



The current probability of recession, according to the Federal Reserve Bank of New York as of the end of July, is 66.0%, the highest level since the early 1980's. Their model uses the slope of the yield curve, or "term spread," to calculate the probability of a recession in the United States twelve months ahead. The term spread, as defined by the New York Fed, is the difference between 10-year and 3-month Treasury rates. The graph and table below show data for each of 5 recessions since 1981, with the NY Fed probability model superimposed in yellow (LHS). In the table, we show the number of months prior to the beginning of the recession that the curve begins to steepen (i.e. point of maximum inversion). We also show the amount of curve steepening from the date of maximum inversion until 12 months after the start of the recession. In every case but 2020, the yield curve has steepened at least 200bp from the point of max inversion to the 12 month anniversary of the beginning of the recession, and in 2020 it steepened 126bp.



Recession	1981	1990	2001	2007	2020
Start Date of Recession	7/31/1981	6/29/1990	2/28/2001	11/30/2007	1/31/2020
End Date of Recession	11/30/1982	3/29/1991	11/30/2001	6/30/2009	4/30/2020
Length of Recession (Mo)	16	9	9	19	3
Date of Max Inversion	8/31/1981	3/31/1989	4/28/2000	1/31/2007	8/30/2019
Max Inversion to Start (Mo)	-1	15	10	10	5
Max Inversion Slope (bp)	-195.7	-57.7	-71.6	-1.3	45.7
Slope 12 Months After Start (bp)	24.3	150.8	235.6	245.3	172.0
Steepening From Max Inversion to 12 Months After Start of Recession (bp)	220.0	208.5	307.2	246.6	126.3