

# Yield Curve Analysis

13 DEC 2018

## **Author**

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# Summary

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Regression Slopes

# Slope Analysis – Summary

- **Description**

- The analysis takes three different linear regression slopes categorised as:
  - **Aggressive (Agg.)**
  - Modest (Mod.)
  - Conservative (Con.)



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- To determine when the 10-2Y TBill spread will turn negative



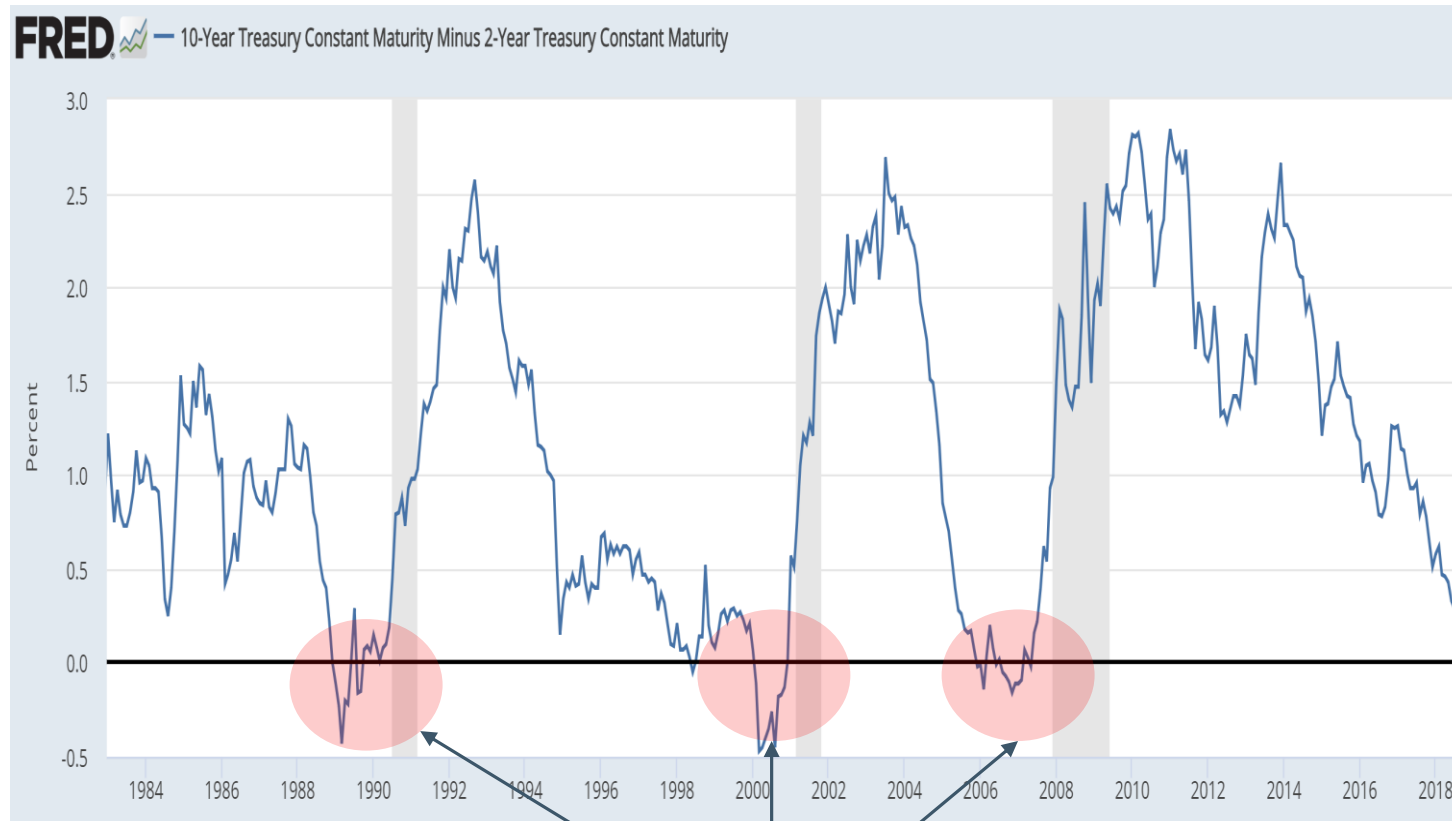
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  - Aggressive (Agg.)
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## ■ Objective

- To determine when the 10-2Y TBill spread will turn negative
- Negative typically preludes a recession by a little more than a year



**Average 351 Working Days**

# MASTER Tab

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How to read



# Master Tab

		Equation Start Date
Equ Aggressive	$y = -0.0024x + 1.2789$	12 Dec 2016
Equ Modest	$y = -0.0019x + 1.2595$	30 Aug 2016
Equ Conservative	$y = -0.0013x + 1.4568$	26 Jun 2015

## Regression Equations

y Spread

x # of Working Days since "Start Date"

		# WD from SD to Hit Zero based on Varying Equations			Dates Spread Hits Zero between Varying Equations		
		xAgg	xMod	xCon	Dates.Agg	Dates.Mod	Dates.Con
Spread	0	533	663	1,121	25 January 2019	18 April 2019	2 December 2019

\* WD = Working Days & SD = Start Date

What it Would Read Today		Current Mrkt Situation		Dates Recession Hits between Varying Equations		
Agg Yield	2%	TODAY	13 Dec 2018	Dates.Agg	Dates.Mod	Dates.Con
Modest Yield	12%	TODAY's Spread	11%	25 February 2020	9 September 2020	28 June 2021
Conservative Yield	28%					
* Based on regression above						

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Based on the equations above, the # of working days after the start date – listed above – it will take for the spread (i.e. “y”) to be zero.

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What the actual date is when each hits zero.

y Spread

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Adds different delays after Zero for when a recession hits

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Current situation. "Today's Spread" has to be manually updated.

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Based on the equations, what would the spread be today.

I compare this to the “Current Mrkt Situation” to ascertain if we are cruising more on the aggressive side, modest side or conservative side.

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In the enclosed, we would be more on the Modest side.

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# Thank You!

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