Mark Collinsworth

From: Vere Global Private Asset Management <info@vereglobal.com>
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To: Mark Collinsworth
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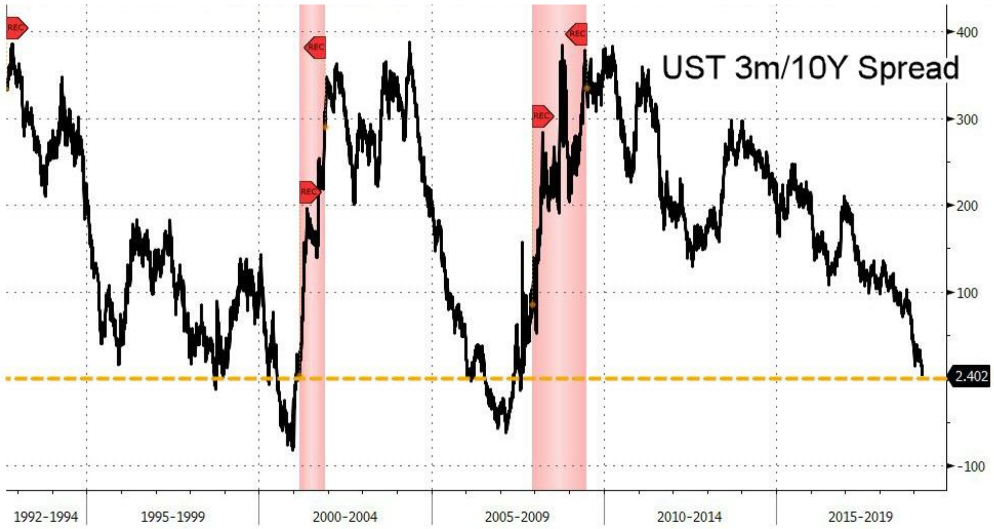
Here's an early Christmas present:

On Friday the yield curve officially inverted. That means that a 3 month T-Bill now yields more than a 10 year T-Bond. That is important because that indicator has predicted every recession (it gave one false signal in 1998) in the last 74 years. The last time it inverted was September of 2007. The indicator did give a false warning in 1998, but give the Fed a hand here. They actually made an emergency rate cut at that time, which may have prevented or at least delayed the recession.

We tend to watch the 2 year and the 10 year yield curve a little more since it has a never given a false signal. Don't get too excited. The 2 year and 10 are real close to inverting as well. The good news is that it historically takes on average about 10 months for a recession to start, so no need to panic right now.

The bad news is the stock market has been in a 10 year bull market. If a recession bear market does start, expect the market to lose about 30% which is the historical average for a bear market.

Like we said, if a recession begins it should hit around December, so that's you early Christmas present or would that be your Halloween scare?



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Vere Global Private Asset Management | +1.832.390.2375

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