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INVESTING

What rising bond yields mean for economy

BY ARUNI SONI

THE NEW YORK TIMES

-Note

Investors are worried about the amount of debt the government has piled up, and bond yields are one key indicator showing this.

Yields, or interest rates, on the 30-year Treasury rose above 5.3% — a nearly two-decade high — fueled by anxiety over the war in Iran, inflation, unstable government deficits and rampant spending on artificial intelligence.

The nearly $32 trillion market for U.S. government bonds, called the Treasury market, offers a clear signal of where the economy may be headed.

-Note

More specifically, it's the yield on the 10-year Treasury note that tends to set the temperature for consumer interest rates, including mortgages and auto loans. They can affect everything from student loans to the housing market. The yield on the 30-year Treasury moves in sync with the 10-year bond.

Here's a guide to understanding what is happening with Treasury yields right now, and why it matters. -Note

What is a bond?

First the basics.

A bond is a form of fixed-income debt, which means that when it is issued, someone is borrowing money and someone else is lending it. In the U.S. government bond market, the borrower is the federal government and the bonds are called Treasurys. Other governments do this, too: In Britain, they're called gilts, and in Japan, they're known as JGBs, which stands for Japanese government bonds.

The United States issues debt with a range of "maturities" — a term that refers to when it has to be paid back. Treasury "bills" are short-term debt obligations, ranging from four weeks to a year. Treasury "notes" are medium term, maturing between two and 10 years. And Treasury "bonds" mature in 20 or 30 years.

Note

The lender is the bond investor, who expects to be paid interest on the investment. That's a key difference between a bond and other assets that people buy or trade, like stocks: The bond's yield is the total annual return someone can expect to earn from it. (A bond's yield rises as its price falls, and vice versa.)

Note

Similar to the rate a homeowner pays on a mortgage, a bond yield reflects a variety of factors: when the debt will be repaid, the risk that it won't be, the investor's view on whether earnings on the loan will be more worthwhile than other investments — like stocks and cryptocurrencies.

Note

When an investor owns a Treasury bond until it matures, the return the investor will receive is fixed, but because government bonds are publicly traded, their value can rise or fall just like a stock price, and that means yields move higher or lower, too. Higher yields mean investors are demanding a higher return to make the investment worth it to them.

Why are bond yields rising?

Note -Note

Often, it's the 10-year Treasury note that gets a lot of attention. It has been climbing since late February, when the yield sat at 3.96%. Although the rise began reversing in April and then again in May, the yield began rocketing back up by the end of June. It's currently 4.66%.

Note

The rise has been less steep than previous runs, like when President Donald Trump announced sweeping tariffs in April 2025. But investors are aware of a cocktail of forces unlikely to rein in climbing yields.

The flip-flopping on a peace deal in Iran continues to rock oil markets, which in turn adds worries over inflation numbers and affordability. Pair that with rampant spending by tech companies on AI, which has left some analysts guessing that the hype has drawn investors away from bonds and others saying the enthusiasm has pumped up growth and inflation expectations.

The Treasury buyer "is now much more price sensitive, meaning investors are demanding a higher yield to absorb both government and corporate issuance," Jason Goldberg, a Barclays analyst, wrote in a note.

Note

Some analysts said a recent pullback in the equity market was a sign stock investors were growing more worried about bond yields, too.

Note Note

Typically, bond prices and stocks move inversely. When stocks fall, investors move to a safer investment, like government bonds, to protect from losses. That negative correlation persisted for the first two decades of the 21st century, but has recently flipped.

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U.S. stocks rise, even as bond market applies pressure

BY STAN CHOE

THE ASSOCIATED PRESS

NEW YORK>> U.S. stocks rose Friday and trimmed their losses from a shaky week. That was even though the bond market, which has been the center of Wall Street's action, remained jumpy and continued to add pressure.

The S&P 500 rose 0.4% for just its second gain in the six days since setting its all-time high last week. The Dow Jones Industrial Average jumped 517 points, or 1%, and the Nasdaq composite climbed 0.4%.

