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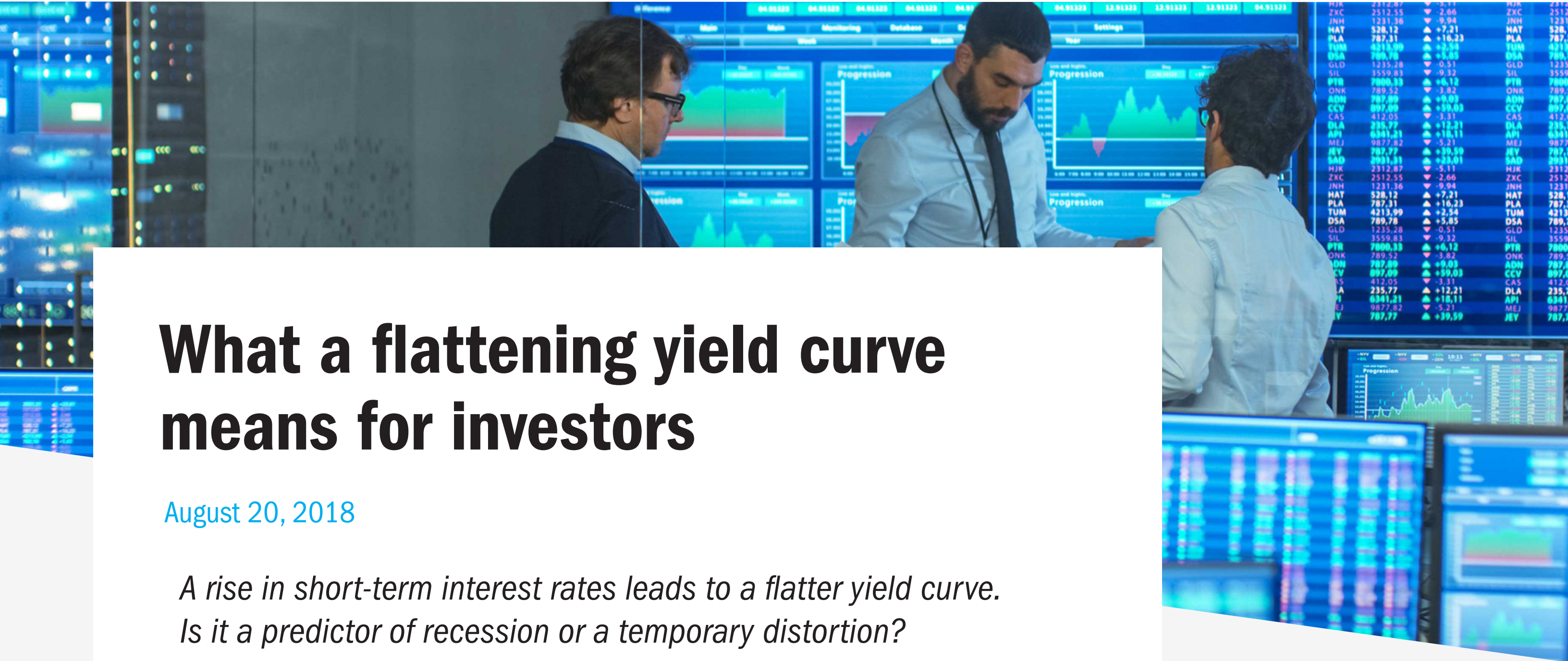


What a flattening yield curve means for investors

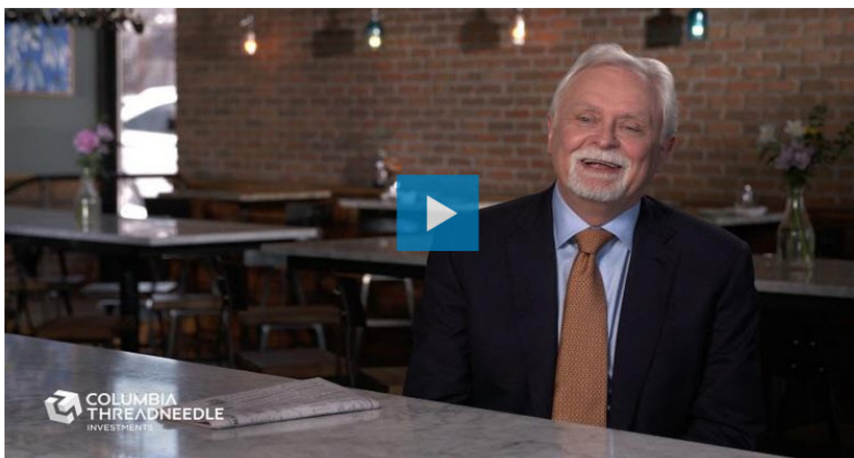
August 20, 2018

A rise in short-term interest rates leads to a flatter yield curve. Is it a predictor of recession or a temporary distortion?

Ten years ago, we experienced a tremendous financial and economic crisis. Central banks around the globe responded with extraordinary monetary policy and ultra-low interest rates for a very long period of time. Now, as the economy is returning to normal, we're seeing these policies get rolled back, and the Federal Reserve is starting to raise interest rates again.

Rising interest rates can create fear for investors. But the key question is: **Is the Fed raising rates in order to put the brakes on an overheating economy (which is the usual reason), or are rates simply normalizing after a crisis period?** We're not seeing runaway inflation, which is typically an indicator of an overheating economy. In this case, we're just returning to a more normal monetary policy after the crisis-response policy of the last 10 years.

Watch Colin Moore explain the flattening yield curve:



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Colin Moore
Global Chief Investment Officer

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