



THE SHULMAN GROUP

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By this point, you have probably seen at least one headline about bond yields this summer. Those headlines have intensified in recent weeks, because bond yields have risen to heights we haven't seen in years.

We don't write about bonds often. Most of the time, they hum along quietly in the background as the backbone of our financial system – however, when Treasury rates move this much, they affect nearly everyone: savers, borrowers, homeowners, and investors.

We've put together a short Q&A. It explains what is happening, why it matters, and what it means for you. If you have only one minute, start with "The Bottom Line" on the next page.

As always, if you have questions, please call or email either of us. We always enjoy the chance to talk with you.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Scott Shulman'.

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P.S. If you know of someone who would benefit from this information, feel free to forward it.

The Bottom Line

- **What's happening:** Interest rates on U.S. government bonds are at their highest levels since 2007.¹
- **Why it matters:** These rates help set what you pay on mortgages and loans, and what you earn on savings.
- **The big picture:** Rates are high compared with the last 15 years, but close to normal compared with the decades before that.
- **What we're doing:** We are not making changes based on headlines. Your plan is built around your goals, not the news.
- **What you can do:** Higher rates can create both costs and opportunities for your cash, borrowing and income. Let's talk about how they affect you.

Q: Why are we talking about bonds now?

A: Bond yields (we'll explain what they are in a moment) have been rising quickly for months. In May, the yield on 30-year Treasury bonds hit their highest level since 2007, and while they dipped for about a month afterward, they have climbed even higher since. The yield on 10-year Treasury bonds recently hit 19-year highs, too, reaching over 5.2% on September 28th.¹

These spikes may be behind some of the volatility in the stock market, and a flurry of action in Washington.

Q: What is a bond, and what is a yield?

A: A bond is a loan. When you buy one, you are lending money to a government or company. In return, they pay you interest on a set schedule and pay back your money at a set date.

A bond's yield is the return you earn on it, based on the price you pay.

Here is the key idea: bond prices and yields move in opposite directions. Imagine you own a bond that pays 3% interest. Then new bonds start paying 5%. No one will pay you full price for your 3% bond when they can get 5% elsewhere. So the price of your bond has to fall until it offers buyers a competitive return. Lower price, higher yield.

That is why you may hear "bond prices falls" and "yields rose" on the same day... it's the same news.

Q: Why do Treasury yields matter so much?

A: Treasuries are loans to the U.S. government. The government borrows to cover the gap between what it spends and what it collects in taxes. Roughly \$1 trillion worth of Treasuries are bought and sold every day,² and the total market is worth nearly \$30 trillion.³

The U.S. has long been seen as the most reliable borrower in the world. So Treasury yields act as a **benchmark**. Other lenders start with the Treasury rate and then charge more for taking on more risk. When Treasury yields rise, borrowing costs tend to rise almost everywhere:

- **10-year Treasuries** heavily influence mortgage and car rates.
- **2-year Treasuries** influence short-term personal and business loans. They also hint at what the market expects the Federal Reserve to do next.
- **30-year Treasuries** reflect how investors feel about the long-term health of the economy, and influence what other borrowers pay on their long-term bonds.⁴

Not All Rates Follow Treasuries

The **Federal Funds Rate**, set by the Federal Reserve, also plays a big role. It is the rate banks charge each other for overnight loans. When the Fed raises it, as it did on September 16 to fight inflation,⁵ the **prime rate** usually rises too. That affects credit cards, home equity lines of credit (HELOCs) and short-term CD rates.

Q: Why are Treasury yields rising?

