
Yield Curve Inversion Risk.

Investors often hear the term “yield curve” and how certain forces in financial markets and political decision-making may affect the shape of the yield curve – indirectly impacting their fixed-income and equity holdings.

In recent times, the yield curve has been the main talking point for many financial gurus and their commentary on the effects of interest rate hikes by the Federal Reserve. As short-term interest rates have been on the rise, the possibility of the yield curve inversion has also taken center stage in many discussions amongst policymakers and investors. A yield curve inversion happens when the short-term rates on government debt pass the interest rates on long-term debt.

In this article, we will take a closer look at the flattening of the yield curve as the short- and long-term rates are getting closer and closer, and the potential impacts of an inversion on fixed-income financial markets.

Be sure to click here to learn more about the yield curve and the implications for municipal bond valuations.

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