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KATZ FINANCIAL SERVICES
Retirement, Estate and Insurance Planning Strategies

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FROM THE DESK OF
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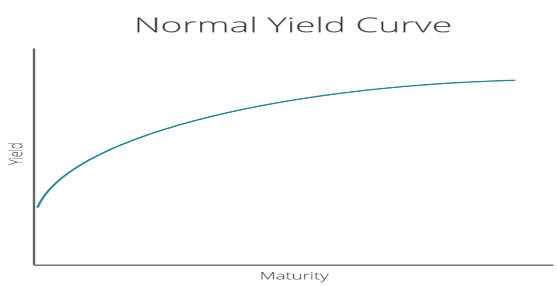
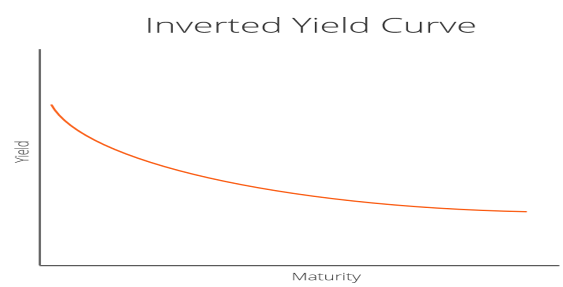
What is an Inverted Yield Curve?

An inverted yield curve often indicates the lead-up to a recession or economic slowdown. The yield curve is a graphical representation of the relationship between the interest rate paid by an asset (usually government bonds) and the time to maturity. The interest rate is measured on the vertical axis and time to maturity is measured on the horizontal axis. Normally, interest rates and time to maturity are positively correlated.





Under normal conditions, interest rates go up with an increase in the time to maturity. This results in a positive slope for the yield curve. If interest rates and time to maturity are negatively correlated, then the resulting inverted yield curve will show a negative slope. CFI Corporate Finance Institute 1/13/2023

The yield curve is a simple and reliable indicator of investor sentiment regarding the potential weakness in the economy and stock market declines. With an advance warning of 6-18 months, it provides investors with considerable time to adjust their portfolios accordingly. Seeking Alpha Richard Lehman 9/12/2022

Since World War II every yield curve inversion has been followed by a recession in the following 6-18 months, and recessions are naturally correlated with decreased stock market returns. Current Market Valuation 3/10/2023

Below are the current Treasury returns as of March 13, 2023. Please note that as the time horizon increases the yields invert.

If you would like to discuss this topic further, please don't hesitate to give me a call.

US Treasury Yield Curve (updated daily)

Updated: 03/13/2023

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1-month yield	4.545%
1-year yield	4.462%
2-year yield	4.161%
10-year yield	3.502%
30-year yield	3.621%