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Don’t let debt fears derail market perspective

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Key takeaways

The $40 trillion debt sounds alarming, but context matters: Household wealth has risen far more over the same period.

Markets appear to have absorbed higher Treasury yields so far. And credit spreads seemed calm, and earnings generally still surprised to the upside.

Long-term productivity gains from AI may outweigh near-term concerns about debt, rates and oil prices if earnings continued to be resilient.

The US national debt crossed $40 trillion this week,1 and right on cue, the scaremongering arrived. One television segment informed the viewers that if you earned $1 million every day, it’d take 109,589 years to accumulate $40 trillion. That math is correct. The perspective is lacking.

Whenever you hear statistics designed to shock, it’s worth asking what context might be missing. Consider what happened over roughly the same period that federal debt climbed from around $20 trillion to $40 trillion.2 US household net worth rose from approximately $80 trillion to about $174 trillion.3 In other words, American households gained nearly $95 trillion in wealth, more than twice the increase in federal debt.

Now, I understand the pushback. Rising household net worth doesn’t magically solve the debt issue. If you believe the debt problem requires solving, the solution will ultimately come from policymakers making difficult decisions about taxation, spending priorities, and the adjustments needed to strengthen programs such as Social Security and Medicare. Rebuilding trust funds and narrowing deficits are straightforward math problems. The challenge isn’t the arithmetic. It’s finding the political will to act.

Nor does a small intervention by the Treasury Department suddenly erase the issue.4 Treasury Secretary Scott Bessent’s actions this week don’t solve America’s fiscal challenges. What they may do, however, is remind investors that there’s a point at which policymakers will step in when market functioning becomes impaired. Investors may debate where that point lies, but history suggests it exists.

Bear narratives continue

Meanwhile, the bears continue searching for a narrative. Since the start of 2021, the S&P 500 has delivered strong returns5 despite repeated warnings about stretched valuations, an artificial intelligence (AI) bubble, excessive market concentration, and deteriorating breadth. When one concern failed to derail the market, another quickly emerged. Today, the focus has shifted to interest rates.

Certainly, rates are higher. The benchmark 10-year Treasury yield has climbed from roughly 4.2% at the start of the year to around 4.7% today.6 Yet markets generally appeared to have absorbed the move well. Credit markets have shown few signs of stress.7 The Equal Weight S&P 500 Index remains within striking distance of record highs.8 Most importantly, corporate earnings generally continued to surprise to the upside.9 Higher rates matter, but they matter within the context of economic growth and earnings.

Investors should also remember that this isn't the first time we've traveled this road. The 10-year Treasury yield approached 5% in 202310 after inflation had already peaked.11 Markets seemed to digest that development and moved on.12 The lesson wasn't that rates don't matter. It was that rates alone may not be enough to end a bull market when underlying fundamentals remain intact.

Personally, I'd be careful not to conflate near-term concerns with long-term trends. Elevated oil prices can create temporary challenges. Higher interest rates can create pockets of volatility. Both deserve monitoring. But neither automatically invalidates what I believe is a powerful long-term structural story centered on AI-enhanced productivity, rising corporate efficiency, and stronger earnings potential.

I'll become more concerned if earnings begin to disappoint in a meaningful way and credit spreads begin to widen. Until then, earnings matter more to me than a $40 trillion debt burden or a 5.3% 30-year Treasury yield.13

Important gauge of business sentiment in Europe's largest economy

Shows whether consumers and the housing market are holding up

Gross domestic product (GDP) Durable goods orders Personal income Consumer spending Personal consumption Expenditures (PCE) inflation

Key reads on growth, demand, business investment, and inflation

Signals credit growth and monetary conditions across the eurozone

Broad look at business and household confidence

Chicago Purchasing Managers' Index (PMI) University of Michigan consumer sentiment

Provides an update on regional business conditions and household sentiment

Official manufacturing and non-manufacturing PMIs (August)

Important read on factory and services momentum

Source: US Treasury, Aug. 20, 2026, based on total US debt outstanding over the past ten years.

