Treasury Snapshot: 10-Year Note at 1.11%

January 15, 2021

by Jill Mislinski

of Advisor Perspectives

***Note**: We've updated this commentary with data through the January 15 market close.*

The yield on the 10-year note ended January 15, 2021, at 1.11%, the 2-year note ended at 0.13%, and the 30-year at 1.85%.

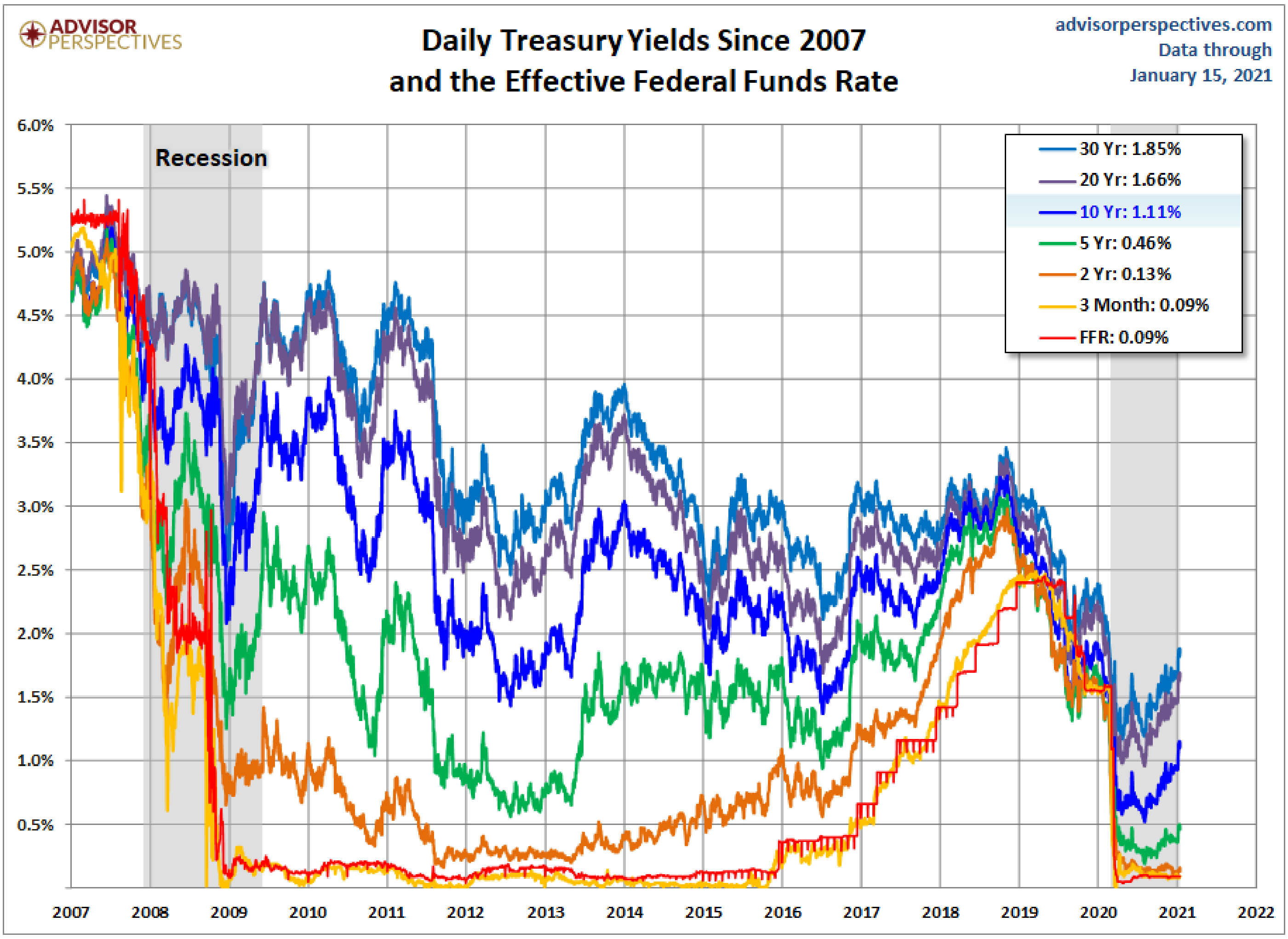
Here is a table showing the yields' highs and lows and the FFR since 2007.

