



The Daily Dish

A Sure-fire Cure for Optimism

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Eakinomics took a week of vacation and returned feeling pretty good and borderline optimistic about the outlook. This past week took care of that. Begin with the Treasury auction last Wednesday. According to [Bloomberg](#) the auction of 10-year Treasuries resulted in the highest yield since 2007: “The yield at Wednesday’s sale came in at 4.683%, the most since the global financial crisis.” That’s not great news since interest costs are the fastest growing category of the federal budget and are now the third-largest item in the budget.

On Thursday, the Treasury auctioned 30-year bonds. Good news? Hardly. According to the [Financial Times](#):

The US has paid the highest borrowing costs to sell 30-year bonds since 2001, as investors fret over the country’s mounting debt pile under Donald Trump’s administration as well as inflation that remains stubbornly high.

A \$25bn Treasury auction of 30-year bonds on Thursday drew yields as high as 5.22 per cent, according to the US Treasury department. It marked the highest yield since the 5.52 per cent paid in August 2001, after which 30-year auctions were suspended for almost five years.

The yield on Thursday’s auction compares with 5.06 per cent at the previous 30-year sale in July, and 4.91 per cent just before Trump’s second term began in January 2025.

The FitchRatings firm felt compelled to release a statement late Thursday entitled: [Fitch Affirms the United States of America at ‘AA+’; Outlook Stable](#). Yes, the Treasury retained its AA+ rating. But the statement also contained a sobering section:

Factors that Could, Individually or Collectively, Lead to Negative Rating

Action/Downgrade

-Public Finances: Marked deterioration in the GG debt/GDP level and/or debt service costs, for example due to a failure to address medium-term public spending and revenue challenges or a macro- financial shock.

-Macroeconomic Policy, Performance and Prospects: An erosion in the coherence and credibility of policymaking that materially weakens the benefits of reserve-currency status of the U.S. dollar, thus diminishing the government's financing flexibility.

Let's see. "Failure to address medium-term public spending and revenue challenges"? Check. "Erosion in the coherence and credibility of policymaking"? Check.

The federal budget is the enemy within. It is the greatest threat to the foundations of economic progress, U.S. international economic standing, and national security. The only reason for optimism should be material actions to rein in the sea of red ink. There are no such material actions.