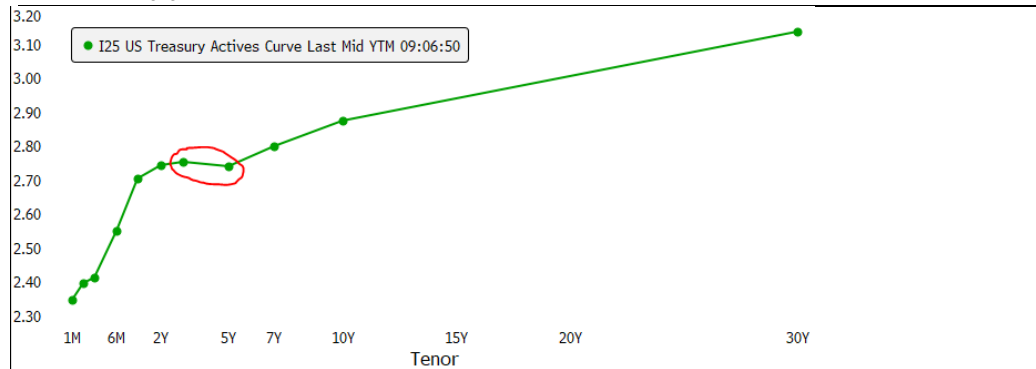




(Part of) The yield curve has inverted!!!

The fact that yields on 3-year Treasury notes now exceed those of 5-year Treasury notes has garnered an astounding amount of attention, as many are calling this “inversion of the yield curve” a harbinger of the next recession. This is the first time I can remember people ever focusing on this particular portion of the curve. Typically, people tend to focus on either the very front end of the curve (less than 2-year) or, most commonly, a larger portion of the curve (2-year vs. 10-year or 3-month vs. 10-year). Take a look at the chart below and judge for yourself whether the yield curve appears inverted.

US Treasury yield curve (December 6th, 2018)



Source: Richard Bernstein Advisors LLC, Bloomberg

But let’s assume for a moment that this is telling us something important about the outlook for the economy. What has the market done historically when this part of the yield curve has inverted? Historically, not only have returns tended to be very strong, but the bear market has generally been years away (see following table).

S&P 500® subsequent returns after 3-year Treasury yields exceeded 5-year yields

3yr > 5yr yield	6m	12m	24m	Months until next bear market
March 24, 1964	8%	14%	20%	23
February 21, 1973	-11%	-15%	-22%	Already begun
June 14, 1976	5%	2%	7%	53
June 23, 1978	3%	13%	33%	29
December 7, 1988	20%	29%	26%	19
January 5, 1998	18%	29%	47%	27
December 19, 2005	-1%	15%	20%	22
Average	6%	13%	19%	29
Median	5%	14%	20%	25
Positive %	71%	86%	86%	

Source: Richard Bernstein Advisors LLC, Bloomberg

Dan Suzuki, CFA
Portfolio Strategist

Please feel free to call your regional portfolio specialist with any questions:

Phone: 212 692 4088

Email: marketing@rbadvisors.com

For more information About Dan Suzuki, please click [here](#).

Recent & Related articles:

[What if this is the end?](#)

[As good as it gets](#)

[Some thoughts on Tech volatility](#)

[Fear vs. Optimism](#)

Dan Suzuki is registered with Foreside Fund Services, LLC which is not affiliated with Richard Bernstein Advisors LLC or its affiliates.

Nothing contained herein constitutes tax, legal, insurance or investment advice, or the recommendation of or an offer to sell, or the solicitation of an offer to buy or invest in any investment product, vehicle, service or instrument. Such an offer or solicitation may only be made by delivery to a prospective investor of formal offering materials, including subscription or account documents or forms, which include detailed discussions of the terms of the respective product, vehicle, service or instrument, including the principal risk factors that might impact such a purchase or investment, and which should be reviewed carefully by any such investor before making the decision to invest. RBA information may include statements concerning financial market trends and/or individual stocks, and are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Historic market trends are not reliable indicators of actual future market behavior or future performance of any particular investment which may differ materially, and should not be relied upon as such. The investment strategy and broad themes discussed herein may be unsuitable for investors depending on their specific investment objectives and financial situation. Information contained in the material has been obtained from sources believed to be reliable, but not guaranteed. You should note that the materials are provided "as is" without any express or implied warranties. **Past performance is not a guarantee of future results.** All investments involve a degree of risk, including the risk of loss. No part of RBA's materials may be reproduced in any form, or referred to in any other publication, without express written permission from RBA. Links to appearances and articles by Richard Bernstein, whether in the press, on television or otherwise, are provided for informational purposes only and in no way should be considered a recommendation of any particular investment product, vehicle, service or instrument or the rendering of investment advice, which must always be evaluated by a prospective investor in consultation with his or her own financial adviser and in light of his or her own circumstances, including the investor's investment horizon, appetite for risk, and ability to withstand a potential loss of some or all of an investment's value. Investing is subject to market risks. Investors acknowledge and accept the potential loss of some or all of an investment's value. Views represented are subject to change at the sole discretion of Richard Bernstein Advisors LLC. Richard Bernstein Advisors LLC does not undertake to advise you of any changes in the views expressed herein.