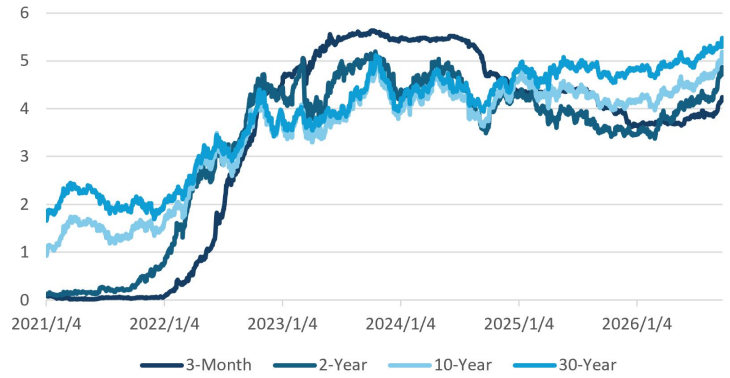
U.S. Treasury Outlook & Investment Implications

October 7, 2026

Key Takeaway

- The Fed raised rates in September as markets expected, yet long-term Treasury yields remained elevated. This suggests the pressure on the long end is structural rather than purely monetary.
- Persistent fiscal deficits are a key driver, as Treasury's current reliance on T-bills is unlikely to last. Markets expect heavier long-dated issuance ahead, pushing up the term premium investors demand.
- Large-scale AI-related borrowing by hyperscalers adds further bond supply. These corporate bonds compete directly with Treasuries for the same fixed-income demand.
- Treasury's expanded long-end buybacks signal concern over rising yields, but their scale is too small to shift the market. Without addressing the underlying deficit and supply outlook, such measures cannot reverse the upward trend.

U.S. Treasury Yield Curve Dynamics (2021-2026)



Source: FRED, Commercial Times, MacroMicro

US 10Y Treasury Yield vs Gold Price (2000-2026)



Investment Implications

- US Bonds — Deploy in tranches over 3–6 months to avoid auction supply risks. Short-Duration: Lock in ~4.8% risk-free yield with high liquidity. Long-Duration (7–10Y+): Lock in peak yields for future capital appreciation
- Gold — Buy on Dips: Accumulate during pullbacks caused by high Treasury yields to capture long-term structural tailwinds from central bank demand and sovereign debt risks.
- Crude Oil — Trim on Rallies: Reduce exposure into geopolitical spikes rather than holding long term, as prolonged high interest rates threaten global economic demand.

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