BOND MARKETS · SEPTEMBER 2026

Bond markets are sounding an alarm

Ten and thirty year yields are rising across America, Europe and Japan at the same time, and borrowing is getting more expensive across the board

The US thirty year is at **5.25 per cent**, and before this year it had not been above 5.2 since **2007**.

It reaches mortgages, consumer finance, corporate refinancing and government debt, on an economy that is already stretched. A surge of this kind has the potential to drive **far deeper consequences across the globe**, from recessions to corrections across asset classes.

Amar Harolikar, ACA
Decision Sciences & Applied AI

Data through **4 September 2026** · 16 pages

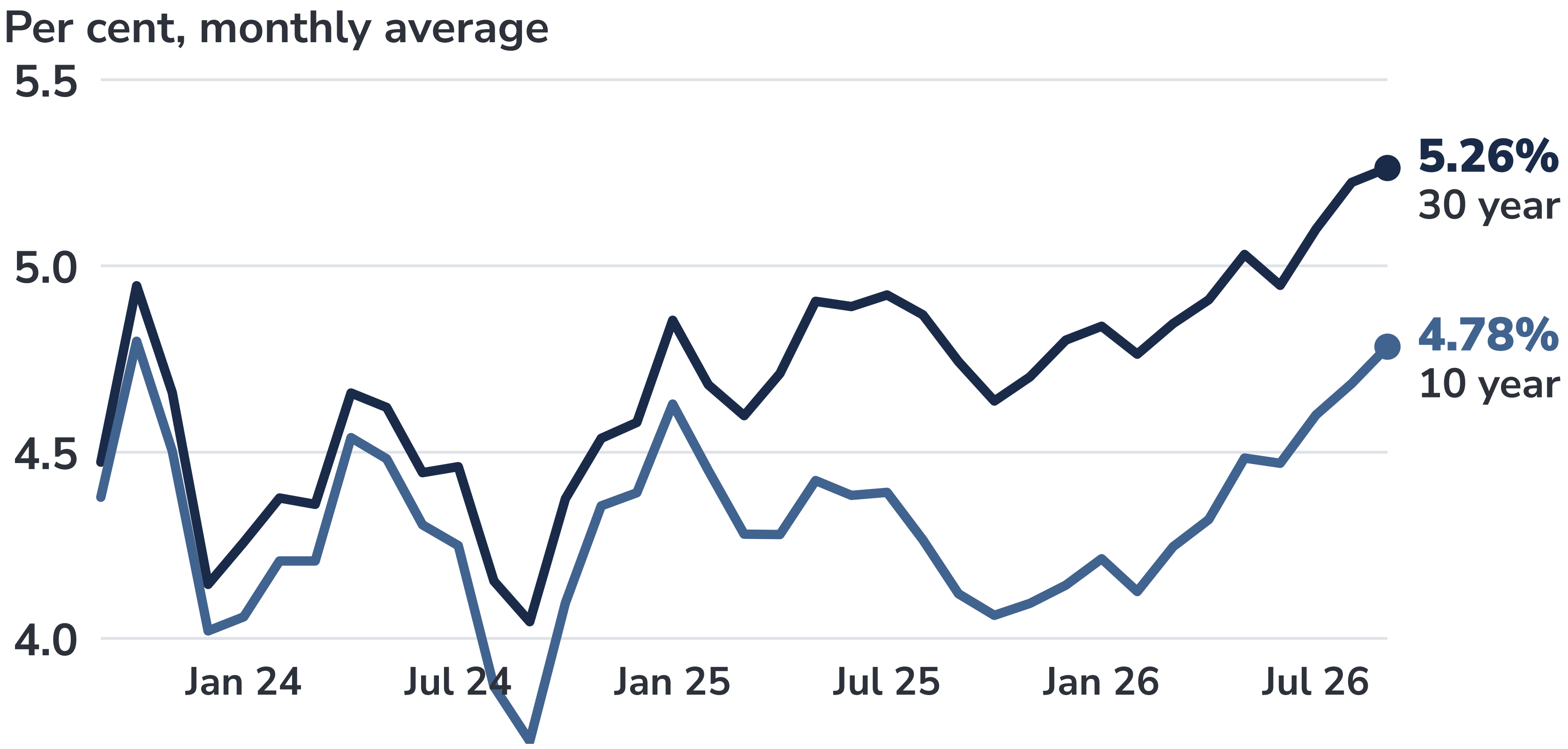
The whole thing in six lines

- **Everywhere at once.** Long term government bond yields have been rising in the United States, the United Kingdom, Germany and Japan at the same time
- **The gap.** Since the Fed started cutting, the US ten year is up 106 basis points and the thirty year is up 122, while the Fed cut its own target range by 175
- **Who sets what.** The Fed sets the short rate and the market sets the long one, and it is the long one that mortgages and corporate borrowing follow
