Markets

Yield Curve Research Pioneer Says He Spots Irrational Exuberance

Cam Harvey discusses what the yield curve is signaling now, and where he sees froth across financial markets.

By Sarah Ponczek and Michael P. Regan
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Campbell Harvey, finance professor at Duke University and a senior adviser at Research Affiliates, is well known for his research on the yield curve as a recession indicator. While no one could have possibly predicted the cause of this recession - a global pandemic - it’s still true that an inverted yield curve once again predicted an economic downturn. Harvey joins the latest episode of “What Goes Up” to discuss what the bond market is signaling now, along with his new paper on gold.

Some highlights of the conversation:
“We are in a deep recession, yet the stock market has completely blown it off... you see some green shoots in the bond market also... I said irrational exuberance in gold, but at minimum, it's kind of a rose-colored glasses effect where people are not looking at the structural damage that's been done to our economy, the potential cost of the QE, the potential cost of having to pay back all of the fiscal stimulus. That's being completely ignored. And to me that's very worrisome when you've got markets like this.”

**Mentioned in this podcast:**
Gold, the Golden Constant, COVID-19, 'Massive Passives' and Déjà Vu
Fed Minutes Show FOMC Backs Away From September Guidance Shift

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