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Opinion **On Wall Street**

Flat yield curve sends a grim message for investors in 2019

On a global level investors no longer get a premium to hold longer-maturity bonds

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Of all the fashionable alarm bells that market-watchers keep an eye on, the [yield curve](#) is the most timeless. It is Coco Chanel’s proverbial “little black dress” of economic indicators.

The slope made up of bond yields of various maturities has a record of predicting recessions that would make even the savviest econometrician turn pea-green with envy. It is not perfect, but the curve has become flat and inverted — when short-term bond yields are actually higher than long-term ones — ahead of most economic downturns in most major countries since the second world war.

This is why some analysts and investors are worryingly eyeing the [US yield curve](#), where the difference between the two and 10-year Treasury yields has narrowed to just 37 basis points. That is the slimmest spread since September 2007. But interestingly, and worryingly, the global yield curve has now already inverted.

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The average yield of bonds in JPMorgan’s broadest Government Bond Index that mature in seven to 10 years last week slipped below the average yields of bonds maturing in one to three years for the first time since 2007, when it preceded a global recession, notes JPMorgan’s Nikolaos Panigirtzoglou.

In other words, on a global aggregate level investors no longer get a premium to hold longer-maturity bonds. Setting aside the cost of hedging currencies, that indicates that investors have a pretty grim view of where the world economy and equity markets are heading.