What the Yield Curve Inversion Really Means

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(New York)

The professor who first identified yield curve inversions has written an article explaining what the development really means. First identified in 1986, a yield curve inversion is considered the most widely accurate indicator of recession. Since it was first identified and back tested, it has accurately predicted a further 3 out of 3 recessions. This is a point its "discoverer" Campbell Harvey hammers home in his article. He explains that an inversion is usually followed by a recession within 12-18 months. The yield curve has not been inverted since before the Crisis, but just did so on Friday.

FINSUM: One of the important points Harvey makes is that in order for the inversion to really indicate a recession, it needs to remain in place for at least three months. We are only at one day.

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