



The Daily Dish

Global Bond Re-pricing

DOUGLAS HOLTZ-EAKIN | AUGUST 19, 2026

The big story yesterday was long-term bonds. As [Bloomberg](#) put it:

Sovereign borrowing rates are surging around the world. Yields on 30-year US Treasuries rose to the highest since 2007 this week, while French borrowing costs hit the loftiest since 2008 and their German peers traded at 2011 levels. Equivalent gilt yields approached 6% in the UK and similar-maturity Japanese ones are close to their all-time high.

The [Financial Times](#) had a fantastic chart summarizing the situation. It is reproduced below:

Long-term borrowing costs have been rising globally
30-year government bond yield (%)



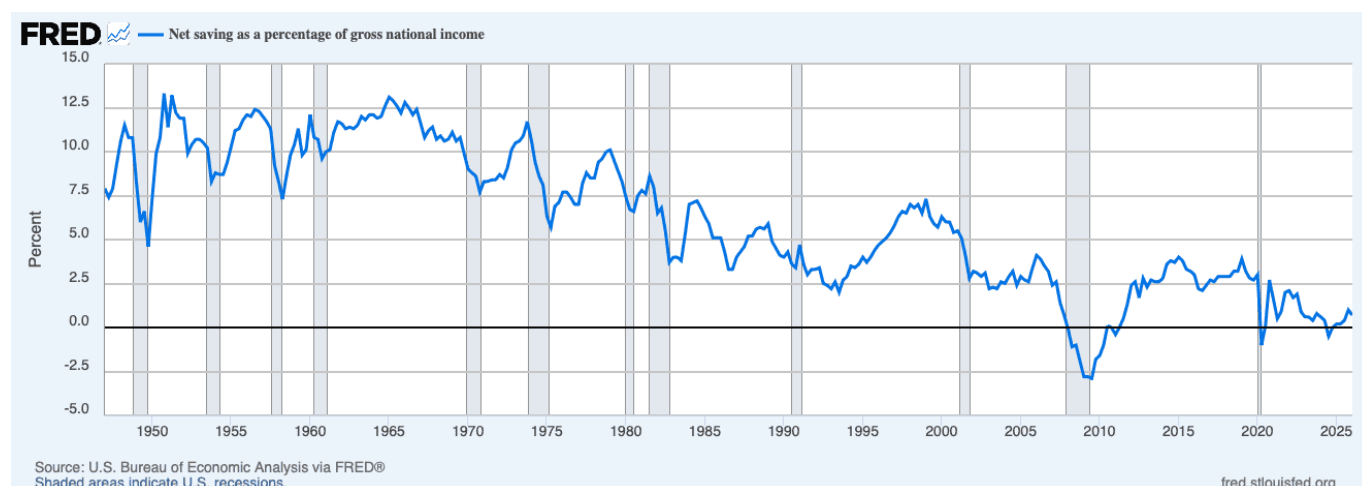
The natural question is: What's going on?

In the United States, the environment has changed. The Federal Reserve is no longer providing forward guidance that it intends to cut rates when the opportunity arises, so long-term investors are pricing in higher rates and more risk. New Fed Chairman Kevin Warsh is also interested in radically reducing the Fed's balance sheet, putting trillions more in Treasury debt on the market.

At the same time, there is a big investment boom that is sucking up all of the available private saving (U.S. investment-grade corporate issuance of bonds has set a record three straight months). The government has to offer higher rates to compete. And the growth prospects mean higher real interest rates, higher inflation, or both. Long rates must rise to accommodate these expected events.

Meanwhile, around the globe governments have large amounts of debt outstanding — the federal government is closing in on a nice, round \$40 trillion — and markets are beginning to wonder if they will ever move to stem the red ink. This is just more upward pressure on long government bonds.

Having said all that, rates are not historically high; they are in line with the pre-2007 levels. But the setting is very different because of the large amount of existing federal debt and the low rate of national saving. As shown below, U.S. national saving is below 1 percent; much lower than in the late 1990s during the dot-com bubble.



So, bond yields are up. But the risk remains that they will rise even further.