BearBull Global Investments Group

ECONOMIC RESEARCH – MARKET FLASH

CROSS-ASSET RESEARCH

Fixed income

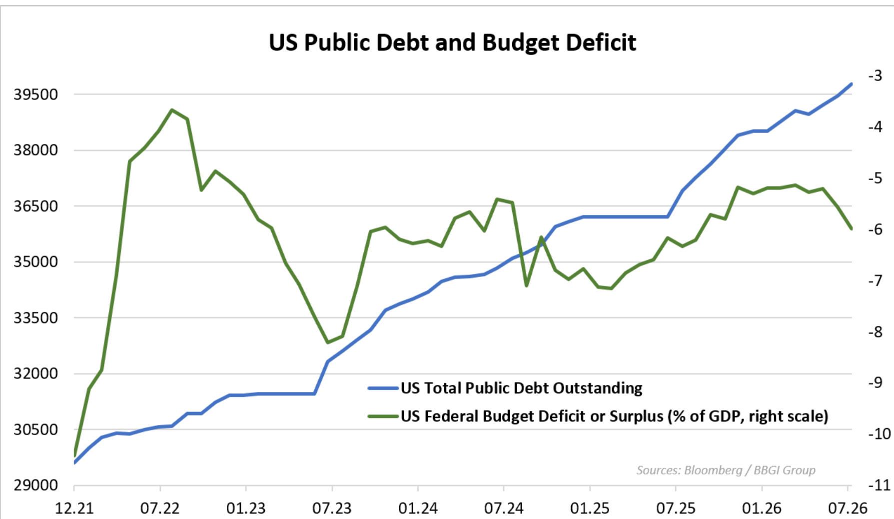
August 20th,2026

BESSENT'S ANNOUNCEMENT IS COSMETIC AND HAS NO LASTING EFFECT

A recession and an asset reallocation will have a greater impact

The Mounting Fiscal Pressure and Erosion of Buyer Confidence

The Long-term Treasury bond yields are currently scaling heights unseen since the 2007 financial crisis, with the 10-year yield hovering stubbornly around 4.75% and the 30-year bond yield breaching the 5.30% threshold. This dramatic upward trajectory is not a random market fluctuation; it is deeply rooted in escalating anxieties regarding the long-term sustainability of the United States fiscal path. With national public debt rapidly approaching the staggering milestone of $40,000 billion and structural annual deficits consistently exceeding $2,000 billion, fixed-income investors are logically demanding a steeper risk premium. They are refusing to lock capital into long-term holdings without substantial compensation.



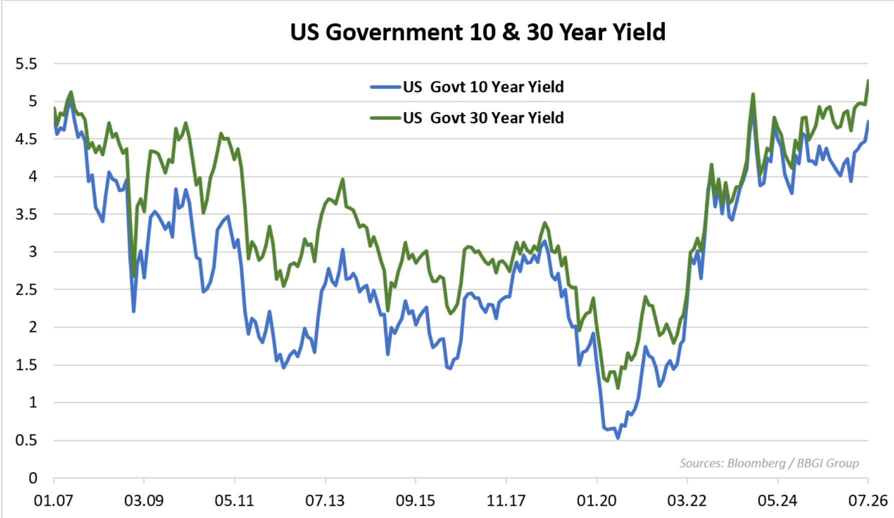
Crucially, this yield expansion extends far beyond traditional fears of stubborn inflation or aggressive Federal Reserve rate hikes. Instead, the core driver is a structural supply-demand imbalance: the sheer, colossal volume of forthcoming Treasury issuances threatens to overwhelm natural market absorption capacity. Adding to this domestic strain, powerful macroeconomic headwinds—including shifting geopolitical alliances and the gradual de-dollarization trend championed by the expanded BRICS nations are actively eroding foreign demand. Major international reserve holders are steadily diversifying away from USD-denominated assets, shrinking the pool of reliable buyers and leaving the U.S. increasingly reliant on domestic absorption under unfavorable pricing terms.

