

**From the President**

Assessing the Risk of Yield Curve Inversion: An Update

July 20, 2018

[Presentation \(pdf\)](#) | [Press Release](#) | [Photos](#)
[Video of Presentation](#) | [Audience Q&A \(audio\)](#)
[Transcript of Media Q&A \(pdf\)](#)

In Glasgow, Ky., St. Louis Fed President James Bullard talked about the possibility that the yield curve would invert, which he first discussed in a speech on Dec. 1, 2017. “Since then, events have transpired that have flattened the yield curve further, and imminent yield curve inversion in the U.S. has become a real possibility,” he said.

In particular, Bullard commented that there is “a material risk of yield curve inversion” over the forecast horizon (about 2 ½ years) if the FOMC continues on its present course for raising the fed funds rate, as suggested in the June 2018 Summary of Economic Projections. Such an inversion—whereby short-term interest rates exceed long-term interest rates—is a “naturally bearish signal for the economy,” he said. He noted that yield curve inversion is best avoided in the near term by caution in raising the fed funds rate. “Given tame U.S. inflation expectations, it is unnecessary to push monetary policy normalization to such an extent that the yield curve inverts,” he said.

Presentation:



Audience Q&A:



ST. LOUIS FED

Audience Q&A, Glasgow-Barren County Chamber of Commerce Quarterly Breakfast, Glasg...

30s

00:00:00 / 00:11:42

30



Photos:

On a two-day trip to Glasgow, Ky., Federal Reserve Bank of St. Louis President James Bullard visited with business and other civic leaders. Among his stops Thursday and Friday were at two manufacturers, a health “pavilion” in what was once a Walmart and a technology center due to open next month on the local high school’s campus. Bullard frequently visits communities in the four zones that make up the St. Louis Fed’s District. Glasgow is in the Louisville Zone.



One of the stops made by Federal Reserve Bank of St. Louis President James Bullard (arms folded) on Thursday was at SpanTech LLC, which develops and manufactures conveyor systems and chain components. The company's chief operating officer, Tiffany Somerville, and co-worker Roger Judd explain the manufacturing process. Also participating on this tour (from the left) were Courtney Ingram, an intern at the Fed's Louisville Branch; Randy Schumaker, a member of the Branch's board of directors; and Nikki Jackson, a senior vice president of the St. Louis Fed and the regional executive of its Louisville Branch.

[Download High Resolution Photo](#)



Federal Reserve Bank of St. Louis President James Bullard addressed more than 200 people on Friday at a breakfast sponsored by the Glasgow-Barren County Chamber of Commerce. His topic was the risk of a yield curve inversion, when short-term interest rates surpass long-term rates. An inversion "is a naturally bearish signal for the economy," he said.

[Download High Resolution Photo](#)