- **Three forces.** Inflation that may be structurally higher, an oil shock, and buyers stepping back from government debt
- **Who pays.** It reaches borrowers of every kind, households and companies and governments, and the AI data centre build, which is financed on debt
- **Not a straight line.** The long end has climbed and reversed twice in three years, so this is a rising floor, with reversals along the way

WHAT IS HAPPENING

Long money is getting dearer

The US ten year is at 4.79% and the thirty year at 5.27%. The ten year is back where it stood in October 2023, and it got there while the Federal Reserve was cutting.



US Treasury yields, ten and thirty year. Chart: ours, FRED series via TREMOR

These two rates set the floor under a mortgage, a corporate bond and a project loan. When they move, everything with a long life reprices behind them.

The last two cuts: 29 October 2025 and 10 December 2025, both 25 basis points, taking the target range to 3.50% to 3.75%. There has been no cut since, and at the July 2026 meeting three members wanted a rise.

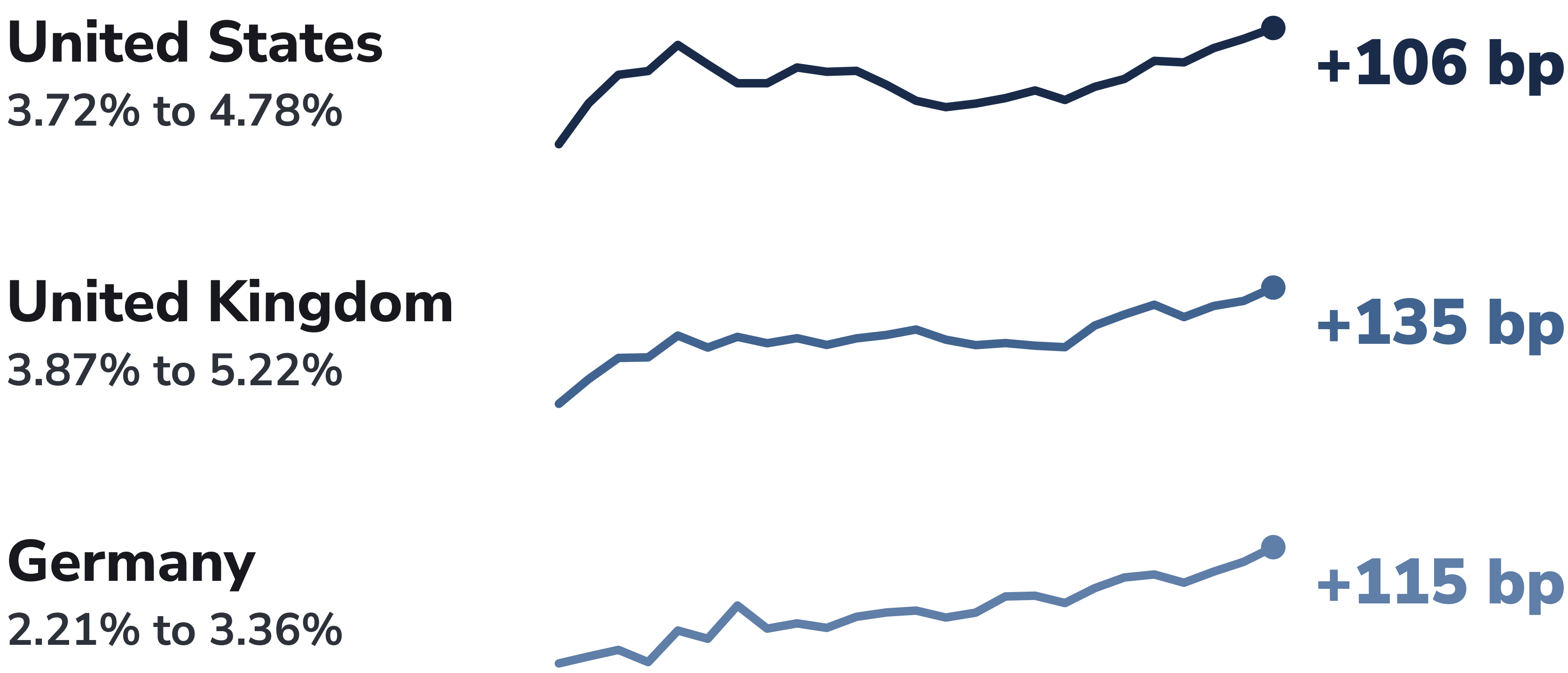
SOURCES Yields ours, FRED series via TREMOR, daily to 3 September 2026. Rate decisions from the Federal Reserve

