

Inverted Yield Curve – important because Fed hiked short term rates too high or investors want long term bonds over riskier assets

Corporate Profits – important because Businesses cut investment, employment & wages as profits decline

Unemployment – important because Consumers cut back spending as unemployment rises

Housing Starts – important because Homebuilders cut back on housing projects when economic outlook is poor

Leading Economic Index®- important because Gives broadest economic look through use of multiple indicators

Seen some indicators lean in the way of a recession, but not at an extreme level to derail the economy in the near term. Expect to see slow growth and continuation of expansion for a couple more years. But there are risks out there, including trade conflicts, which could lead to unexpected consequences.

Yield curve did invert but not an immediate panic. Also debate over whether yield curve is distorted based on Fed actions so may be less reliable indicator

Since the beginning of the year we saw yields take a plunge across all maturities, reaching multi-year lows. When looking at the spread between 2 year Treasuries and either 10, 20 and 30 year Treasuries – what is interesting to note is that year to date there was little difference in the spread between 2 and 20 or 30 year bonds. (2-20 spread went from 0.33 to 0.31 and 2-30 spread went from 0.47 to 0.49). What really moved was the 2 to 10 year spread that has fallen (0.16 to 0.05) to a flat curve.

While curve inversions tend to precede recessions by around 15 months and deterioration in the US economy, the recent inversion in shorter end of the curve is likely been driven more from negative rate pressure and slowing growth abroad than any significant concern about the US economy.

1. Source: AssetMark Market Insights Q3 2019.