The chart below shows the daily performance of several Treasuries and the Fed Funds Rate (FFR) since the pre-recession days of equity market peaks in 2007.

Yields and the Fed Funds Rate Since January 2007

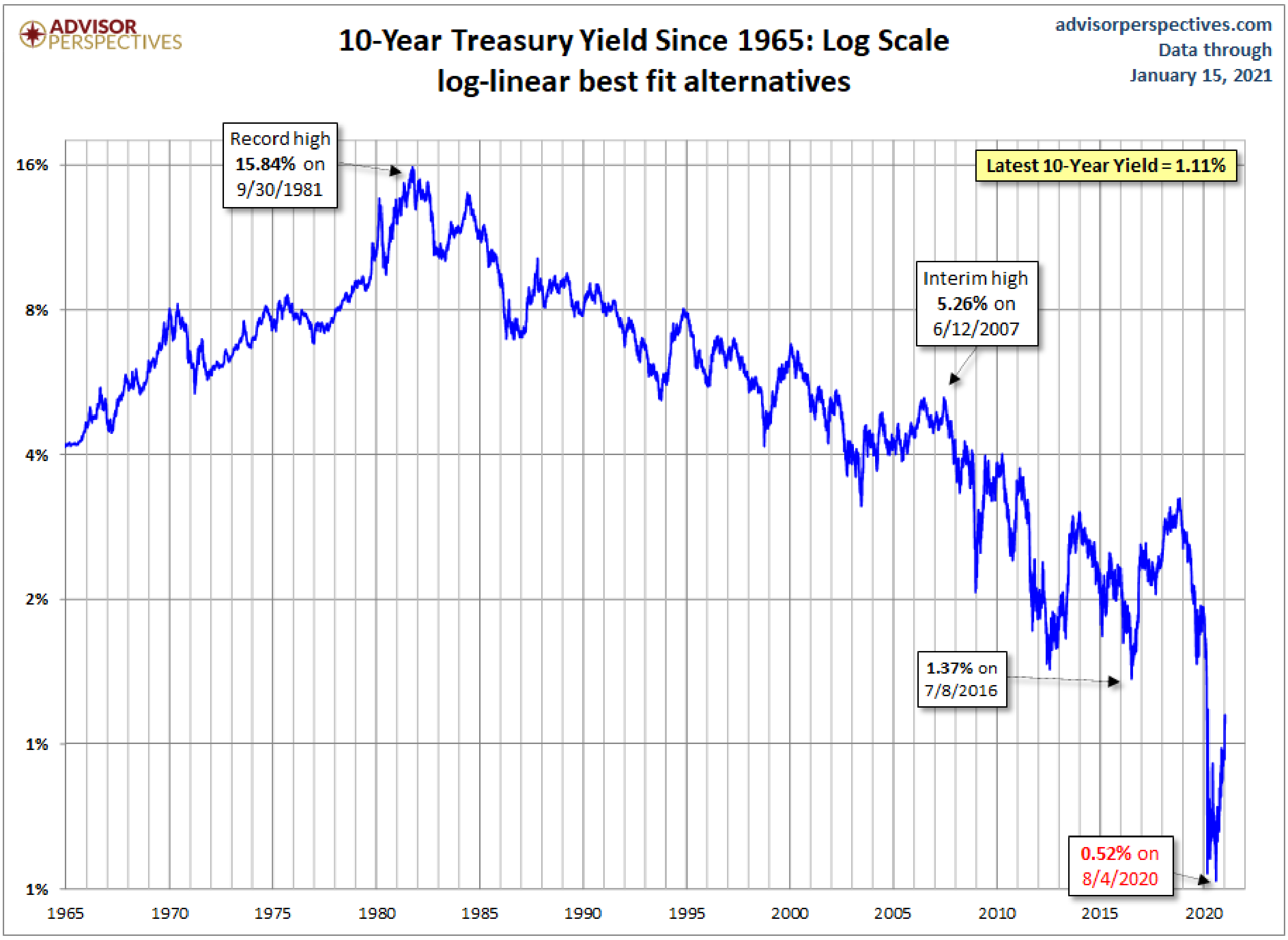
Instrument	High	Low	Current	Basis Points From Low
30 Year	5.35%	0.99%	1.85%	86
20 Year	5.44%	0.87%	1.66%	79
10 Year	5.26%	0.52%	1.11%	59
5 Year	5.18%	0.19%	0.46%	27
2 Year	5.10%	0.11%	0.13%	2
3 Month	5.19%	0.00%	0.09%	9
FFR	5.41%	0.04%	0.09%	5