AND IT IS NOT ONLY AMERICA

The same move, three markets

The major developed bond markets have moved the same way at the same time. That makes a purely American explanation unlikely.

Each line runs September 2024 to September 2026, the same window thr



Ten year government bond yields, each scaled to its own range. Chart: ours. US from FRED, UK from the Bank of England, Germany from the Bundesbank, all via TREMOR

CNBC reports Japan above 3% for the first time since 1996, the UK gilt at a post-2008 high and the German Bund at levels last seen in 2011.

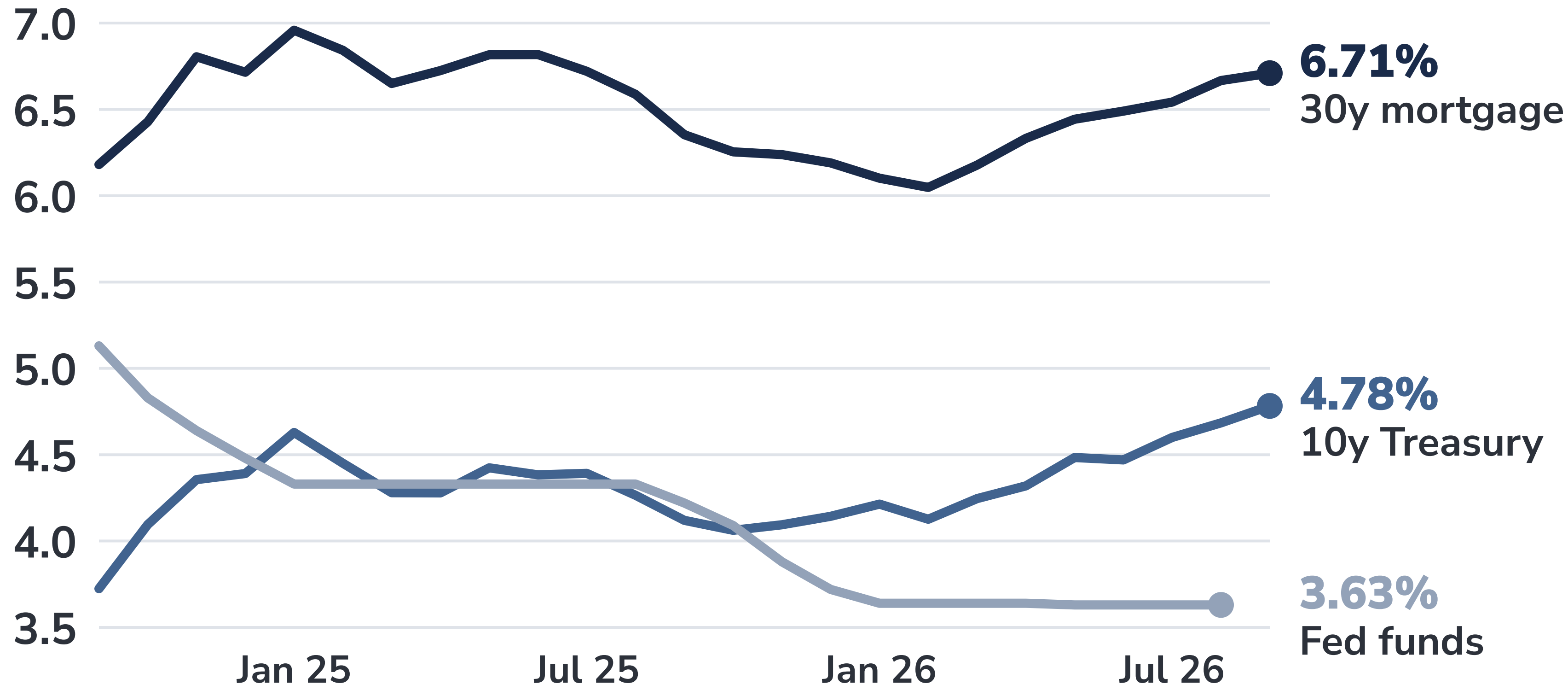
SOURCES US, UK and Germany ours via TREMOR. Japan from [CNBC, 4 September 2026]

