

Global fixed income perspective

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The long and short of it

Key points

- The market's focus shifted sharply from short-term policy rate expectations to rising long-term bond yields as the U.S. Treasury Department announced a surprise move to stem the tide.
- The Treasury's plan to boost short-term bill issuance to fund repurchases of longer-term bonds might pressure yields lower over the near term, but we see risks it drives them higher over the long run.
- The decision to intervene now, at a point when the 30-year yield is high, but arguably not that high by historical standards, is a curious one. With the trend of rising global sovereign yields now stretching into year six, a technical intervention appears unlikely to change the fundamental story.

We have kept our focus on rising global long-term government bond yields in recent months, even as much of the market's focus seems to have been pinned on central banks and what they may, or may not, do with short-term policy rates.

But the ongoing rise in long-term yields moved front and center in August, most notably attracting the attention of the U.S. Treasury Department and its secretary, Scott Bessent. In a surprising move, Bessent announced that the Treasury's liquidity-support buyback program for 10- to 30-year Treasury bonds—initially launched back in 2024—would see its quarterly operations “at least” double in size, implying an annual total of \$64 billion or more. While the exact terms are still unclear, we think the likely goal is to further reduce the outstanding supply of long-dated bonds, funded by increased issuance

of short-term Treasury bills. As a result, the program will not affect the total U.S. debt outstanding, only the composition of maturities.

We see a number of potential problems with this sort of intervention. At best, it could put a soft cap on yields, but it may also open up a can of worms that could be self-defeating and drive yields higher over the long run.

The uncertainty and reduced communications under U.S. Federal Reserve Chair Kevin Warsh have already pushed term premiums on longer-dated bonds—or the implied yield investors demand to buy those bonds—higher since his tenure began in May, and a more “activist” Treasury intervening in markets could add upward pressure to those very term premiums as well, in our view.

We think it's also curious that Bessent chose now as the time to focus on

Fixed income views

Region	Gov't bonds	Corp. credit	Duration
United States	—	—	1–3
Canada	+	—	3–7
Continental Europe	—	—	3–7
United Kingdom	—	—	3–7

+ Overweight; = Market Weight; – Underweight
Source - RBC Wealth Management

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All values in U.S. dollars and priced as of market close, Aug. 31, 2026 unless otherwise stated.

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higher Treasury yields. As the chart below shows, the 30-year Treasury yield is certainly the highest in nearly two decades, but at roughly 5.2% it remains well shy of averages seen prior to the 2008 global financial crisis. Should yields keep rising, that could put pressure on him to deliver even more.

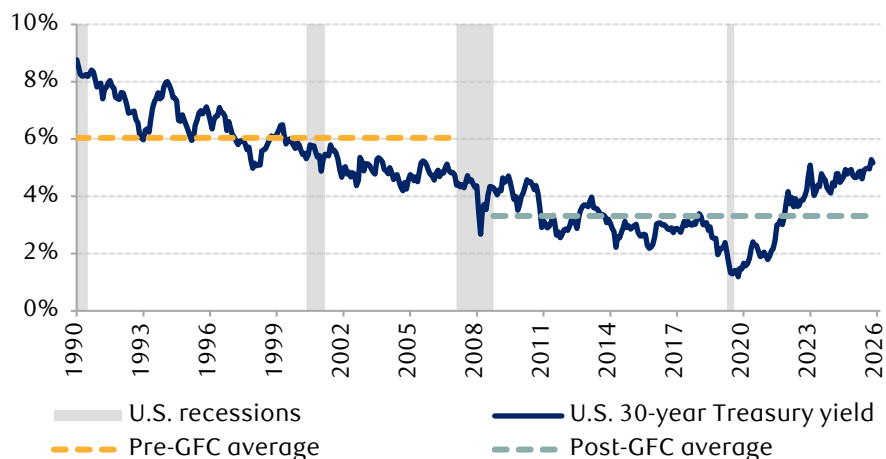
Most importantly, we think the U.S. Treasury is at risk of fighting a global war on bond yields it simply lacks the firepower to win. Germany, France, the UK, and Japan, among others, have all seen their long-dated bonds reach multi-decade highs this

year, and the drivers of the rise are fundamental: debt burdens, deficits, deglobalization, de-dollarization, etc. Tweaking the supply of bonds against an uncertain demand backdrop can't be expected to seriously offset those dynamics, in our opinion.

Where does it end? As we have noted in recent months, the rise in long-term bond yields has been both persistent and durable, now stretching into year six since the historic lows in the summer of 2020. Until we see changes in economic fundamentals, we think the tendency toward higher long-term interest rates can persist.

Rising yields: Concerning, or simply a return to “normal”?

30-year Treasury yields before and after the global financial crisis

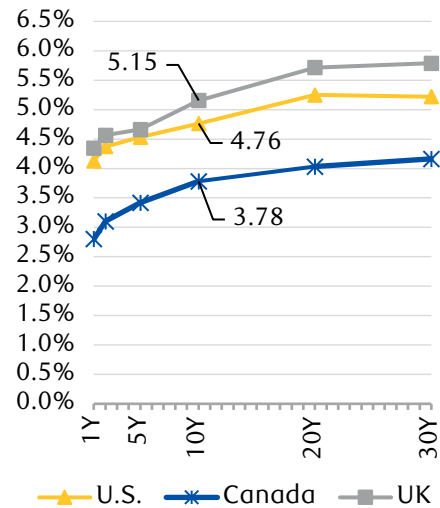


GFC = global financial crisis.

Source - RBC Wealth Management, Bloomberg

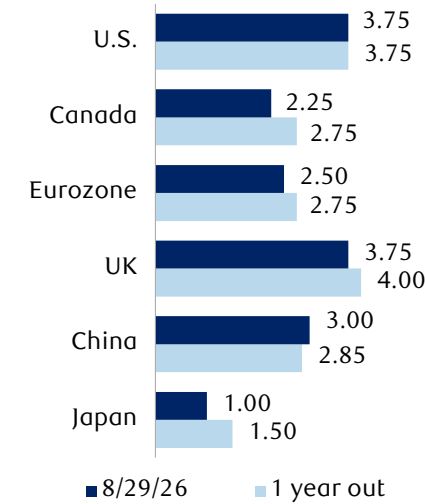
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Sovereign yield curves



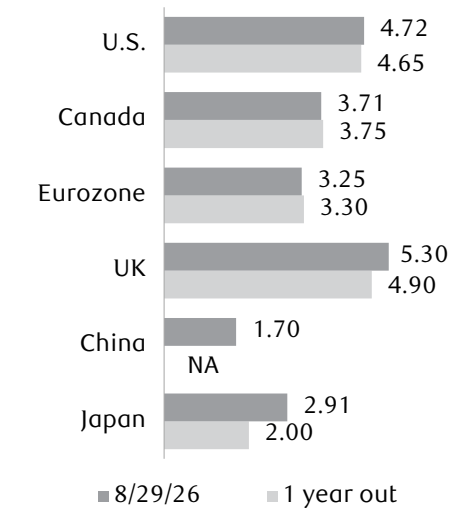
Source - Bloomberg; data through 9/8/26

Central bank rates (%)



Source - RBC Investment Strategy Committee, RBC Capital Markets forecasts, Global Portfolio Advisory Committee, RBC Global Asset Management

10-year rates (%)



Note: Eurozone utilizes German Bunds.

Source - RBC Investment Strategy Committee, RBC Capital Markets forecasts, Global Portfolio Advisory Committee, RBC Global Asset Management

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