As of January 15, 2021



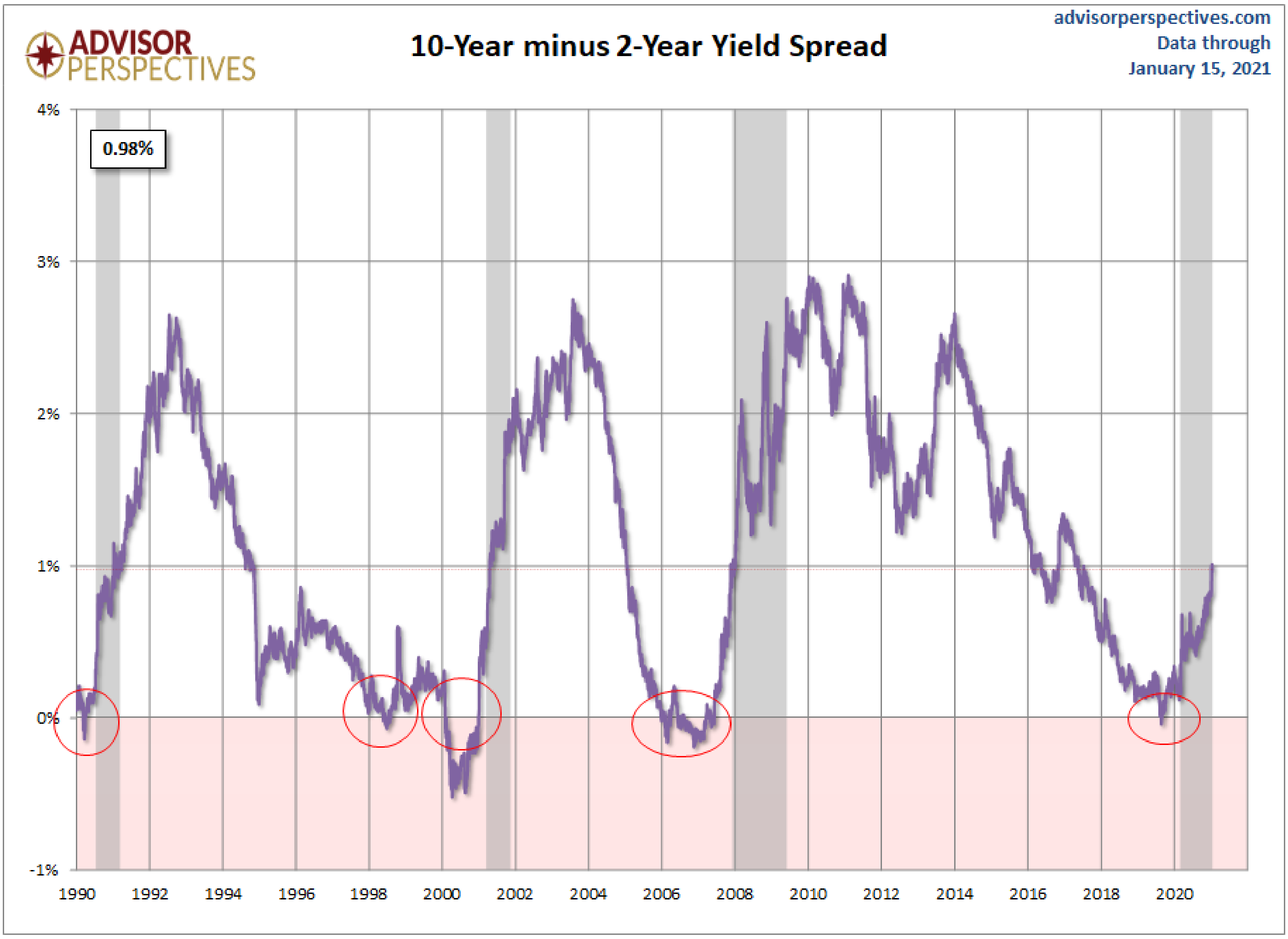
A Long-Term Look at the 10-Year Note Yield