THE TRANSMISSION

The cut did not reach the borrower

A central bank cuts so that the cheaper money travels down the curve and reaches the rates households and companies actually pay. Since September 2024 the Fed has cut its target range by 175 basis points. The mortgage rate went up.

Per cent, monthly average, from the month the Fed started cutting



Fed funds, the ten year and the thirty year mortgage, from the month the cutting began. Chart: ours, FRED series via TREMOR

> **The Federal Reserve sets the overnight rate. Ten and thirty year money is priced by the market, and the market has moved the other way.**

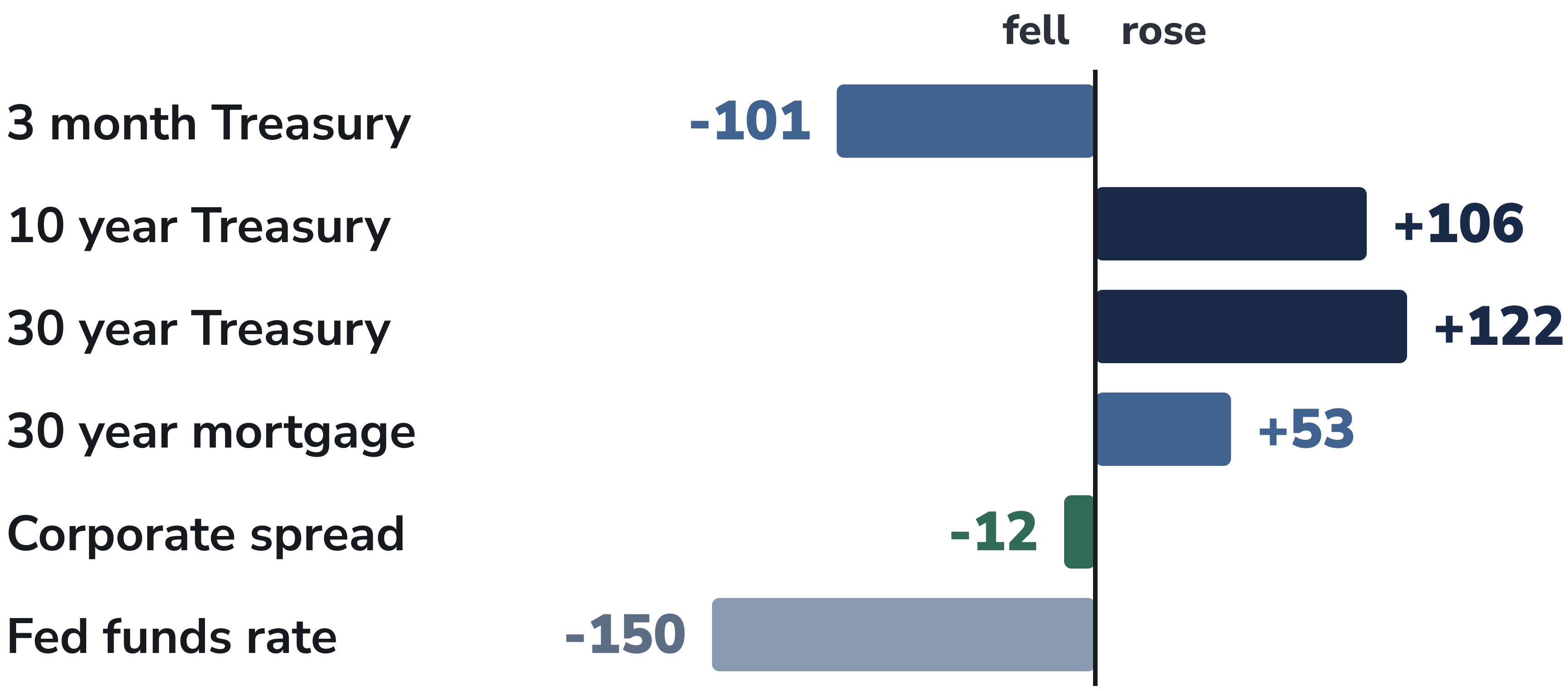
SOURCES Ours, FRED series via TREMOR. The mortgage rate is the Freddie Mac survey, weekly to 3 September 2026

