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Rising U.S. bond yields and the falling dollar signal global worry.

Is There a New U.S. Risk Premium?

The biggest issue in financial markets these days, other than tariffs, is the fate of U.S. dollar assets. Are President Trump's herky-jerky decisionmaking and border taxes causing the world's investors to shy away from the dollar and U.S. Treasuries?

Mr. Trump pooh-poohed last week's bond-market ructions that played a role in his 90-day pause on the worst of his tariffs. "The bond market's going good. It had a little moment but I solved that problem very quickly," Mr. Trump told reporters on Friday.

Well, maybe, or maybe not. The bellwether 10-year Treasury yield popped by some 50 basis points last week and at one point crossed 4.5%. The 30-year rose nearly as much, while the WSJ U.S. dollar index continued its decline from its recent peak around Inauguration Day.

These rapid moves would be notable at any time, and especially in a financial mini-panic when the dollar and Treasuries are traditionally seen as safe havens. Not last week. The question is whether global money managers are at the margin losing confidence in the U.S. as a place to invest?

The key phrase here is "at the margin" because the U.S. remains too big a market, and its financial system too liquid, to ignore. There also aren't good alternatives to the dollar for global transactions, much less as reserve currencies, and the euro and yen have issues.

But even a modest shift from Treasury bonds would raise the cost of U.S. government borrowing. Interest payments on federal debt are already greater than defense spending, and the difference is increasing. A weaker dollar would increase inflation, all other things being equal.

Capital flows are volatile, and bond yields could fall again as policies change or if Trumpian uncertainty ebbs. One unhappy way to reduce yields is if the economy heads into recession, as some money managers now think we will do this year. Last week's market gyrations were a wild ride we hope Mr. Trump doesn't ignore. Losing the confidence of investors can be fatal to a Presidency.

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