

# Investments - Flash

M. Alain Freymond - Associé &amp; CIO

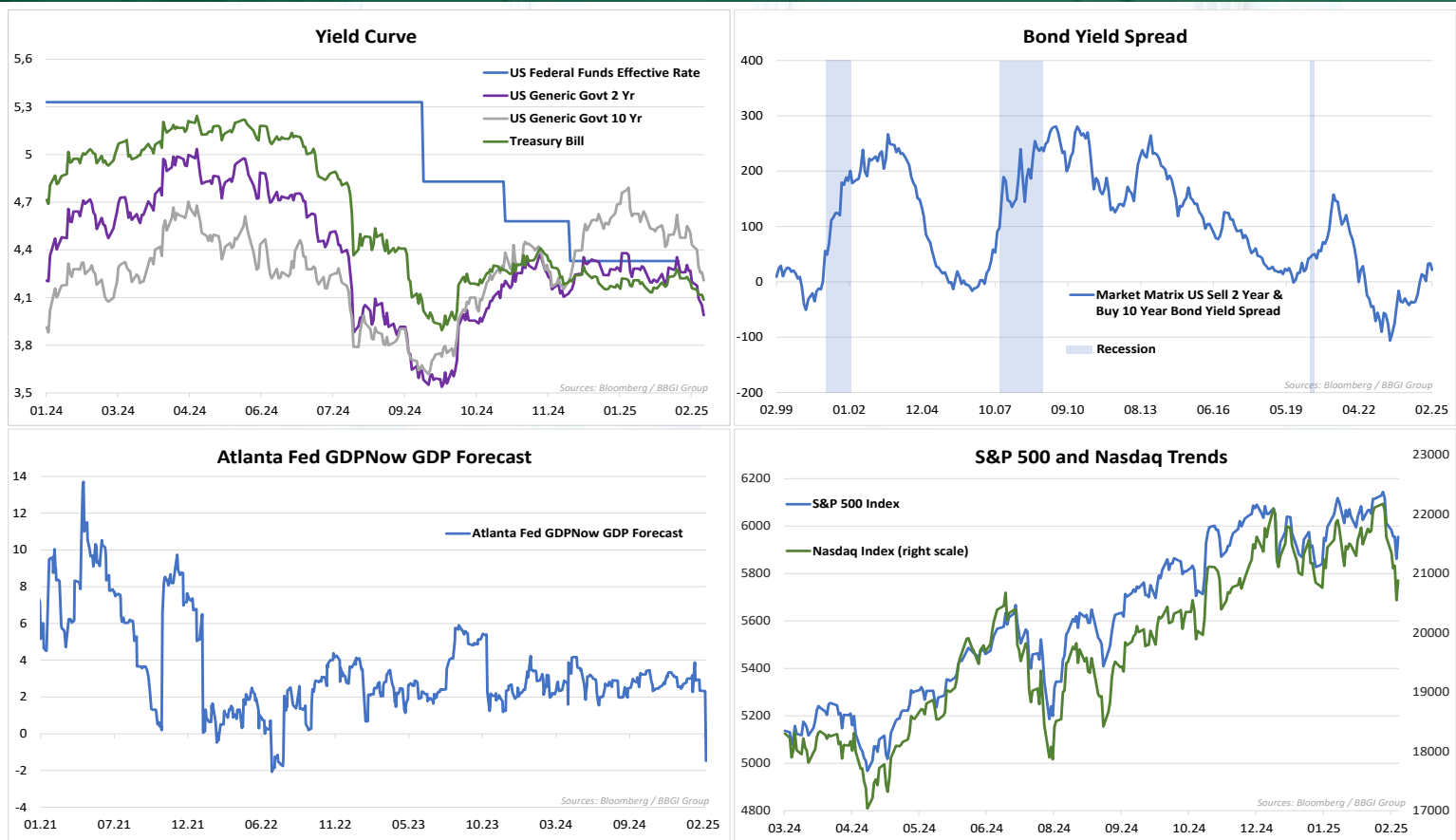


## THE YIELD CURVE FORECASTS A RECESSION

Atlanta Fed's GDPNow is a fresh warning

During the last three US recessions (2001, 2008 and 2020), yield curves normalized each time, with short rates falling twice as fast as long rates. This followed episodes of yield curve inversion of varying degrees of severity (maximum 50 bps) and duration (maximum seven quarters). Since 2022, this inversion has been the longest (nine quarters) and the most intense (100 bps). Normalization barely got underway this winter when ten-year US Treasury yields rebounded to 4.8%, clearly outperforming fed funds (4.5%), 12-month rates (4.0%) and 2-year rates (4.4%). Measured by the yield differential with fed funds, the inversion only began in November 2022 at 4%, reaching a maximum slope in September. It was only thanks to three key rate cuts that it was subsequently able to normalize. Statistically, the last three recessions occurred only one or two quarters after the yield curves began to

normalize. In the current context, characterized by a Federal Reserve potentially on "pause" until June, and growing uncertainty linked to the implementation of D. Trump's policies, we believe that Q2 2025 could already be threatened by a noticeable slowdown. The release of the Atlanta Fed's GDPNow indicator suggesting a collapse in growth from +3.8% estimated in January to -1.47%, published on February 28, 2025, supports this analysis. These concerns already seem to be partly shared in the capital markets, which now fear a possible recession rather than a resumption of inflation. The same cannot be said of the equity markets, which do not seem to be taking this risk into consideration. We recommend a more cautious approach, suggesting further profit-taking in equities.



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