WHAT CHANGED

One measure went the other way

The extra yield companies pay over their government has narrowed while long term borrowing costs rose. That reads oddly next to rising delinquencies and private credit markdowns.

United States, change since September 2024, basis points



Short money got cheaper. Long money got dearer

The credit spread is **Moody's Baa against the ten year**. Fed funds is the **effective** rate, which moves less than the target range

The OECD looked at this. Corporate fundamentals did improve, **and on their own they do not explain it**. Government debt itself got riskier, which lifts the benchmark the spread is measured against, and bonds got easier to trade as index funds and trading firms grew, which shrinks what buyers charge for liquidity.

SOURCES Chart ours, FRED series via TREMOR. Interpretation from the [OECD Global Debt Report 2026]

WHY · PART ONE

Several things are pushing at once

No single cause explains this. Three forces are working at the same time.

01 Inflation may be structurally higher

A pivot away from globalisation and towards protectionism, geopolitical tension, trade tariffs, industrial reshoring and higher defence spending. Investors read these as durable pressures, and the Fed itself is split. At its July 2026 meeting it held rates on a 9 to 3 vote, and all three dissenters wanted a rise.

Emma Moriarty, CG Asset Management, via CNBC · FOMC minutes, July 2026

02 Oil

Brent jumped after the United States and Iran traded strikes and has been trading around 95 dollars against an August average of 88. Oil feeds into transport, food and manufacturing, so a jump lifts expected inflation right along the chain.

CNN · Brent front month via TREMOR

SOURCES CNBC, 4 September 2026 and FOMC minutes, July 2026

WHY · PART TWO

The third one, and a check on it

03 The buyers are stepping back

Norway's fund proposes cutting Treasuries from 34.1% to 21.9% of its bond holdings. Mohamed El-Erian says issuance from governments, hyperscalers and companies now exceeds what you can count on in reliable buyers, and that this is more about imbalance than about inflation.

Mohamed El-Erian · Norges Bank Investment Management

A different view on the third one

If foreign official buyers were walking away from dollar assets, that would explain a lot. The New York Fed tested it. The dollar's share of official reserves did fall from 64% to 56% over ten years, but they find that is a handful of large holders, with the broad cross section of countries largely unchanged.