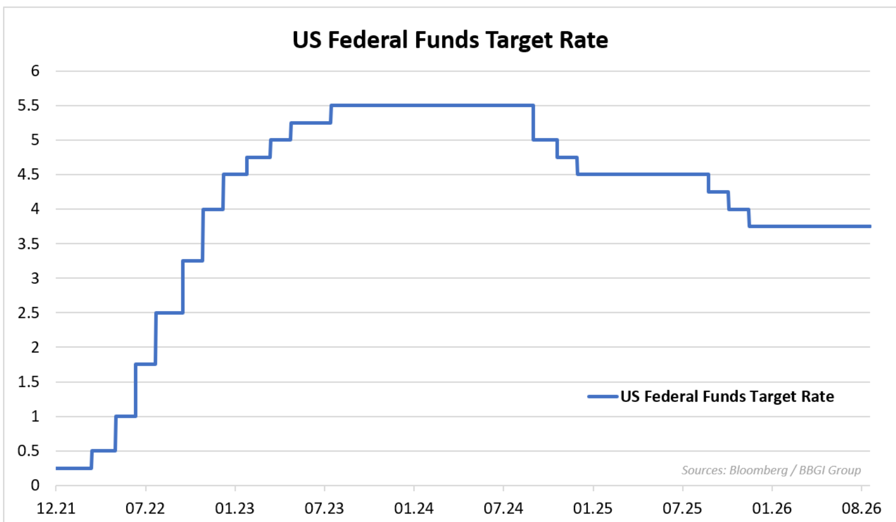
Cosmetic Interventions and the Illusion of Treasury Control

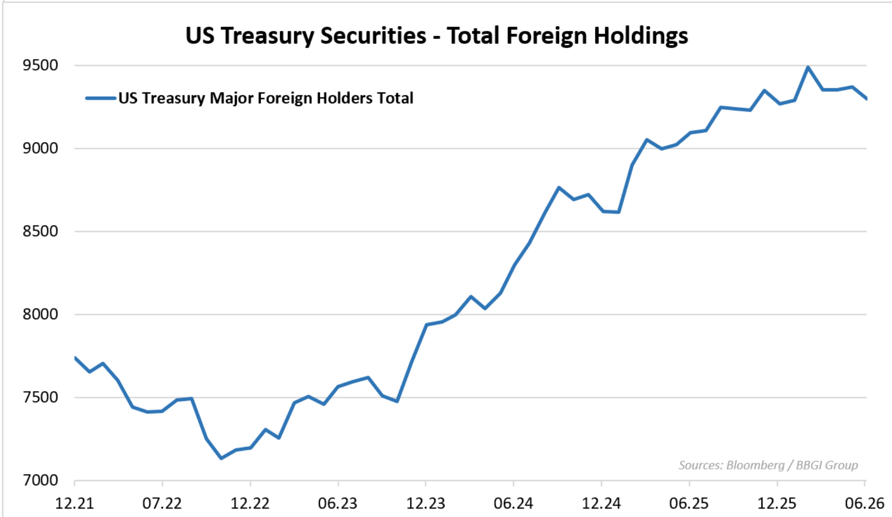
Against this precarious backdrop, recent policy maneuvers from Washington offer little genuine relief. Today's announcement by Treasury Secretary Scott Bessent to step up buybacks of long-term debt has been superficially welcomed by markets as a stabilizing move, but this optimism is fundamentally misplaced. Rather than signaling strength, this aggressive repurchase strategy exposes deep-seated anxiety among authorities that the cost of servicing the national debt is hurtling toward unsustainable territory. While some market participants take comfort in the assumption that the Treasury is actively countering the economic drag of high interest rates, this intervention is largely illusory.

These tactical buybacks do not extinguish a single dollar of actual debt; at best, they offer marginal, short-term relief on carrying costs while forcing reliance on short-term T-Bill issuances. Consequently, this engineering actually increases the Treasury's vulnerability to sudden rate shocks down the road. For such a strategy to achieve permanent efficacy, the scale of buybacks would need to be massive—a financial impossibility under current balance sheet constraints. Even the Federal Reserve has resumed asset purchases only at a glacial pace, expanding its footprint from $6.5 trillion to $6.7 trillion over a seven-month span, underscoring systemic caution.

Ultimately, as long as the underlying political gridlock and structural fiscal deficits remain unresolved, institutional mistrust will keep the risk premium elevated—particularly if inflation reaccelerates. The Treasury's cosmetic measures mirror past efforts deployed alongside institutions like the Bank of Japan to stave off massive liquidations by major foreign creditors. True salvation for the bond market will likely not originate from bureaucratic engineering, but rather from a macroeconomic cooling phase, an incoming recession, and a subsequent flight-to-safety asset reallocation from equities into fixed income.







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