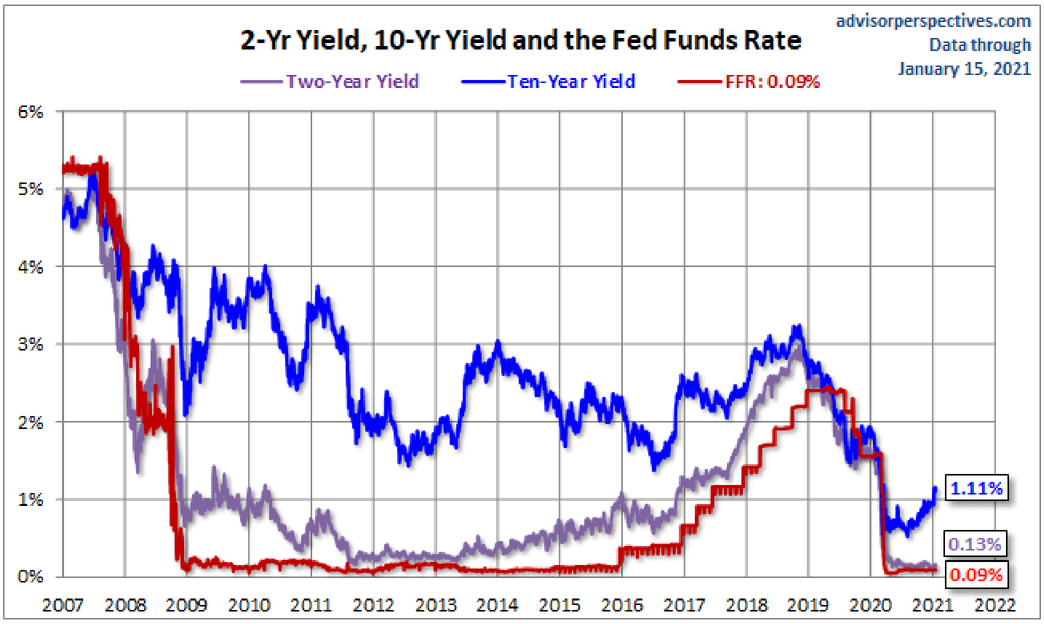
A log-scale snapshot of the 10-year yield offers a more accurate view of the relative change over time. Here is a long look since 1965, starting well before the 1973 Oil Embargo that triggered the era of "stagflation" (economic stagnation with inflation). Note the 1987 closing high on the Friday before the notorious Black Monday market crash. The S&P 500 fell 5.16% that Friday and 20.47% on Black Monday.



Here's the latest 10-2 spread. Typically, the spread goes negative for a period and then out of the red prior to recessions. The lead time for recessions is quite a range - after going negative, recessions have begun anywhere from 16 to 62 weeks later. We also can see a false positive in 1998 where the spread went negative for a short period. In the last recession, the spread went negative a couple of different times before rising.

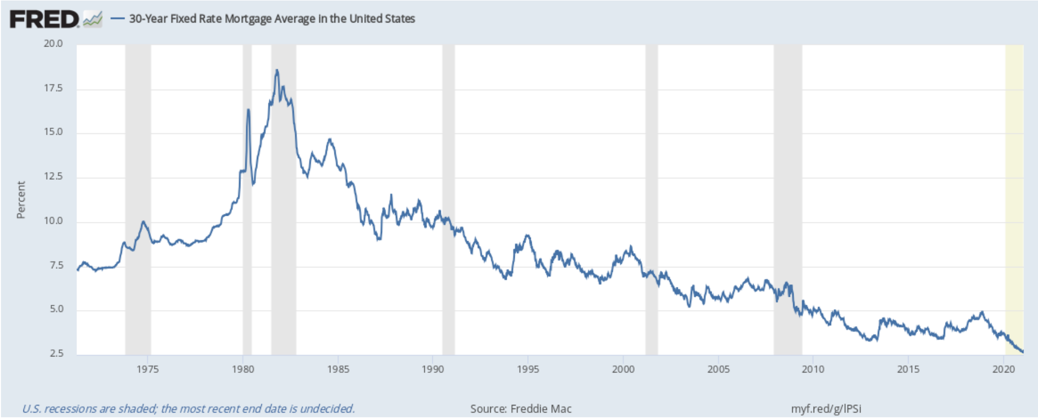
If we use the first negative spread date as our starting point, the average number of weeks leading up to a recession is 37, or about 9 months. If we use the last *positive spread date after being negative* before a recession, the average is 17 weeks, or 4.25 months and the median is 14 weeks, or 3.5 months. Note, though, that we only have **3 data points** as this treasury data only goes back to 1990.



