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What Does the Dynamic Nature of Yield Curve Indicate?

In the last few weeks, many investors were alarmed by the “inverted yield curve,” as for some, it indicates a financial recession being imminent in the near future. The yield curve movements and its inversion are two of the closely tracked phenomena by many fixed income investors.

The dynamic nature of the yield curve typically showcases how certain market forces and political decision making are impacting capital markets, and more importantly, the economy in general. From normal yield curve to flattened shape and then to some form of inversion are all indicative of the financial market conditions at a particular time - and, since it illustrates time/maturity related to the interest rates, investors watch the yield curve shapes very closely.

In this article, we will take a closer look at the different shapes of the yield curve and what the current yield curve indicate.

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