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Bonds

Treasury yields log biggest drop since the 2023 banking crisis. Here's what's going on.

Story by Joy Wiltermuth 2026-10-23

Treasury yields sank on Thursday, in a rare bout of extreme buying as tech stocks plunged and investors headed for cover in one of the world's largest and most liquid asset classes.

The scramble for safety was attributed to a confluence of factors suddenly plaguing the market all at once.

"You are seeing a number of different stressors play out, from the escalation in the Middle East, ongoing and accelerating problems with France and the doubts rising on the AI front," said Robert Tipp, head of global bonds at PGIM Credit.

Read: 'AI is on trial': Bond yields sink below 5% as investors look for safety

Those jitters collided with investors getting caught off-guard in their positioning for several more Federal Reserve rate hikes, and for higher long-dated Treasury yields.

If the stock market rout intensifies or the economy strains under the weight of high oil and diesel prices, it isn't clear how much the Fed will be increasing interest rates.

In response, the benchmark 10-year Treasury yield tumbled 19.3 basis points to 4.952%, logging its biggest daily yield move since March 10, 2023, according to Dow Jones Market Data.

When bond prices rise, yields fall.

"On a normal day, a decent-size move is a few basis points," Tipp said.

You are getting three times that." When bond prices rally on high demand, yields fall.

To put context around Thursday's move, there only have been 15 trading days in the past decade in which the 10-year Treasury yield has moved by 19 basis points, in either direction, according to Dow Jones Market Data. This period covers the 2020 COVID crisis, the 2023 regional-banking crisis, the April 2025 tariff shock and the U.S. and Israel's launch of the Iran war in late February.

See: Oil prices approach Iran-war highs as soaring tanker rates trigger a second energy squeeze

"This kind of move is when we usually see more of a panic or a crisis," said Dustin Reid, chief fixed-income strategist at Mackenzie Investments. His view is that something else has begun to unfold.

"We are clearly in a theme around concerns of an AI overextension," Reid said. That's sparked investors to start "taking chips off the table, given where we are in the year," and by rotating money out of equities and into Treasurys and fixed income more broadly, he said.

Profit-taking might be happening earlier than usual this year, but with Thursday's pullback in stocks, shares of Sandisk still were up about 430% for the year, while Micron's shares are 200% higher in 2026, according to FactSet.

Also see: 3 big reasons Micron and other chip stocks fell hard on Thursday

"There's so much gain to be realized," Reid said of highflying tech stocks. On the flip side, there have been signs of "short covering" in the $32 trillion Treasury market, which can generate strong buying, he said.

Had these pressures hit a market that wasn't priced for the Fed to keep hiking rates, "that would be one thing," said Tipp at PGIM. But with the market having priced in a few rate hikes, "you've got a situation where the market will call into question" whether the central bank will be able to follow up recent hikes with more over the next few quarters, he said.

As evidence of this, the policy-sensitive 2-year Treasury yield dropped 18.8 basis points to 4.635%, its biggest daily drop since Aug. 1, 2025, which was the day President Donald Trump spooked the market by firing the head of the Bureau of Labor Statistics.

"I think investors are worried right now, thinking: Is this the big one that's coming in terms of a market selloff?" said Sam Stovall, chief investment strategist at CFRA Research. After all, tech now represents about 40% of the S&P 500 when looking at its market value, he said.

At the same time, defensive stocks like healthcare, utilities and broad-based market exchange-traded funds not heavily favored toward tech were holding up well, Stovall said.

"It's a take-back trade," said Tipp. "Not an all-out fear-of-recession type of situation."