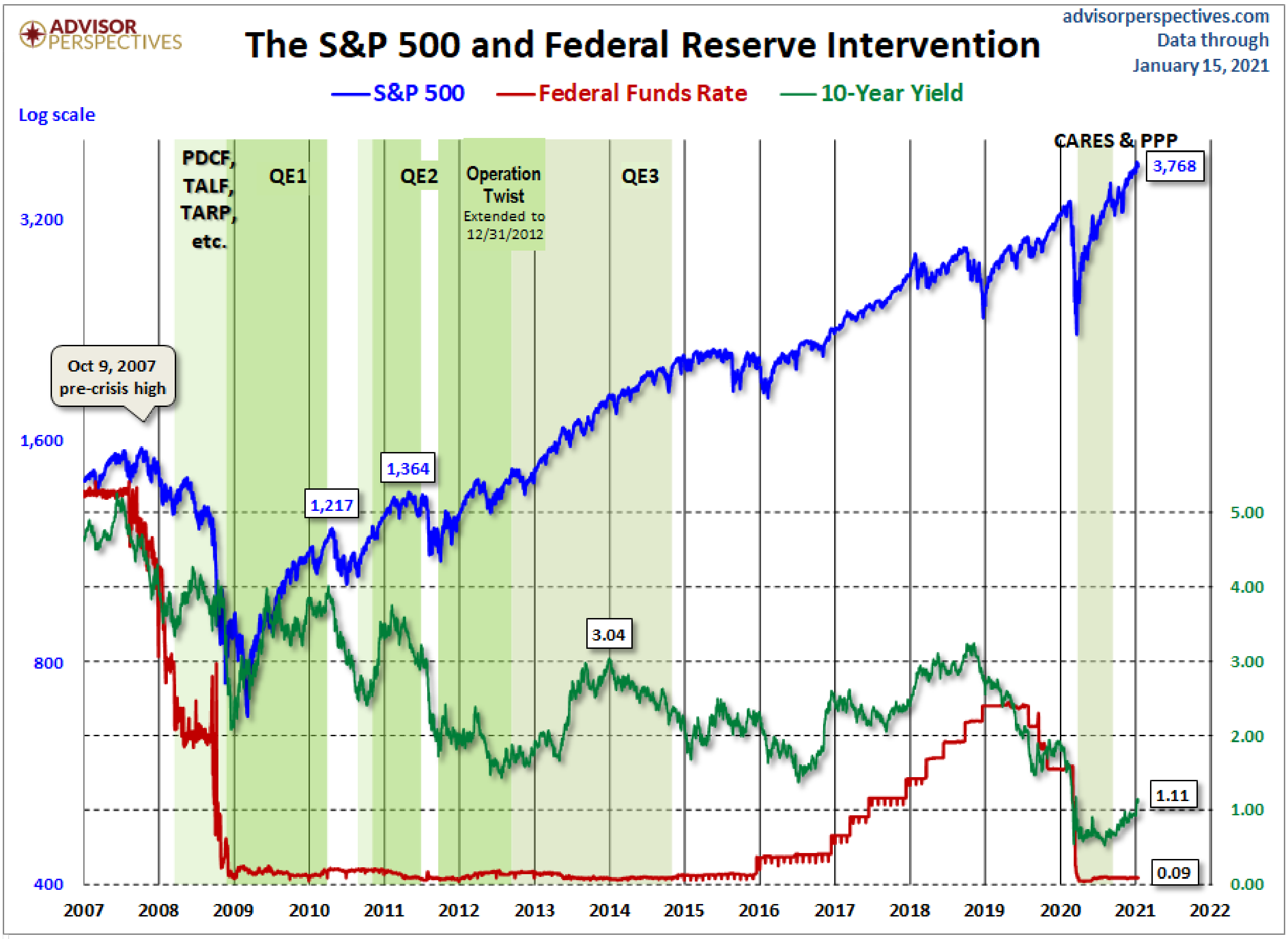


The 30-Year Fixed-Rate Mortgage

The latest Freddie Mac Weekly Primary Mortgage Market Survey puts the 30-year fixed at 2.67%. Here is a long look back, courtesy of a FRED graph, of the 30-year fixed-rate mortgage average, which began in April of 1971.



Now let's see the 10-year against the S&P 500 with some notes on Federal Reserve intervention. Fed policy has been a major influence on market behavior.



For a long-term view of weekly Treasury yields, also focusing on the 10-year, see our latestTreasury Yields in Perspective update.