Global Fixed Income Team

Outlook & Strategy

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At what yield will investors want to buy US Treasuries?

Market Recap & Outlook

The US government bond market has spent the summer in what some have called "price discovery" but the Treasury might call a buyers' strike. The 10-year yield was under 4.4% on June 30th, as investors hoped that the "Memorandum of Understanding" would bring the war with Iran to a close. But the conflict continues in what the Eurasia Group has called "geopolitical price discovery", and Brent futures have climbed above $100 per barrel as of September 10th. As goes oil, so apparently go Treasury yields, which are 4.8% as we write this. With all the talk of a Treasury bear market, yields are still within a trading range set in 2023, when the 10-year briefly reached 5%. Maybe that level will bring in buyers again, in our view.

The Treasury selloff has certainly rhymed with oil prices this summer, but we believe that may be the effect of a higher energy cost regime on the Federal Reserve reaction function. The most important factor for 10-yr yields has been a repricing of expected Fed policy interest rates. At the beginning of the year, SOFR futures markets expected a series of rate cuts begun in 2025 to continue. Now they are pricing at least two interest rate hikes, starting in either September or October, which would bring the overnight rate to over 4.0%. by early 2027. We believe that once this higher expected path for the policy rate is factored in, the residual term premium hasn't moved all that much.

Higher expected policy rates may also be a partial reaction to the good news of surging US corporate earnings and AI investment, rather than just the bad news of oil shocks, in our view. Inflation break-evens have hardly budged, hence the markets must be expecting a higher real neutral policy rate. This would be consistent with higher trend growth, more than with a temporary oil price spike, in our view. But we may be over-thinking this; when oil prices have climbed, so have Treasury yields.

As we expect the oil price to at least stabilize and range-trade, the impact of oil on headline inflation should diminish. Then perhaps the SOFR futures markets will price less Fed hawkishness. We believe that absent a new panic about US solvency, or wider deficits to fund, term US yields now look reasonably valued.

Our Strategy

Long yields are also compelling in Japan, where the 10-yr yield reached 3% in early September. The bond market has since rallied, aided by a sharp rally in the yen. The two-step yen surge reflects (1) intervention efforts by the Bank of Japan (BoJ) and US Treasury, (2) expectations for a faster pace of BoJ policy hikes, plus (3) rumored new local bond buying by GPIF, the national pension fund. Combined, these have moved the yen by 10 figures, enough to trigger stop losses from yen shorts.

We leave the summer in much the same place as we began: AI investment good, Iran conflict bad. Whether the good news can outlast the bad news will be the key test for global risk appetite, credit spreads and the strength of the US dollar this autumn, in our view.

Sources: Bloomberg, as of September 10, 2026.

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About the Team

Our strength is rooted in decades of honing our research and investment processes to consistently navigate ever-changing global markets.

1986	Global Bond Portfolio Established
80+	Institutional Accounts & Commingled Vehicles
$38.2	Team Assets Under Management (Billion USD)

As of 6/30/2026

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