BearBull
Global Investments Group

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ECONOMIC RESEARCH – JUNE 2026

INVESTMENT INSIGHT USA

- ✓ **Rising volatility and bond yields**
- ✓ **Investors' sustained enthusiasm for the dollar**
- ✓ **The surprising paradox of the stock market**

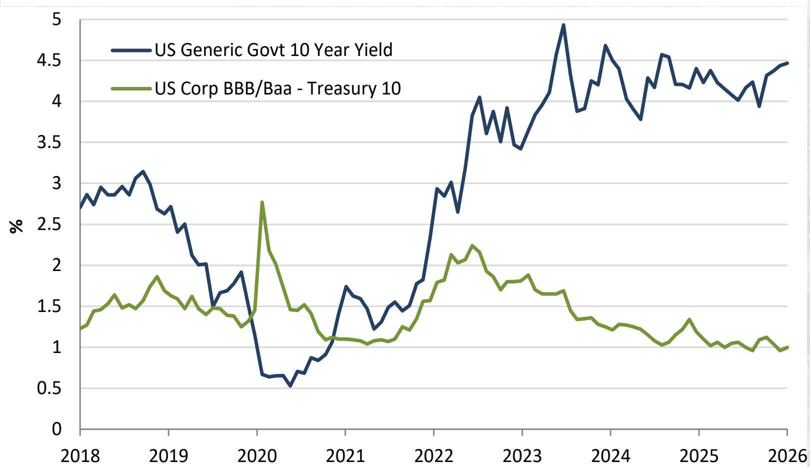
A SURPRISING START TO THE KEVIN WARSH ERA

Rate Tug-of-War Triggers Steep Bond Yield Volatility

The US bond market is locked in a direct conflict that tests the resolve of Fed Chair Kevin Warsh. While a cooling labor market fuels defensive bond buying due to recession risks, persistent core inflation and a hawkish Fed keep pressure on the long end of the yield curve. This volatility has forced a sharp repricing, sending 10-year Treasury yields from 3.95% in March up to nearly 4.7% in May.

T-Bill Carry Trade Starves Long-Term Debt Capital

Investors are aggressively favoring the short end of the yield curve, hiding out in high-yielding Treasury bills to capture a passive carry trade. This massive influx into short-term cash instruments is drying up the liquidity that would normally support long-term bonds. This capital drain creates heavy selling pressure on longer maturities, forcing 10-year yields to trend back toward their historical peak levels of 4.8% to 5.0%.



Sources : Bloomberg, BBGI Group

Macro Stress Spikes High-Yield Corporate Defaults

The Federal Reserve's restrictive status quo is starting to expose deep balance sheet weaknesses across specific corporate issuers. Outside of the booming energy sector, business margins are contracting under the weight of labor market strain and high financing costs. This macro pressure is projected to spike default rates in the high-yield junk bond segment by late summer, driving an institutional rotation into high-quality corporate credit.

Energy Independence Shields the Outperforming Dollar

The global oil shock has exposed a deep structural asymmetry between net energy-importing regions and a self-sufficient United States. While soaring crude oil prices ruin trade balances and weaken currencies abroad, America's position as a top global producer of oil and liquefied natural gas acts as an economic buffer. Higher energy costs reinforce US trade power and directly anchor the surging greenback.

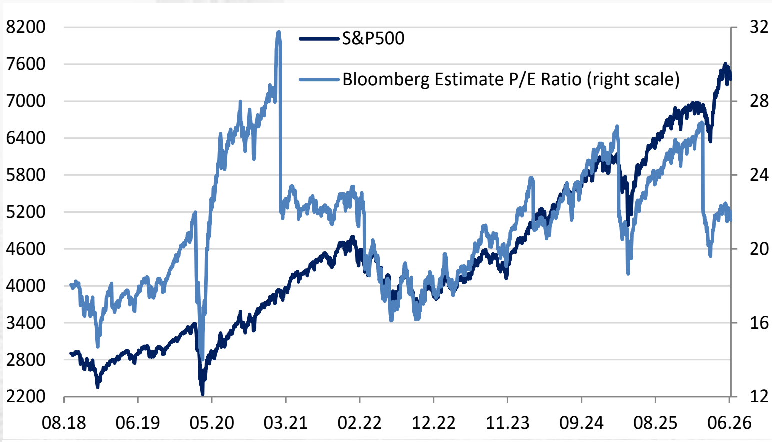
Yield and Safe-Haven Asymmetry Crowns Dollar King

The US dollar is aggressively outperforming all other global currencies, fueled by a perfect convergence of high yields and global safe-haven demand. As alternative international economic blocs show signs of fatigue, the Federal Reserve's hawkish policy stance enables the dollar to offer global asset managers the best of both worlds: the single highest cash yield in the G10 alongside peak geopolitical protection.

International Liquidity Flood Drives Equity Paradox

Despite restrictive interest rates, sticky inflation, and a weakening job market, the S&P 500 is defying logic by hovering near record all-time highs. This market paradox is driven by an influx of global capital that has nowhere else to go; foreign investors are routing cash into US assets as a shield against long-term inflation. Backed by tech giant earnings, indices remain highly inflated despite rich P/E ratios, warranting strict caution.

S&P500 & PE ratio



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