

## Current Economic News

# The Treasury Spread Remains Positive

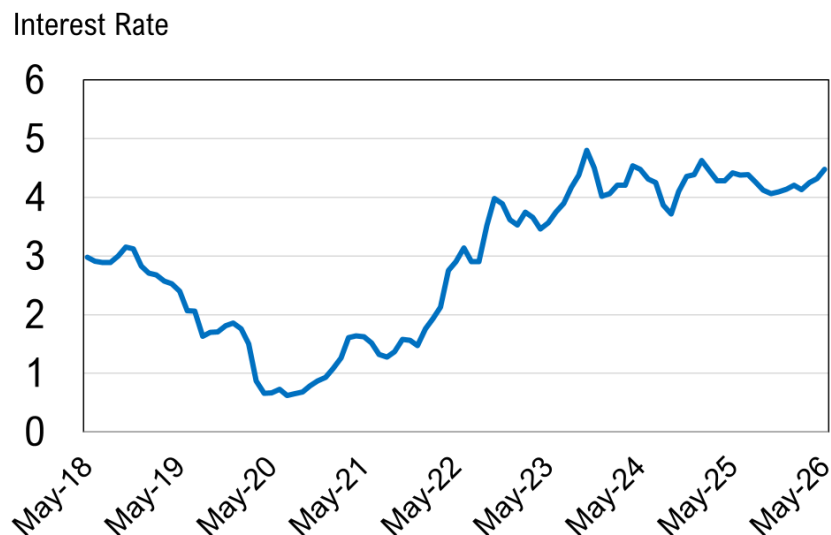
June 2, 2026, by Laura Neis

Over the last few years, the Federal Funds rate (FFR) has been a closely-followed variable. This is the rate at which banks can borrow funds from each other. The range is set by the Federal Open Market Committee (FOMC).<sup>1</sup> The FFR is a way that the FOMC can impact the economy; by lowering the rate, money becomes cheaper and the economy will grow; by raising the rate, borrowing becomes expensive and the economy cools, often leading to a decline in inflation.

The FFR was most recently set on [April 29<sup>th</sup>, 2026](#), when the FOMC maintained the rate at 3.5% - 3.75%. However, the FFR is not the only interest rate that many economists track.

The 10-year treasury bond rate has recently risen. The constant maturity rate rose from 4.32% in April to 4.48% in May. This rate has been at roughly 4% for the last two years, but it has trended upward since the start of the U.S./Israel/Iran war.

## 10-YEAR TREASURY BOND



<sup>1</sup> Chen, "Federal Funds Rate."

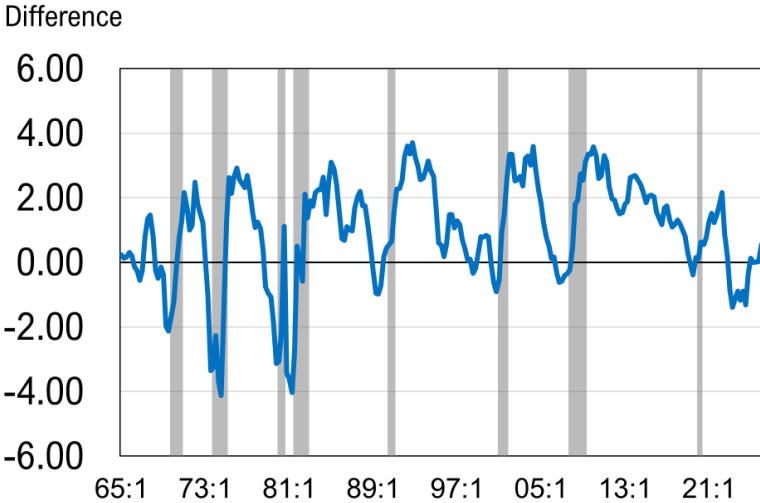
This matters because the spread continues to be positive. The “spread” is calculated by subtracting the Federal Funds rate from the 10-year Treasury Bond rate. When the Federal Funds Rate is higher than the 10-year bond rate, the spread becomes negative, which traditionally predicts a recession. Fortunately, the spread is still positive.

### SPREAD



The history of recession when the spread becomes negative shows a clear pattern. This comes about because the rate banks pay on deposits becomes higher than what they get on their long-term lending, thereby squeezing their margins and disincentivizing lending. The drop in investment pushes GDP into a decline.

### HISTORICAL SPREAD



However, a recession did not occur after the spread became negative in 2023-2024. This was likely because government borrowing and spending was high in these years, offsetting lower investment. Something similar happened in 1998, when a brief negative spread did

not lead to an immediate recession, but did contribute to the recession of 2001 after the spread became negative a second time. We will have to wait and see in the future if government borrowing permanently staves off a recession, or simply delays it.