

## Mark Collinworth

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**From:** Vere Global Private Asset Management <info@vereglobal.com>  
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**To:** Mark Collinworth  
**Subject:** Vere Global Weekly Commentary - 25 Feb 2019



### Vere Global Weekly Commentary - 25 February 2019

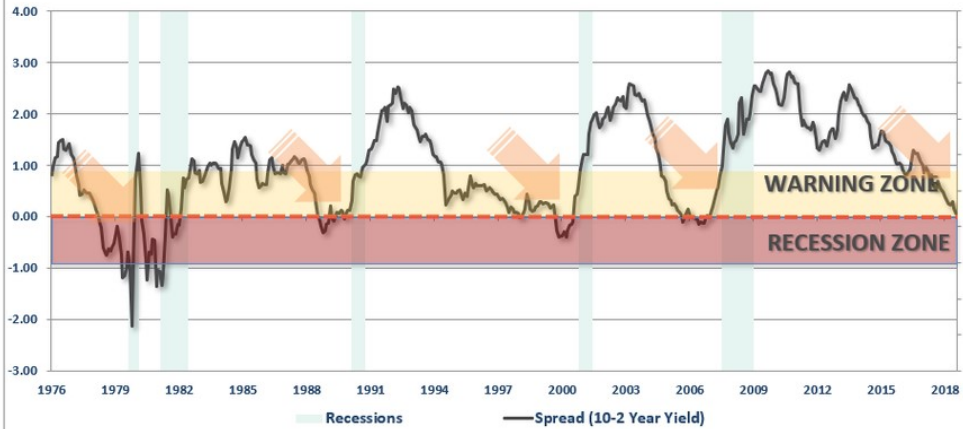
#### **A picture and some thoughts:**

The chart below shows what happens when the 2-year bond yield surpasses the 10-year bond yield (when the curve inverts). Currently the 10 year is only yielding 0.15% more than the 2 year. So here are the questions and the answers:

- 1) Will the Fed raise rates again in 2019? Not if they are watching this chart.
- 2) Can the yield curve invert without the Fed raising rates? Yes due to trade war, government shutdown, etc. Being already this tight, it does not take a huge event to flip it.
- 3) What happens if it does flip? We will probably have a recession. The economy has been slowing a lot here in the pass few weeks. However, it is hard to get a good feel for the data because the government shutdown really threw the data into a frenzy.
- 4) We think a lot of the recent market rally is based on the fact the economy has gotten so weak now, the Fed will be hard pressed to raise rates again. That's good in the sense that they aren't going to add strain to the current environment. It's bad in the sense they have already put a lot of strain on the system to cause the yield curve to get where it's at.

## 10-2 Interest Rate Spread

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