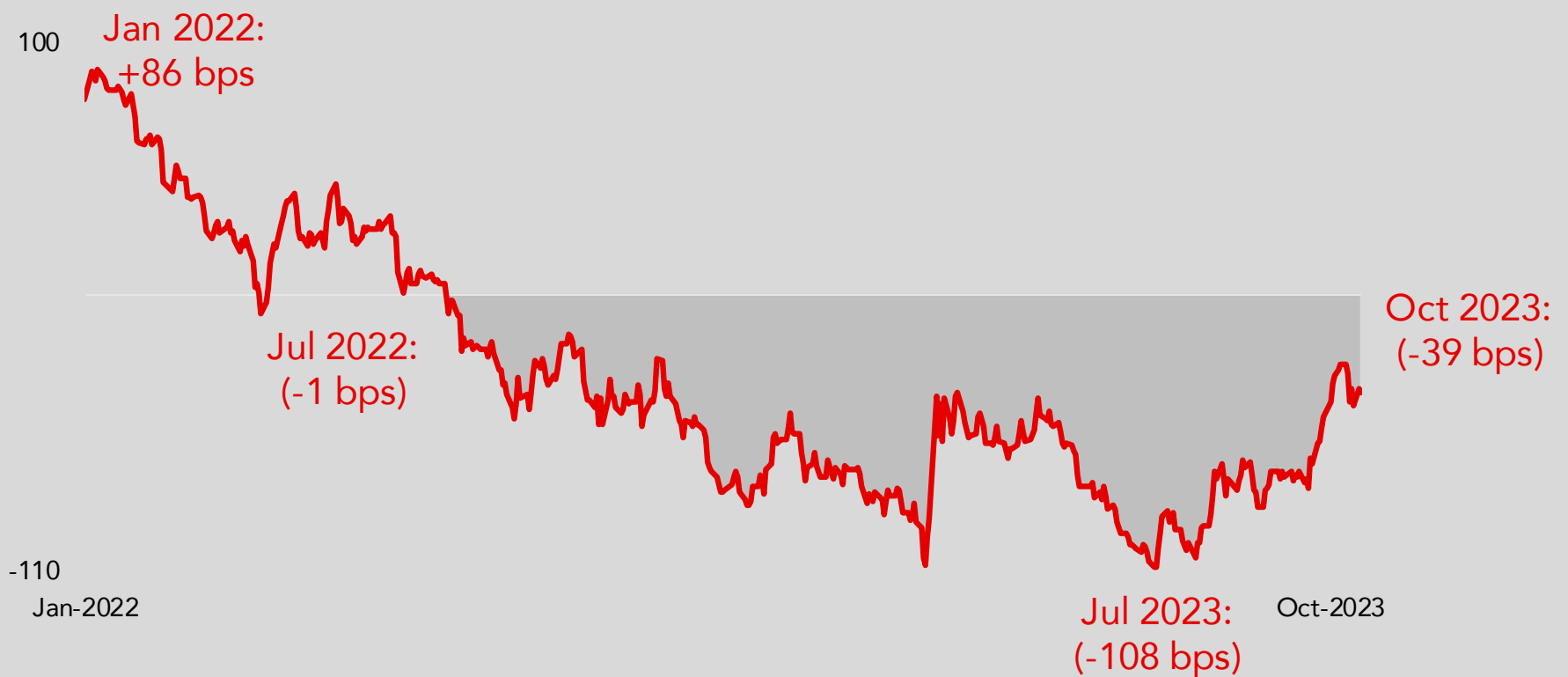


# Chart of the Day

Historically, US recessions have followed 12-18 months after the yield curve initially inverts, while recessions tend to actually begin closer to the time of dis-inversion. In fact, inversion is frequently over by the time the recession "officially" begins. The 2s10s UST yield curve initially inverted 15 months ago in July 2022. Rapid dis-inversion commenced in Q3 and is now at its lowest level in 12 months (~ -40 bps today vs -108 bps in July). However, dis-inversions are typically caused by a "bull steepening," (i.e., ST rates lower) rather than a "bear steepening" (LT rates higher), and so the feed-through mechanism to the real economy may take longer this time.

## 2s10s UST yield curve



Source: (1) Bloomberg (John Authers). Data as of October 17, 2023. Oxford Economics. Capital Economics. MUFG Capital Markets Strategy.

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"Macro stability isn't everything, but without it, you have nothing."