Source: Politico, "'Drop in the bucket': Why Wall Street will shrug off Bessent's bond market plans," Aug. 19, 2026.

Source: Bloomberg, L.P., Aug. 19, 2026, based on the 15.23% annualized return of the S&P 500 Index since January 2021.

Source: Bloomberg, L.P., Aug. 19, 2026, based on the option-adjusted spread of the Bloomberg US Corporate Bond Index.

Source: Bloomberg, L.P., Aug. 19, 2026, based on the S&P 500 Equal Weight Index.

Source: Bloomberg, L.P., Aug. 19, 2026, based on the operating earnings of the companies in the S&P 500 Index.

Source: Bloomberg, L.P. The 10-year US Treasury rate began the year at 3.74% and peaked at 4.99% on October 19, 2023.

Source: US Bureau of Labor Statistics, based on the yearly percent change in the US Consumer Price Index, which peaked in June 2022.

Source: Bloomberg, L.P., Aug. 19, 2026, based on the 26.26% return of the S&P 500 Index in 2023.

Source: Bloomberg, L.P., Aug. 19, 2026, based on the 30-year US Treasury yield on Aug. 17, 2026.

All investing involves risk, including the risk of loss.

Past performance does not guarantee future results.

Investments cannot be made directly in an index.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

Artificial intelligence (AI) technology companies are sensitive to specific risks such as small markets, business cycle changes, economic growth, technological progress, obsolescence, and regulation. These companies may have limited products, markets, resources, or personnel, making their securities more volatile, especially for smaller start-ups. Rapid technological changes can adversely affect their results. AI companies often rely on patents, copyrights, trademarks, and trade secrets to protect their technology, but there's no guarantee these protections will be sufficient. Significant research and development (R&D) spending doesn’t ensure product or service success.

A bear market is an environment in which stock prices are falling, and widespread pessimism causes the stock market’s downward spiral to be self-sustaining.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes US dollar-denominated securities publicly issued by US and non-US industrial, utility, and financial issuers.

The Consumer Price Index (CPI) measures the change in consumer prices and is a commonly cited measure of inflation.

Credit spread is the difference in yield between bonds of similar maturity but with different credit quality.

Earnings per share (EPS) refers to a company’s total earnings divided by the number of outstanding shares.

Fixed income investments are subject to the credit risk of the issuer and the effects of changing interest rates. Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa. An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer’s credit rating.

Investments focused on a particular industry or sector are subject to greater risk and can be more impacted by market volatility than more diversified investments.

Market breadth is a concept used in technical analysis to gauge the direction of the overall market by examining the number of companies advancing relative to the number of companies declining.

In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic, and political conditions.

Inflation is the rate at which the general price level for goods and services is increasing.

Option-adjusted spread (OAS) is the yield spread that must be added to a benchmark yield curve to discount a security’s payments to match its market price, using a dynamic pricing model that accounts for embedded options.

The price-to-forward-earnings ratio (forward P/E) is a stock valuation metric that divides a company's current share price by its estimated future earnings per share (EPS).

Many products and services offered in technology-related industries are subject to rapid obsolescence, which may lower the value of the issuers.

The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

Purchasing Managers' Indexes (PMI) are based on monthly surveys of companies worldwide and gauge business conditions within the manufacturing and services sectors.

References to specific companies aren't buy/sell recommendations.

The S&P 500® Equal Weight Index is the equally weighted version of the S&P 500® Index.

The S&P 500® Index is an unmanaged index considered representative of the US stock market.

Treasury Inflation-Protected Securities (TIPS) are US Treasury securities that are indexed to inflation.

West Texas Intermediate (WTI) is a type of light, sweet crude oil that comes from the US.

The opinions referenced above are those of the author as of Aug. 21, 2026. These comments should not be construed as recommendations, but as an illustration of broader themes. Forward-looking statements are not guarantees of future results. They involve risks, uncertainties, and assumptions; there can be no assurance that actual results will not differ materially from expectations.

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