This article presents to you,

a tool

to forecast future economic conditions.

The Yield Spread – the difference between long term and short term interest rates.
(long term 10 year Treasury Notes vs. short term 3 month Treasury Bills)

Why is the yield spread important to you ?

Because the yield spread
is the most successful forecasting indicator of business growth and expansion, (or business stagnation and contraction resulting in recession and depression), and therefore
has a direct affect on your income.

According to the Federal Reserve, the history of the yield spread has shown that;

When the difference between long term and short term interest rates is less than 1.21%, there will be a recession or worse in approximately one year.

The closer the difference, the deeper will be the stagnation, recession or depression. (In August of 2006 the short term 3 month T-Bill was at 5.1% and the long term 10 year T Note was at 4.8% !)

When the difference between long term interest rates and short term interest rates is greater than 1.21%,
business is set for growth and expansion.

The larger, (more positive), this yield spread, the higher the level of future

economic activity.

So, where are we now ?

It appears we are currently in an expansionary mode, click on the link to the US Treasury below.

(regardless, we appear to be well out of any fears of stagnation or recession).

Please click on the link below to the

US Treasury daily yield curve rates

Scroll down to the data matrix, and decide for yourselves.

http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield

You now have the knowledge and tools available to you to predict the future of business Expansion and Contraction.

Yield - the income produced by a financial investment usually shown as a percentage of cost.

Yield Spread – the difference between long term and short term interest rates. (3 month Treasury Bills vs. 10 year treasury notes)

Yield curve - The yield spread plotted on a graph at a particular point in time.

Inverted yield spread - When short term interest rates are within 1.21% or less of long term interest rates indicating a recession or depression is imminent in approximately one year.

Steep yield spread - When the spread between lower short term interest

rates and higher long term interest rates is significantly positive, indicating an era of economic growth and expansion.

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Industrial, and Residential Income,
(apartments, multifamily, 5+ units)
purchase and refinance loans,

Scott Simmons, 760-831-0044,
Scott@DesertEmpireMortgage.com

Scott Simmons
Desert Empire Mortgage
Commercial Property Financing
1111 East Tahquitz Canyon Way Suite #121
Palm Springs, California 92262
760-327-2254 office
760-831-0044 cell
Scott@DesertEmpireMortgage.com
www.DesertEmpireMortgage.com
DRE # 00909344 NMLS # 244859