Ross Stores helped lead the way and rose 4.4% after reporting stronger profit and revenue for the latest quarter than analysts expected. CEO Jim Conroy said it saw both an increase in new customers and more interest from existing customers, while the off-price retailer at the same time benefited from refunds on tariffs.

Most U.S. companies have reported bigger profits for the spring than analysts expected, which has helped drive stocks to records recently. Stock prices tend to follow the path of corporate profits over the long term.

Hopes for continued profit growth got a boost from a preliminary report by S&P Global suggesting growth for U.S. business activity hit a 52-month high. But the other big lever that helps set stock prices, interest rates, has been much shakier.

After soaring through the summer and then hesitating following this week's surprise move by the U.S. Treasury Department to repurchase more U.S. government bonds, yields climbed further on Friday.

The yield on the 10-year Treasury rose to 4.73% from 4.69% late Thursday. It's back above its level from before the Treasury market made its move, which analysts said at the time would likely have only a temporary effect.

The 30-year Treasury yield, which the Fed is also targeting with its bond repurchases, also rose and is near its highest level since 2007.

Contributing to Friday's gains for bond yields was continued uncertainty about when the war with Iran will allow oil tankers to freely exit the Persian Gulf again. That caused oil prices to rise, which affects Treasury yields because they increase worries about inflation.

The price for a barrel of Brent crude oil settled at $92.67, up 0.8%.

Besides inflation, concerns about the fast-rising debt for the U.S. government have also been sending yields upward. Higher yields can slow the economy and undercut prices for all kinds of investments.

One of the biggest beneficiaries of U.S. Treasury Secretary Scott Bessent's move to try to get longer-term yields lower is bitcoin. Cryptocurrencies often rise when interest rates are lower and more money is flowing through the financial system. Hopes for legislation in Washington to help the crypto industry have also helped it.

Bitcoin has climbed above $77,000 from less than $63,000 a week ago. That helped stocks in the crypto industry lead Wall Street. Robinhood Markets jumped 13.7%, and Coinbase Global gained 8.2%.

The price of gold also climbed and briefly topped $4,690 per ounce from less than $4,440 a week earlier. The Treasury Department's buyback announcement has helped weaken the U.S. dollar's value against other currencies, which tends to give gold's price a boost.

That helped drive stocks of miners higher. Newmont climbed 3.1%, and Freeport-McMoRan jumped 7.6%.

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Bond Market's Turbulent Week Schools the Treasury Secretary

BY SAM GOLDFARB

Brian Jacobsen was heading into a meeting Wednesday when Treasury Secretary Scott Bessent threw a major curveball at the U.S. bond market.

—Note

A day earlier, yields on longterm U.S. Treasurys had touched near two-decade highs and investors were on edge. Jacobsen, chief economic strategist at Annex Wealth Management in Brookfield, Wis., had trimmed holdings of longerterm bonds in portfolios he manages for clients.

—Note

Now, in the wake of the Treasury Department announc-ing it would double buybacks for long-term bonds, the market was moving against him by rallying. The maneuver, Jacobsen said, clearly wasn't just a technical adjustment, but "an attempt to try to tame the moves" in Treasurys.

But he also wasn't worried, viewing it as a superficial fix that wouldn't last.

Note

He was right. Over the next two days, Bessent's victory proved fleeting as investors gradually imposed their will on the bond market, snapping yields back to where they were before the gambit.

The yield on the 10-year U.S. Treasury note settled Friday at 4.737%, according to Tradeweb, up from 4.695% the previous week. As investors processed the intervention, they dumped the dollar in favor of gold and cryptocurrencies in a so-called debasement trade, with the WSJ Dollar index slipping 0.7% over the week, while bitcoin surged 22%.

The Treasury Department's buyback announcement was meant to arrest a monthslong slide in bonds that has pushed borrowing costs higher across the economy. But they hardly resolved the deeper concerns that have spurred that selloff, analysts said.

Investors remain anxious about inflation, mounting federal debt, a deluge of corporate borrowing to fund artificial-intelligence investments, and a new Federal Reserve chairman whose approach to setting interest rates remains enigmatic to many investors.

