

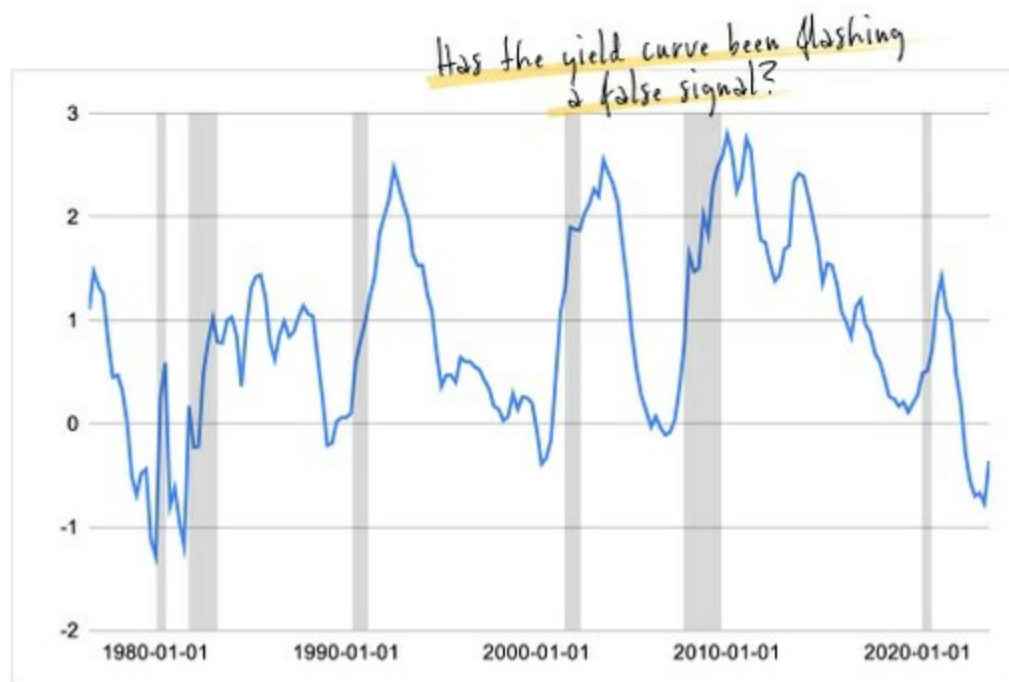
Sir John Templeton once said, "The four most expensive words in investing are: 'This time it's different.'"<sup>1</sup> And normally, I would agree.

But it seems like the phrase, "This time it's different," may actually apply to the 2024 economic outlook. For nearly two years, signs have pointed to a recession, and yet, the economy continues to hum along. In fact, one multinational bank officially announced that it no longer expects the U.S. economy to move into a recession this year.<sup>2</sup>

In the accompanying chart, we can see that when long-term Treasury yields fall below shorter-term returns, an inverted yield curve is created. This phenomenon has signaled every recession since 1976. Except this time (apologies, Sir Templeton), it's different. There's no recession in sight despite an inverted yield curve that began in July 2022.

## What Happened to Mr. Reliable?

Since 1976, an inverted yield curve has signaled a pending recession. An inverted yield curve occurs when the yield on the 10-year Treasury yield is lower than the two-year.



Source: St.LouisFed.org, February 8, 2024. Quarterly data between July, 1, 1976, and October 1, 2023.

The question is, why?

The answer may lie in another one of my favorite bits of wisdom: "Don't worry about the horse; load the wagon." In other words, don't let things you can't change have an impact on the things you can. That's just one of the many reasons we crafted your portfolio strategy to anticipate market volatility while also accounting for your goals, time horizon, and risk tolerance.

As always, if you have any questions about the above, please don't hesitate to ask. Otherwise, we'll continue to monitor markets and the economy with your goals firmly in mind.

1. Franklintempletonme.com, 2024. "Templeton Maxims"
2. Reuters.com, February 6, 2024. "Deutsche Bank no longer expects U.S. recession in 2024."



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