

Recession Tracker: What To Watch In Fixed-Income Markets



	Data as of:		Comments
	12/31/2024	3/10/2025	
2-Year Treasury Yield	4.24	3.89	Treasury yields across the maturity spectrum have declined, with the 2-year Treasury at 5-month lows and the 10-year Treasury yield at 3-month lows as a result of a flight to quality.
10-Year Treasury Yield	4.57	4.22	This is typical during periods of uncertainty as investors prefer the safety of U.S. Treasuries.
2-Year/10-Year Treasury Spread	0.33	0.33	<p>Historically, when the difference in yields between the 10-year Treasury and the 2-year Treasury becomes negative, a recession is forecasted.</p> <p>Year-to-date, the Treasury curve has remained stable, indicating no change in the probability of a recession. It should be noted that this signal has recently been unreliable.</p>
Investment-Grade Corporate Bond Spreads	0.80%	0.91%	<p>When investment-grade and high-yield spreads move higher, that means investors are demanding more yield to take on additional risk.</p> <p>Both investment-grade and high-yield corporate bond spreads have moved higher YTD and in the last few weeks, as represented in the following chart. However, not to high enough levels that are of significant concern for now.</p>
High-Yield Corporate Bond Spreads	2.87%	3.10%	Should spread level values rise above 2.0% for investment grade and 8.0% for high yield, that would signal heightened concern.
5-Year AAA/Muni Ratios	66.21%	67.27%	<p>Similar to corporate bond spreads, the ratio of municipal bond yields to Treasury yields is a signal that can reflect stress levels in the municipal bond market. The higher the value, the more signs of stress.</p> <p>While it appears to show little stress, the municipal market is very slow to react to any market moves. It may be too early for this indicator to be of much value.</p>
MOVE Index (Bond Market Volatility)*	98.8	112.5	The MOVE Index measures Treasury bond market volatility and is at heightened levels. The average over the past five years is 94.
# of Fed Cuts for 2025	1.72	3.33	Markets are now pricing in at least (3) 0.25% rate cuts for 2025. This is up from at least (1) in December. The increased concern around a potential recession is evident.
TIPS Implied Inflation (2-Year TIPS)	2.5428	3.1295	Inflation expectations are on the rise due to the implementation and threat of tariffs.

Source: Bloomberg as of 3/10/25

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