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## Treasury yield curve hits steepest level in 4 years. What it means.

Story by Karishma Vanjani 2026-2-6

While the selloff in the biggest technology names has gripped stock investors, traders in the bond market are dealing with their own troubles.

The yield on 10-year Treasury notes—the rate the U.S. government pays investors on debt maturing in a decade—has risen relative to the rate paid on shorter-term two-year Treasuries. Currently, the differential is at 0.728 percentage points, the highest level since Jan. 26, 2022. In Wall Street circles, this is known as a steepening yield curve.

It's normally good news, but this time the steeper yield curve stems from rising fears about government debt.

Talking about the curve might seem academic, but it's important. Normally, a steep curve is a sign that economic growth is ahead of us and the future is looking sweet. That logic comes from the curve's effect on banks, who become big winners. Banks borrow money on the short, by paying customers on deposits, and charge for long-term loans. A steeper curve widens that gap, allowing banks to be more profitable and lend more in turn growing the economy. Over the last eight trading days, the gap between the two-year and 10-year rates has widened by 0.104 percentage points, its fastest clip since August, according to Dow Jones Market Data team.

But it isn't that simple: This steepening was caused by mounting debt concerns. The Treasury Department, on Wednesday in the so-called quarterly refunding announcement, decided to keep the issuance of Treasury notes and bonds elevated. While that matched Wall Street's consensus, some traders had rooted for a cut in issuance as well as increased buybacks—both of which would have reduced the amount of supply.

The resumption of the steepening trend was more specifically due to "what the Treasury Department didn't announce—buybacks weren't increased, and bond issuance wasn't decreased," writes Ian Lyngen, head of U.S. rates strategy at BMO Capital Markets.

What also helped make the curve steeper is Kevin Warsh's nomination for Federal Reserve Chair. In previous comments, he has indicated a desire to make the Fed's balance sheet smaller, which in effect means removing a source of demand for Treasuries. More supply plus expectation of less demand meant the 10-year rate climbed 0.064 percentage points, as of Wednesday. Two-year rates fell 0.031 percentage points.

"A Fed that adopts a smaller footprint, both for its communications with the public and its balance sheet, should—all else equal—steepen the yield curve," wrote Matthew Hornbach, global head of macro strategy at Morgan Stanley.

*Note*

In the week ahead, investors will parse the January jobs report, which will be published on Wednesday, Feb. 11. That will be followed by auction of a 10-year note in the afternoon, worth \$42 billion.

"To suggest that it will be a challenging setup is an understatement," writes Lyngen.

In the event of a disappointing payrolls release colliding with a weak auction, expect an impact on the curve.

*Note*

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