

## WSJ Print Edition

## Yields Hit 1-Year High In Global Bond Selloff

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A weekslong rout in global government bonds intensified Friday, sending the yield on the benchmark 10-year U. S. Treasury note to its highest level in more than a year, and halting a stock rally that had just carried the S&P 500 and Nasdaq composite to new records.

Bonds have been hurt for months by the rise in energy prices sparked by the U.S.-Iran conflict. But they came under particular pressure Friday because of a confluence of disparate developments worldwide, dragging down major indexes from Tokyo to New York, with the S&P 500 dropping 1.2% from Thursday's all-time high.

The main headwind remains Iran. As the weeks go by without a deal, investors have become increasingly pessimistic that the U.S. and Iran will reach an agreement soon that would reopen the Strait of Hormuz and bring down energy prices. Investors had held out hope that President Trump's visit to China could yield some progress on that front, but were left disappointed by the results of the trip.

Meanwhile, particularly sharp selloffs in Japanese and U.K. government bonds spilled over into the U.S. and other markets Friday. In Japan,

price declines were powered by hot inflation data and signs that the government will borrow and spend more to blunt the impact of higher energy costs. In the U.K., investors reacted to the growing threat of a leadership challenge to Prime Minister Keir Starmer, which raised fresh questions about the country's economic and fiscal trajectory.

While concerns about domestic inflation have been growing, "today's move in yields in the U.S., I think, are a direct result of what's happening in non-U.S. yields," said Leah Traub, a fixed-income portfolio manager at Lord Abbett.

Yields on Treasuries, which rise when bond prices fall, are heavily influenced by investors' expectations for what short-term interest rates set by the Federal Reserve will average over the life of a bond. <sup>-Note</sup>

As the Iran conflict has dragged on, investors have started betting that energy prices will stay high for longer than originally presumed, pushing the Fed to consider raising interest rates. That is a shift from before the war, when investors expected the Fed to cut rates this year.

When yields rise sharply overseas, U.S. yields typically also rise to reflect the fact that investors can now buy higher-yielding bonds elsewhere.

Yields surged across the world on Friday. The yield on the 10-year U.S. Treasury note—a benchmark for borrowing costs across the economy—settled at 4.595%, its highest closing level since February 2025.

The yield on the 30-year U.S. Treasury bond rose around 0.12 percentage point to 5.127%, its highest closing level since 2007. The Japanese 30-year yield jumped around 0.16 percentage point, while the U.K. 30-year yield surged 0.19 percentage point. Oil prices also rose in response to the lack of progress toward a Hormuz deal, with U.S. crude front-month futures gaining 4.2% to \$105.42 a barrel.

Stocks fell broadly, with the energy sector the lone bright spot. The S&P 500 dropped 1.2%, but still eked out a 0.1% weekly gain. The Dow Jones Industrial Average slipped 1.1%, or 537 points, while the Nasdaq Composite gave up 1.5%.

Rising Treasury yields can sometimes drag on stocks by increasing the cost of borrowing for businesses and consumers and making bonds more appealing as an alternative investment. But so far stocks have withstood that pressure, just as

they have shrugged off the increase in energy prices.

Indexes have repeatedly touched new highs in recent weeks, propelled in large part by a blistering rally in semiconductor shares. While the sector's hot streak hasn't been without volatility, individual investors have aggressively bought the dip, using any brief pullback to accumulate shares. - Note

Some investors attributed Friday's stock declines to simple profit-taking after a powerful run, rather than a direct response to the surge in yields.

"People are just taking chips off the table, derisking a little bit after a very strong run," said Brad Conger, chief investment officer at Hirtle & Co. "In other words, I wouldn't take it as a signal that anybody's given up on their positions."

There was much less confidence about the bond market.

John Briggs, head of U.S. rates strategy at Natixis Corporate & Investment Banking, said he wouldn't be surprised if yields rise another tenth of a percentage point given a lack of obvious catalysts on the horizon that could spur a reversal.

"It doesn't seem like we're getting a lot of solutions for any of the stuff that's taking us here," he said.

4.595%

Yield of the 10-year Treasury note, its highest closing level since February 2025 Note

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