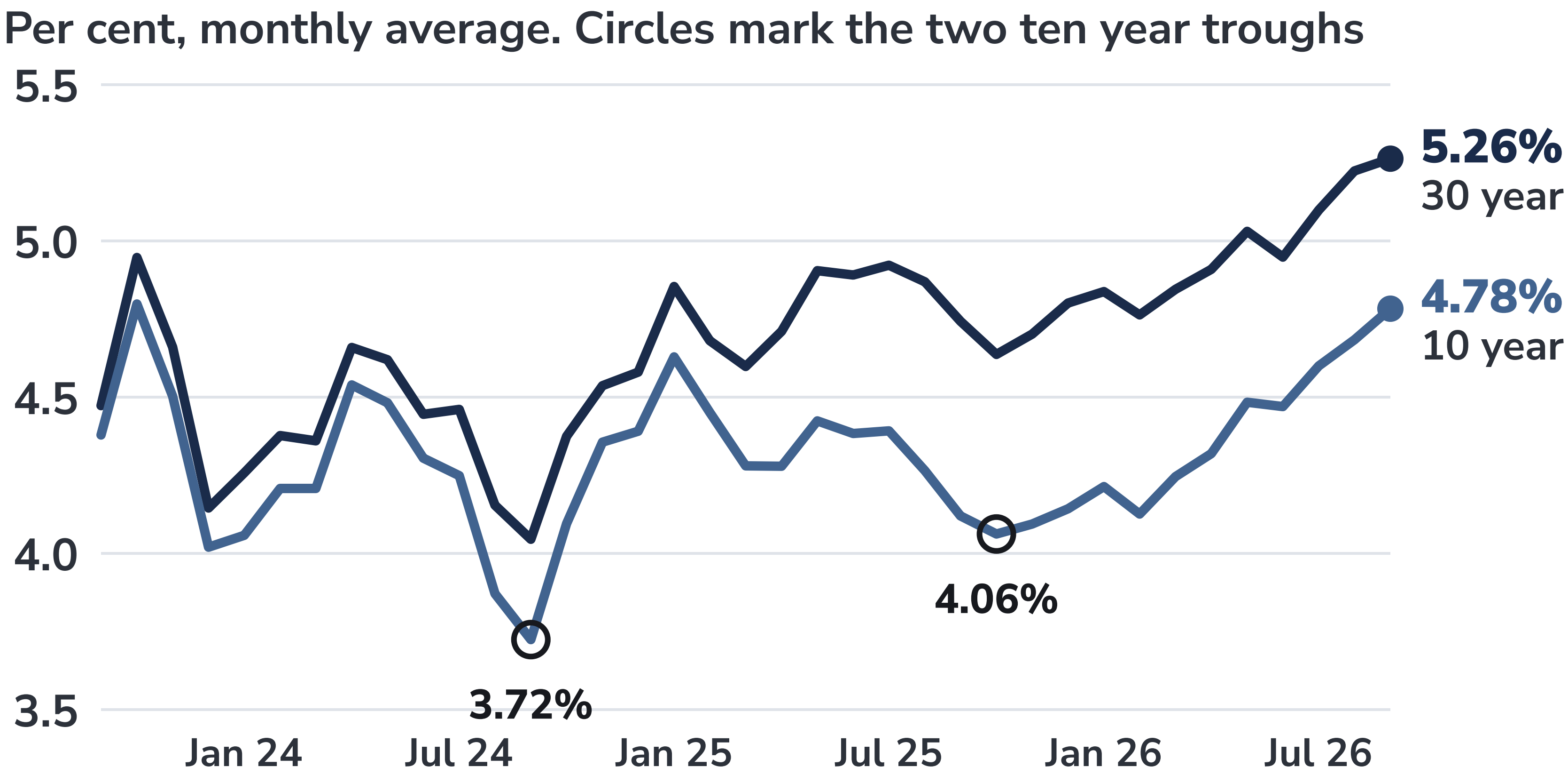
Federal Reserve Bank of New York

SOURCES Norway, CNBC 4 Sep, El-Erian, CNBC 4 Sep and Liberty Street Economics

THE CAUTION

It has turned twice before

This is the third climb in three years, and the first two both reversed. What has changed is the floor each one starts from.



US Treasury yields, ten and thirty year, monthly average. Chart: ours, FRED series via TREMOR

The ten year bottomed at 3.72% in September 2024 and at 4.06% in October 2025. The thirty year bottomed at 4.04% and then 4.64%. This pattern holds for the long maturities and not for the two year, whose second trough was lower than its first, because the two year tracks what the Fed is expected to do rather than the cost of long money.

SOURCES Ours, FRED series via TREMOR. All of these are free to download at tigzig.com under TREMOR

WHO PAYS · PART ONE

Households

Higher long yields pass into mortgages, car loans and other household credit, and the burden is not shared evenly. A household already spending a large share of its income on debt feels a higher payment immediately. A household with savings earns more on them.

> *"That long end of the curve is really important because it drives the cost of capital, not just for companies, but people with mortgages, the housing market."*
>
> **Larry Holzenthaler** · senior portfolio manager, Catalyst Funds

It arrives slowly, as fixed rate loans mature and people refinance. If it pushes spending down at the lower end, the effect spreads into the wider economy.

SOURCES Mortgage rate ours, FRED series via TREMOR. Quote from CNBC, 3 September 2026

WHO PAYS · PART TWO

Companies

When a bond matures, a company either repays it or issues a new one in its place. Where it borrows again, the new debt is priced at whatever the market charges that day. So a higher long yield reaches a company slowly, and then in one step when a large maturity arrives.

