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2 **Q. Reference: Page 24, Lines 25-26:**
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4 **“This “flight to quality” is a regular part of the business cycle.”**
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6 **When there is a “flight to quality”, do the yields on long-term government bonds**
7 **typically decrease? Please explain.**
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10 **A.** They might marginally decrease but not directly as a result of the flight to quality. Generally
11 this is more a function of the stage in the business cycle and lower expectations of inflation.
12 The flight to quality generally occurs in shorter term securities as investors “park” their cash
13 to ride out the storm. This so why T. Bill yields in the US actually turned negative for a short
14 period.
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