Gennadiy Goldberg, head of U.S. rates strategy at TD Securities, said the current moment in the bond market reminded him of when the country received its first credit ratings downgrade in 2011 after a prolonged debt-limit standoff.

"The issue is that you've got an erosion of confidence in institutions— including the central bank, including Congress, including the Treasury itself to some extent," he said.

Stock indexes rose Friday but ended the week lower, with the S&P 500 dropping 1.4%, the Dow Jones Industrial Average losing 0.8%, or 455 points, and the Nasdaq sliding 2.1%.

US stock mkt value | July 2 $75.3T — Note

The roughly $31.5 trillion U.S. Treasury market is regarded as the world's biggest and most important bond market. Treasury yields, which rise when bond prices fall, set a floor on borrowing costs, from mortgage rates to student loans. Yields typically edge up or down based on the shifting outlook for short-term rates set by the Fed, which investors glean from economic data and comments from Fed officials.

Note — Note

It's often a boring market, with yields rarely moving even a tenth of a percentage point in a day, but has become a more regular source of excitement in President Trump's second term.

Shortly after taking his job, Bessent said the administration could influence the market and drive down yields to lower borrowing costs for Americans. He said the administration would do that by slashing the budget deficit—and thus reducing the supply of Treasurys—and increasing oil and gas production to lower energy prices. Note

Note

Those plans haven't panned out. Just months into his second term, Trump's tariffs set off a crisis in the bond market when investors dumped bonds out of fear other countries could retaliate by selling their Treasury holdings. The market calmed when Trump scaled back the tariffs. But yields began climbing again this year after the U.S. and Israel attacked Iran, prompting Iran to shut down the flow of oil through the Strait of Hormuz.

As energy prices jumped, investors went from betting the Fed would cut rates this year to betting it would need to lift rates to tame inflation.

Then, things got weirder: Oil prices retreated to pre-conflict levels in June, but Treasury yields fell only a little. For the past two months, yields on longer- term Treasurys in particular have steadily climbed, defying a run of soft economic data that reduced the chances of a near-term interest-rate hike.

Note

By early this week, the yield on the 30-year Treasury bond had topped 5.3%—its highest level in nearly two decades. Average mortgage rates have crept back up toward 7%.

Note

There's little agreement about what has been the biggest driver of that move. Some analysts and investors cite the explosion of bond issuance— from AI hyperscalers such as Amazon.com and Alphabet— which they say has crowded out investment in Treasurys. Others point the finger at the budget deficit, which remains stuck at around 6% of GDP, despite Bessent's claim it could fall below 4% by the end of Trump's term.

Most put some of the blame on new Fed Chairman Kevin Warsh.

Trump's pick to lead the Fed has refused to give much insight into what could push him to support interest rate increases— a stance that has created uncertainty about the rate outlook, along with concerns that he might want to avoid raising rates because of pressure from Trump.

Note

Bessent's Wednesday intervention seemed to work instantly. But it didn't take long for skeptics to weigh in. And later Wednesday came an unwelcome milestone: Gross U.S. debt had topped $40 trillion for the first time. Overnight and into Thursday morning, the impact of Bessent's move began to fade as long-term yields ticked up once again.

Bessent went on CNBC that morning to make his case. He suggested the Treasury intervened because investors have "bad information" that pushed yields higher than was justified by economic fundamentals.

Note

Analysts noted one reason yields dropped sharply after the buybacks announcement was it caught traders by surprise, forcing some to quickly unwind bets on higher longterm yields. Once that was over, previous market dynamics reasserted themselves, with Bessent's move possibly even drawing more attention to issues such as the budget deficit.

Many investors said the bond market is likely to remain uneasy at least until Warsh speaks next Friday at the Kansas City Fed's Jackson Hole symposium.

Warsh, who has set up task forces to examine how the Fed handles issues like communication and economic data, needs to say in concrete terms that "so far, the inflation data doesn't give them reason to hike, but if that changes, they would not hesitate to hike," said Priya Misra, a fixed-income portfolio manager at J.P. Morgan Asset Management.

If he keeps "saying 'task force' again, the market's going to lose patience," she said.
