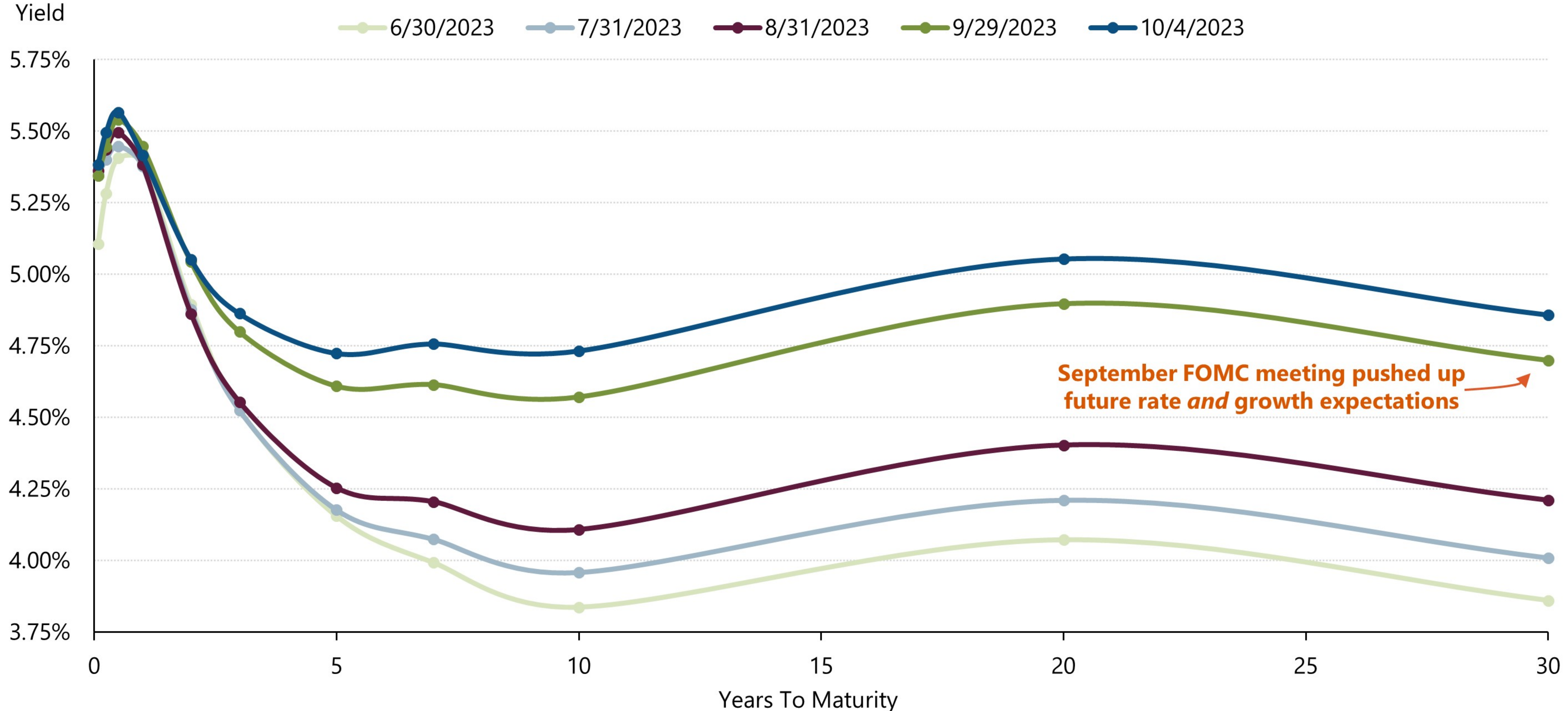
CHART OF THE WEEK

Payden&Rygel

Thrown For A Curve

Change In U.S. Treasury Yield Curve

For The Week Ending 10/06/2023



Source: Bloomberg

Ah, the yield curve. Like a deck of tarot cards, investors see the future in the yield curve. If inverted, investors expect a recession. If steepening, an expansion. Oddly enough, since June, the yield curve has "bear steepened," with longer-term yields up more than short-term yields. It's odd because it's both *rare* and *unexpected*. *Rare* because a bear steepening while the yield curve is inverted has occurred only four times since 1977. *Unexpected* because if the economy were on the cusp of a recession, with the Fed expected to cut rates, one might expect a bull steepening with short-term rates leading the way lower. So, what is the yield curve telling us now? A few possibilities are in play. First, the “higher-for-longer “ mantra moved markets (note the yield curve move from August to September after the FOMC meeting). Second, the economy was stronger-than-expected through Q3. Third, sprinkle a hefty supply of Treasury issuance for investors to digest, and you have the recipe for a late-cycle steepening.