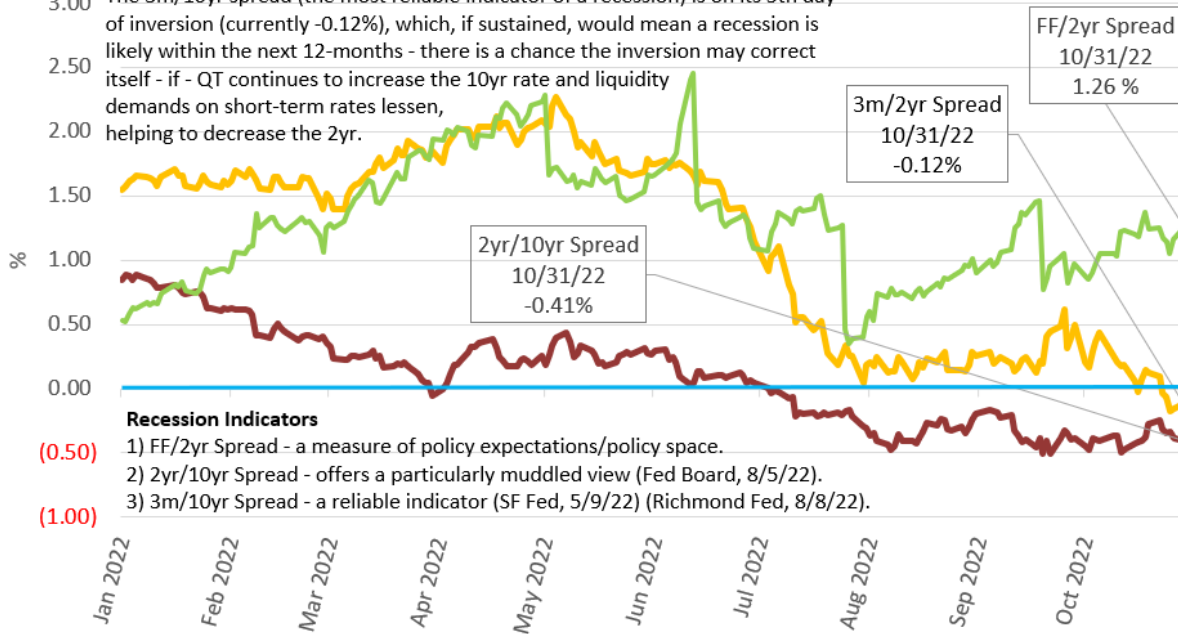


2yr/10yr Spread, 3m/10yr Spread, 2yr/FF Spread

— 2/10 YC Spread
 — 3mo/10 YC Spread
 — 2yrT/FFR Spread

Commentary

3.00 The 3m/10yr spread (the most reliable indicator of a recession) is on its 5th day of inversion (currently -0.12%), which, if sustained, would mean a recession is likely within the next 12-months - there is a chance the inversion may correct itself - if - QT continues to increase the 10yr rate and liquidity demands on short-term rates lessen, helping to decrease the 2yr.



Recession Indicators

- (0.50) 1) FF/2yr Spread - a measure of policy expectations/policy space.
- (1.00) 2) 2yr/10yr Spread - offers a particularly muddled view (Fed Board, 8/5/22).
- (1.00) 3) 3m/10yr Spread - a reliable indicator (SF Fed, 5/9/22) (Richmond Fed, 8/8/22).