The yield curve to watch with recession fears growing

Matt Phillips, author of Axios Markets
You might have noticed chatter about inverted yield curves lately. It's now worth paying closer attention to.

**Driving the news:** Growing fears about inflation have hammered a key measure of the yield curve in recent days, pushing it suddenly much closer to "inversion" territory.

**Why it matters:** An inverted yield curve is often said to be one of the single best objective predictors of economic recession.

**How it works:** Roughly speaking, the yield curve is the difference in yields on U.S. government debt with different maturities.

- When things are normal, short-term debt has a lower yield than longer-term debt — since the investor lending the money is
higher than that of longer-term bonds — and that's an inverted yield curve.

- There are many different versions of the yield curve. The most commonly cited one — the difference between two-year and 10-year Treasury notes — is already deeply inverted, and has been for a while.

**The intrigue:** But according to economists, that's not the iteration of the curve that actually has predictive power about the economy.

- The one that does — the difference between three-month Treasury bills and 10-year notes — was looking pretty healthy until a few weeks ago. (This version of the curve was the one that was originally spotlighted as a great indicator by economist Campbell Harvey in the 1980s.)

**Threat level:** Since just the end of June, this crucial version of the yield curve has collapsed from roughly 1.6 percentage points to about 0.60 percentage points.

**What to watch:** If it falls below zero — thus inverting — and stays that way for about a month, it would suggest higher odds that we fall into a recession over the next 18 months.
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Senate GOP fundraising flop

Illustration: Aïda Amer/Axios

Top Senate Republican candidates turned in poor fundraising numbers in key races from Arizona to New Hampshire.

**Why it matters:** It's as if big GOP donors either don't realize a Senate majority is in reach or wrongly think it's a sure thing. And it's clear they don't like a lot of the Trumpy candidates.

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How COVID-19 impacted housing

The COVID-19 pandemic took an economic toll on families, causing many to fall behind on rent.

**Why it’s important:** People of color, women and children were already disproportionately affected by housing instability. Now, many face eviction.

[this Equal Justice Works program offers solutions](https://www.equaljusticeworks.org/

Barak Ravid, author of [Axios from Tel Aviv](https://www.axios.com/

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Confronted by Biden on Khashoggi killing, MBS pointed to U.S. "mistakes"
Biden fist bumps Saudi Crown Prince Mohammed bin Salman. Photo: Royal Court of Saudi Arabia /Handout/Anadolu Agency via Getty Images

Saudi Crown Prince Mohammed Bin Salman pushed back on President Biden's criticism over the murder of Jamal Khashoggi by raising the abuse suffered by prisoners of the U.S.-run Abu Ghraib prison in Iraq and the U.S. response to the May killing of Palestinian American journalist Shireen Abu Akleh, a Saudi official told Saudi-funded Al-Arabiya.

**Why it matters:** The murder of Khashoggi, a Washington Post columnist, was the most sensitive issue discussed in Biden's meeting with MBS on Friday.

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Federal investigators did not act unlawfully when they seized a phone from an attorney who aided former President Trump's efforts to overturn the 2020 election, a U.S. District judge in New Mexico wrote in a new opinion Friday.

Driving the news: The investigators, who obtained a warrant, confiscated lawyer John Eastman’s phone in June as a part of a criminal inquiry into the Jan. 6 Capitol riot. Eastman’s lawsuit sought to stop them from accessing its contents.
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