Global Matters Weekly

24 August 2026

Bessent buys bonds

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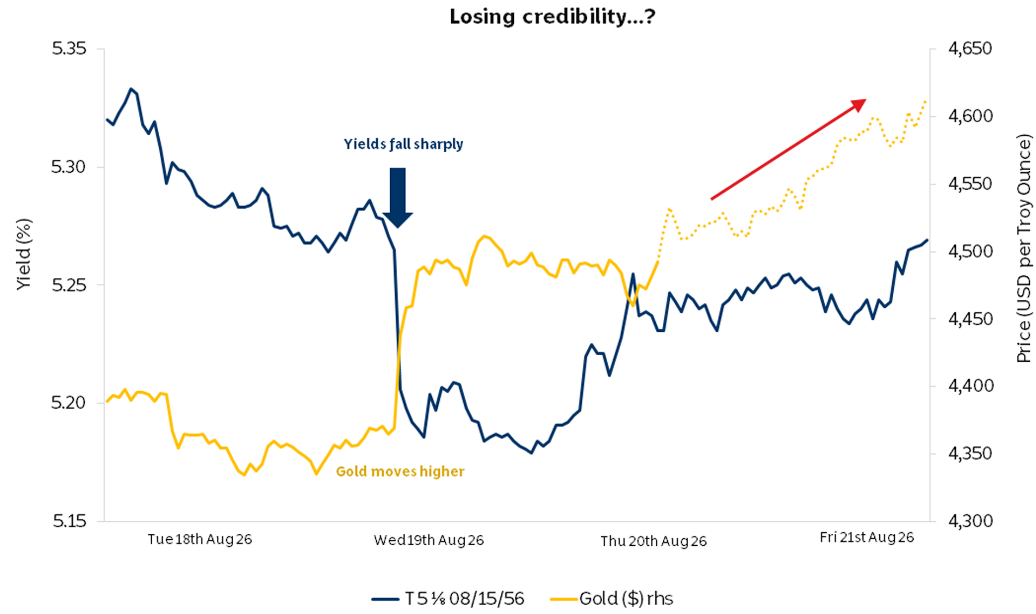

Source: Momentum Global Investment Management, Bloomberg Finance L.P. Data to 21 August 2026.

What does the chart show?

The chart shows the yield of the 'on-the-run' 30yr US treasury bond and the gold price in US dollars. The 'on-the-run' bond is the most recently issued bond for a given maturity, in this case 30 years. The bond it replaced will join other 'off-the-run' issues which, because they are traded less actively and offer less liquidity, tend to trade at a small discount (=higher yield) to the 'on-the-run' issue. The data is shown intraday (at 30-minute intervals) to show the evolution of the bond yield/gold price through each of the four trading days shown. On 19th August the yield of the 30yr bond fell sharply (for a long bond) from 5.27% to 5.19% whilst the gold price jumped concurrently. This followed the announcement by the Treasury Secretary, Scott Bessent, to double the Treasury's scheduled $2bn buybacks of longer dated (20-30yr) US treasury bonds. Following Wednesday's fall in yields, which due to the inverse relationship between yield and price saw the 30yr bonds gain sharply on the day, the market then sold off on the realisation that doubling the four-times-a-quarter buybacks was not going to move the needle on the outstanding amount of long dated US debt, and also the fact that new, shorter dated bonds and bills would neutralise these debt purchases. The sell off pauses when Secretary Bessent says on 20th August that the operation could be larger than the previously stated doubling to $4bn. At this juncture yields oscillate before edging higher on Friday, but Gold never retraced lower; it only continued to gain – 5.5% over the full week.

Why this is important

This chart is about two things. Creditworthiness and credibility. Gross US federal debt recently surpassed $40 trillion and with an average coupon of approximately 3%, this amounts to over $1trn in debt service costs (interest) each year – over $3bn a day. With a budget deficit sitting close to 6% of GDP, at a time of robust economic growth and low unemployment, the US fiscal trajectory looks both increasingly unsustainable and profligate. There is no question of the US reneging on its debt, but investors demand a higher yield to compensate for the risk that its worth diminishes, through both a weaker US dollar and inflation resulting from higher import prices and any monetization of the debt. The initial move higher in gold on Tuesday can be attributed in part to the dollar's move lower, but its subsequent gains owe more to issues of credibility than creditworthiness. The Treasury Secretary's shifting narrative, from 'doubling' one day to 'could be larger' the next, was taken by the market as a sign that Treasury policy lacked rigour. Just when investors needed a firm hand, they were offered a wavering one, and although yields and the dollar stayed relatively in check through Friday, the ascending price of gold signalled international investors are losing confidence in both the Treasury's ability to mediate in markets, and this administration's commitment to fiscal responsibility.

At Momentum we don't own a lot of US treasury bonds directly in our multi asset portfolios today having chosen through the course of the last year to diversify what government bonds we do own, and to shorten the average maturity of the US treasury bonds we retained. The shortest maturity bonds we still own (2031s) have outperformed the longest we sold (2054s) by almost 5ppts (percentage points) over the last six months. At some point we will want to add back to those positions, but the chart suggests we may not be there yet.

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Important notes

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