

Why rates are likely to keep climbing — and what it means for the bonds you may already own

Recently, I flew out to Key West in the Florida Keys, and before takeoff I did what I always do: checked the weather report — wind, ceiling, visibility. That same discipline, reading the instruments instead of the mood of the moment, is what I ask of a client when they ask me why their bond portfolio "isn't behaving the way they expected" right now. Let me walk through the three questions you raised, plainly.

1. Why rates are likely to keep rising

The yield on the 10-year US Treasury note passed 5% in mid-September 2026, its highest level since 2007, according to market data compiled by Bloomberg. Yield is simply the annual return an investor earns on a bond, accounting for both the interest paid and the price paid to acquire it.

Three headwinds are pushing in the same direction. The first is inflation: renewed conflict in the Gulf pushed oil above \$100 a barrel, and on September 11 the US Bureau of Labor Statistics' core consumer price report came in above expectations. The second is the fiscal deficit: the US government has issued nearly \$2 trillion in new debt so far this fiscal year, with a deficit running around 6% of GDP. The third is quieter: technology companies are issuing corporate debt at an accelerated pace to fund AI data centers, and that competition for capital is also pushing yields higher, according to UBS estimates.

Treasury Secretary Scott Bessent announced an expanded long-bond buyback program in August, in amounts between \$4 billion and \$6 billion. Against \$40 trillion in outstanding debt, that is like trying to change a cargo plane's heading by pushing on the wing with your hand. The market noticed — yields kept climbing after the announcement.

With all three forces active at once, I don't see a solid reason to expect rates to fall soon. What I can tell you is that environments like this rarely reverse overnight.

2. What this means for the bonds already in your portfolio

This is where I reach for golf with clients, because most people grasp it right away. If you bought a bond with a fixed 4% coupon and the market now demands 5% on comparable bonds, your older bond is worth less today on the secondary market — no one will pay you the same price when they can buy a new one paying more. It's like landing your approach shot only to find the pin moved: your shot no longer points where it used to.

That is the short-term effect, and it's real if you have decided to sell that bond today. But if you can hold it to maturity, you collect the agreed coupon and get your principal back in full,

regardless of what happens to its market price in between. A bad hole today doesn't change your final scorecard if you finish the round as planned.

Over the long term, there's a side to this that rarely makes the news: every new bond you buy — or every coupon you reinvest — is now earning a higher rate than it would have a year ago. For a client building income toward retirement, that isn't bad news. It's, literally, more future cash flow for the same dollar invested today. Patience and strategic rebalancing — trimming what's gone up to buy what's now cheaper — remain the most reliable tools I know for navigating cycles like this one.

It is also important to remember that fixed income portfolio should be designed with the primary objective of generating consistent income, regardless of short-term fluctuations in the market value of its underlying holdings. Different stages of the economic cycle, as well as geopolitical developments and changes in monetary policy, may inevitably cause bond prices to move up and down over time. However, those price fluctuations do not alter the portfolio's fundamental role of providing a steady stream of income and helping support the overall stability of your investment strategy.

3. How serious the debt problem is, and what the market isn't saying out loud

US public debt passed \$40 trillion this year. That's a striking number, but on its own it doesn't tell you whether there's panic. For that, I look at two other instruments: credit default swaps and the MOVE index.

A credit default swap is, in essence, insurance against a debt issuer defaulting. If the cost of that insurance rises, it means the market is starting to charge more to protect against a default. The MOVE index, meanwhile, measures expected volatility in the bond market — something like the VIX, but for interest rates instead of stocks. So far, neither shows signs of panic. A 30-year bond auction held on September 10 drew solid demand.

This is where I reach for a nautical image, because it feels like the most honest one: the surface of the sea can look completely calm while a strong current moves underneath, and the barometer hasn't reacted yet. The fact that CDS spreads and the MOVE index aren't screaming doesn't mean there's no current running below. My reading is that, for now, the large holders of US debt — pension funds, central banks, insurers — still trust that the US will pay. That trust isn't unlimited or free; it holds as long as the government doesn't keep widening the deficit without restraint.

India's case, interestingly, supports this reading. Its 10-year yield has risen less than the US equivalent despite strong growth, largely because its central bank and fiscal policy have been more disciplined. The lesson I take from that isn't really about India — it's that institutional discipline, not last-minute intervention, is what sustains the confidence of whoever is lending you money, whether that's a government or a family with a mortgage.

Sources cited: US Treasury note yield data and buyback announcements, US Department of the Treasury; market coverage, Bloomberg; core consumer price report, US Bureau of Labor Statistics (BLS), September 11, 2026; estimates on AI-linked corporate debt issuance, UBS.

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