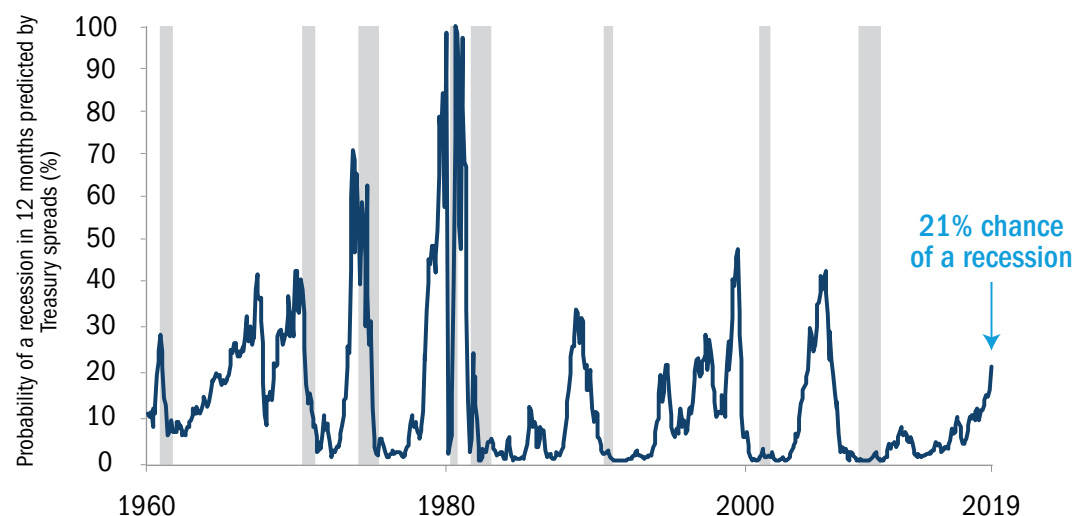




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▶ A recession this year is possible, but not likely



Source: Federal Reserve Bank of New York, Bloomberg as of 12/18. Gray bars indicate recessions estimated using data from 01/59 to 12/09. Future probabilities predicted as of 12/18.

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Research by the NY Fed found that when it comes to predicting recessions, the spread between the interest rates on the 10-year bond and 3-month Treasury bills significantly outperforms other financial and macroeconomic indicators in predicting recessions.

A recession this year is possible, but not likely. There's a 21% probability of a 2019 recession based on the current 0.48% difference between the 3-month bill and 10-year Treasury bond yields. A recession has never occurred when the probability is less than 10%. Past recessions have happened when the probability was as low as 28% in 1960 and on average 54%.

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