The OECD counts **59.5 trillion dollars** of corporate debt outstanding at the end of 2025, and a record **13.7 trillion** raised during the year alone.

> *"The pressure points are the most leveraged ones that are accustomed to free money."*
>
> **Masahiko Loo** · State Street Investment Management, on commercial real estate, private equity backed companies, direct lending portfolios and lower quality software businesses

Smaller companies feel it sooner. They carry more floating rate debt than large ones, so their interest bill climbs along with the market as it moves.

SOURCES OECD Global Debt Report 2026 and CNBC, 3 September 2026, where the small caps point is Thomas Browne of Keeley Teton Advisors

WHO PAYS · PART THREE

And the AI build is financed on debt

The OECD puts planned capital spending by the nine hyperscalers at 4.1 trillion dollars between 2026 and 2030. Capital spending by every non-financial company in the United States came to just over 3 trillion in 2025. Private credit is expected to supply 800 billion dollars of the AI build over four years.

> *"You have an enormous amount of debt being issued to fund different AI projects, and the issuers of that debt are fairly price insensitive."*
>
> **Larry Holzenthaler** · senior portfolio manager, Catalyst Funds

1. That borrowing competes with governments and other companies for the **same buyers**
2. And at a higher rate, a data centre has to **earn more to be worth building**. Some will not

This is where the two stories meet.

The AI valuation case rests on cash flows arriving from 2028, and the build that is meant to produce them is being financed at a rate that keeps going up.

SOURCES OECD Global Debt Report 2026 and CNBC, 3 September 2026

WHO PAYS · PART FOUR

Governments

Sovereign debt loads are already high, and every maturing bond refinances at the new rate. Japan carries government debt above 200% of its economy, with debt service estimated at more than a quarter of government spending this fiscal year.

A government that pays more to service its debt has less to spend on everything else, or it borrows more, which brings it back to the same market. Emerging markets running twin deficits are exposed twice over, because higher global yields lift their borrowing costs and their funding risk together.

> *“The most vulnerable sovereigns are those combining large fiscal deficits, elevated debt burdens and reliance on external capital. France stands out among developed markets.”*
>
> **Masahiko Loo** · senior fixed income strategist, State Street Investment Management

SOURCES CNBC, 3 September 2026

MY READ

Why this combination worries me

The bond market is sending a very strong message.

What concerns me is the combination. Yields that keep climbing, oil higher again, inflation that may be structurally higher, and an AI build financed on debt. It arrives on an economy already under pressure, on employment, on layoffs, on delinquencies and charge-offs, and on private credit.

And on top of all of it, valuations that in 145 years have been higher only at the dot-com peak.

A surge of this kind, with everything else already in place, has the potential to drive far deeper consequences across the globe, from recessions to corrections across asset classes.

In the market since before the dot-com boom, through both crashes. Ex derivative trader (full time, proprietary account).

EARLIER

My previous analyses

Each pressure behind this story has its own piece.

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VALUATIONS

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Apr 2026 S&P at an all time high, cracking underneath

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May 2026 Private credit. A market for lemons

Aug 2026 US banks, 2.8 trillion committed to non-banks

CONSUMER AND BANK CREDIT

Jun 2026 US credit unions at GFC era loss rates

Jun 2026 Unemployment is 4.3%. What sits underneath it

THE AI BUILD

Jun 2026 The BIS red-flagged the AI boom

Aug 2026 A correction in AI valuations looks more likely

All of my analysis, free to read **tigzig.com/analysis**

SOURCES

Where all of this comes from

Federal Reserve	FOMC minutes, 28 to 29 July 2026
New York Fed	Are central banks moving out of dollar assets?
OECD	Global Debt Report 2026, corporate debt market outlook
CNBC	The higher rate era and who pays, 3 Sep
CNBC	The structural inflation argument, 4 Sep
CNBC	El-Erian on the sell-off, 4 Sep and Norway cutting Treasuries, 4 Sep
CNN Business	Global bonds sell off as Middle East conflict escalates, 1 Sep
Our own data	FRED, Bank of England and Bundesbank, via tigzig.com → TREMOR

The series in these charts, free to download **tigzig.com → TREMOR**