# Why Treasury Yields Are Rising—And What Comes Next

Charles Schwab · Will Daniel · 2026-09-02 · English original

## Key takeaways

• Treasury yields have pushed higher as markets respond to a more hawkish Fed, still-elevated inflation, solid nominal growth, and long-running fiscal concerns.

• Treasury buybacks may offer some near-term relief, but the program appears too small to meaningfully reverse the forces driving yields higher.

• Higher yields can pressure stocks and long-term bonds, so investors may want to be patient before aggressively adding longer-maturity fixed income exposure.

Long-term Treasury yields have continued their march higher in recent weeks, lifting borrowing costs for consumers and pressuring equity markets. It's a trend that has spooked investors and drawn attention from Washington. Late last month, the Treasury Department even announced plans to expand its buybacks of long-term government debt in an attempt to bring yields down.

However, despite the Treasury's efforts, yields have continued to rise. Several factors—such as a hawkish Federal Reserve, persistent inflation, and mounting fiscal concerns—continue to fuel a major Treasury market sell-off. This has raised questions about whether the recent rise in yields has further to run and what, if anything, might ultimately reverse it.

## Why Treasury yields are rising

With the 10-year yield nearing 4.8% and the 30-year yield recently touching its highest level in nearly two decades, investors have plenty of reasons to be uneasy. But the biggest catalyst behind the recent rise in yields is relatively straightforward.

"Most of the move up appears to be driven by a hawkish Fed and a higher expected short-term rate," said Collin Martin, head of fixed income research at the Schwab Center for Financial Research.

With inflation proving difficult to tame, Federal Reserve officials have struck an increasingly hawkish tone in recent weeks. Chairman Kevin Warsh reinforced that message at the late-August Jackson Hole Economic Policy Symposium.

"While this summer's [inflation] readings were better than expected, they do not tell me that underlying trends have meaningfully improved," said Warsh. "We must be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do."

Investors' expectations for a September rate hike moved up sharply after Warsh's comments. On Wednesday, futures trading priced in a nearly 67% chance of a rate hike at the Fed's next meeting, according to the CME FedWatch Tool. That's up from the roughly 35% odds seen just a week earlier.

However, while Warsh's Jackson Hole speech—and recent hawkish comments from other Fed officials—

may have helped drive yields higher of late, Martin said the move makes sense given the broader economic backdrop.

"Treasury yields might not be a problem that needs to be fixed. They are indicative of the economic environment we're in," he explained, noting that nominal economic growth has remained robust and inflation remains well above the Fed's 2% target.

To his point, although there have been some signs of labor market cooling, nominal economic growth came in at 6.6% in the second quarter, while the personal consumption expenditures price index rose 3.7% from a year ago in July.

"The yield curve should be positively sloped given a Fed funds rate that seems to be at neutral or slightly accommodative and a resilient economy," Martin explained. "In short—yields don't appear too high given economic fundamentals."

Other forces have also put upward pressure on yields, though they vary in how much they explain the recent move. Some are relatively new developments, while others have been building for years.

Renewed military conflict between the U.S. and Iran has helped drive oil prices higher once again this week, reigniting inflation fears and lifting government bond yields worldwide. A massive wave of corporate borrowing to fund AI infrastructure has also added fuel to the fire by potentially pulling capital away from Treasuries.

Meanwhile, fiscal concerns have been mounting for years, pushing the term premium—or the extra return investors demand for the risk of holding Treasuries over the long-term—gradually higher. The term premium on a 10-year zero coupon bond, for example, hit 0.88% this month, well above the negative or near-zero figures seen during and immediately after the pandemic. However, this long-term trend doesn't appear to be a key driver of the recent rise in long-term yields, according to Martin.

## Can the Treasury's intervention slow or halt yields' rise?

The Treasury Department plans to at least double the size of its buybacks of long-term government debt to $4 billion per operation beginning this month, and Treasury Secretary Scott Bessent left the door open to larger repurchases. The announcement initially pushed Treasury yields lower, but the relief proved short-lived.

That muted response highlights the limits of what the Treasury may be able to accomplish through the program. "The Treasury's intervention could serve as a short-term fix, possibly limiting how high long-term yields can rise, but it isn't necessarily a solution," said Martin.

He noted that the Treasury's buybacks of long-term government debt remain small relative to the roughly $32 trillion Treasury market.

Treasury officials have also floated using cash held in the Treasury General Account (TGA) to finance additional buybacks rather than issuing new short-term debt. But officials haven't said how much of the roughly $950 billion cash balance they might be willing to use. Martin said that even using funds from the TGA may not be enough to meaningfully restrain yields, and more aggressive intervention could backfire by undermining confidence in the Treasury market, potentially sending yields even higher.

## Where yields could go from here

Predicting where yields will go from here is nearly impossible. It would require accurately forecasting everything from the path of the economy and inflation to Fed policy and the conflict in the Middle East. Still, Martin sees the balance of risks firmly tilted in one direction for now.

"There appears to be more upside than downside with long-term Treasury yields, given the hawkish Fed, strong nominal growth, inflation uncertainty, and lingering fiscal concerns," he said, noting that "upside may be somewhat limited, however."

Martin explained that although inflation remains stubbornly above the Fed’s 2% target, it's still well below its post-pandemic highs. "And any Fed rate hikes appear more likely to be modest adjustments to get the disinflationary process back on track rather than the start of an aggressive hiking cycle," he explained.

## What higher yields mean for investors

Higher Treasury yields can create headwinds for equity markets and the broader economy. Rising borrowing costs tend to weigh on consumer spending and business investment, while more attractive yields on relatively safe government debt can pull capital away from stocks.

For bond investors, however, higher yields present both opportunity and risk. But while today's yields may look attractive, Martin cautioned against adding long-term bonds while the risk of further yield increases remains.

"We do not believe now is the time to aggressively add long-maturity bond investments to a portfolio just yet," he said. "Long maturities mean higher interest rate risk, so any additional upside in long-term Treasury yields would likely result in steeper price declines for bonds with long maturities than for those with short- or intermediate-term maturities."

Importantly, fixed income investors will likely have plenty of time to add long-term bonds paying high yields in the current environment. "We expect many Treasury yields to hold in this elevated range for the near term, so investors likely won't miss the opportunity," Martin said.

## Explore more topics

Fixed income investments are subject to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications, and other factors.

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