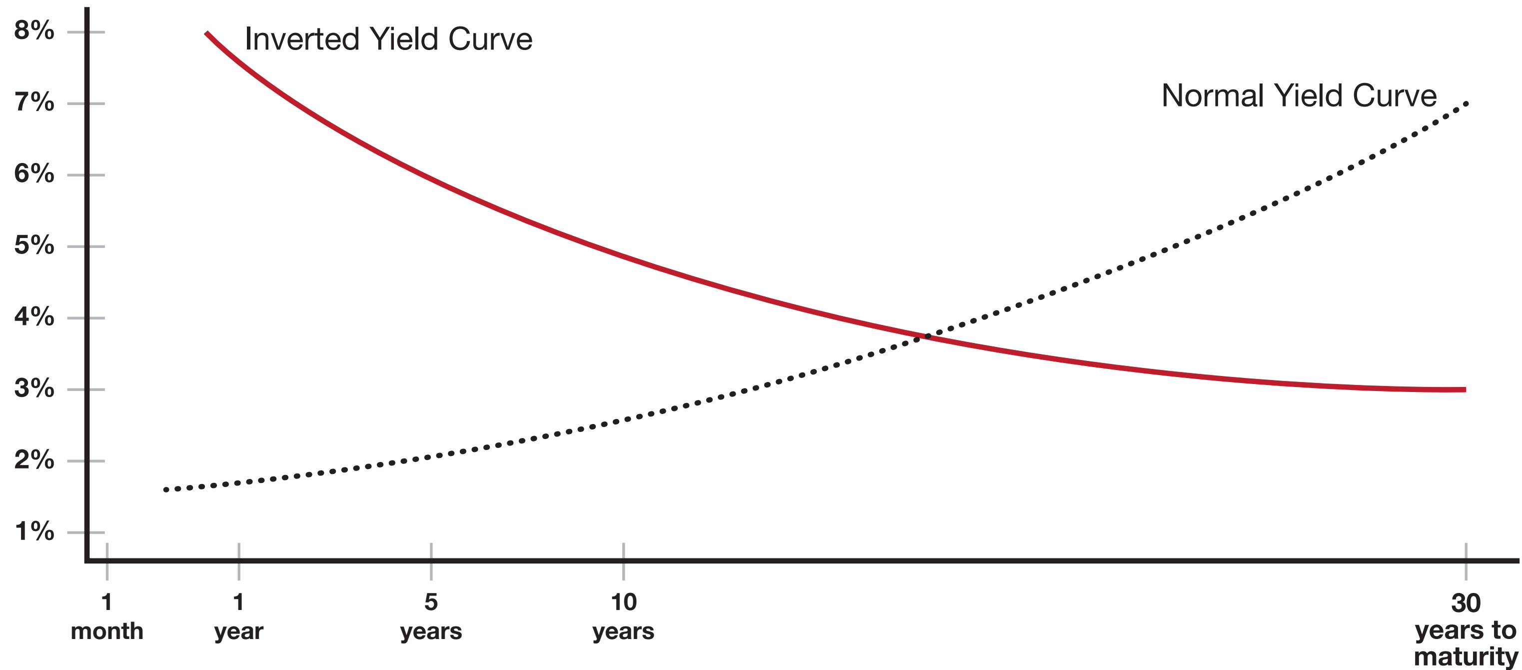
Inverted Yield Curves

30 days to 30 years

(example only)



Summary:

Normally, short-term bonds yield less than long-term bonds (normal yield curve). But when the Fed raises the short-term rates (1 year or less), intermediate and long-term rates can fall below the rates you'll find for short-term offerings. This is an "inverted yield curve": When short-term rates are higher than longer-term rates.

Don't be tempted by short-term yields, however! When those short-term bonds mature, you may need to invest those funds somewhere else. By then, if the economy has slowed, intermediate and long-term bond rates may have already falled a lot. What should you do?