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## The Yield Curve as a Leading Indicator: Some Practical Issues

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### Abstract

Since the 1980s, economists have argued that the slope of the yield curve - the spread between long- and short-term interest rates - is a good predictor of future economic activity. While much of the existing research has documented how consistently movements in the curve have signaled past recessions, considerably less attention has been paid to the use of the yield curve as a forecasting tool in real time. This analysis seeks to fill that gap by offering practical guidelines on how best to construct the yield curve indicator and to interpret the measure in real time.

**Keywords:** yield curve, recessions, real-time**JEL Classification:** E43, E37, E52[Suggested Citation](#) >[Show Contact Information](#) > Download This Paper (Delivery.cfm/SSRN\_ID931184\_code387943.pdf?abstractid=931184&mirid=1)

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