A: There is no single answer, but three forces stand out:

1. **Inflation.** Inflation has been elevated for years, and the Fed has had a hard time bringing it down. The war with Iran has pushed it higher again. Oil prices have flirted with \$100 a barrel, and diesel has averaged more than \$6 a gallon.⁶ That raises the cost of almost everything that is made with oil or shipped by truck. When investors expect inflation, they demand more interest to protect the buying power of their money.
2. **The Federal Reserve.** After years of holding the Federal Funds Rate very low, the Fed is now raising rates to fight inflation.⁵
3. **Government debt.** The national debt passed \$40 trillion in August,⁷ and is growing faster than the economy. When any borrower owes more and more, lenders start asking whether it is still as safe as it used to be. Even for the U.S. government, that can mean higher interest rates.

Yields could come down if some of these pressures ease. But they could also stay high for some time.

Q: Are interest rates actually high?

A: Compared with the last 15 years, yes. Compared with history, not really.

The charts on the following page show the 10-year Treasury yield and the Federal Funds Rate over several decades.^{8,9} After the 2008 financial crisis, rates fell to unusually low levels and mostly stayed there until 2022. Money was cheap, and borrowing was easy.

Today's 10-year yield is still below its long-term average

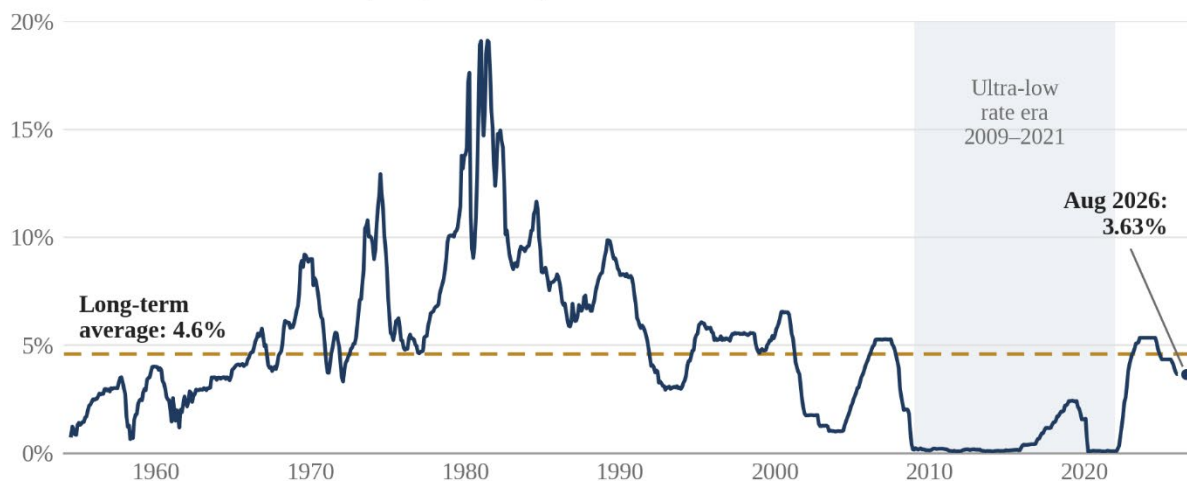
10-Year U.S. Treasury yield, monthly average, January 1962–September 28, 2026



Source: Board of Governors of the Federal Reserve System (US), Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity [DGS10], via FRED, Federal Reserve Bank of St. Louis. Line shows monthly averages of daily yields; final point is the September 28, 2026 close. Long-term average is the mean of daily yields, January 1962–September 28, 2026.

The Fed's key rate is below its long-term average

Federal Funds Effective Rate, monthly, July 1954–August 2026



Source: Board of Governors of the Federal Reserve System (US), Federal Funds Effective Rate [FEDFUNDS], via FRED, Federal Reserve Bank of St. Louis. Average is the simple mean of monthly values, July 1954–August 2026.

Before 2008, rates were usually higher, sometimes much higher. If you bought a home in the 1980s or 90s, your house may have cost less than it does today, but your mortgage rate was probably much higher.

So today's rates may not be a spike. They may, instead, be a return to normal. That is a possibility, not a prediction. If it is true, companies and households that got used to cheap money may need to adjust, and that could slow growth for some businesses.

Q: What does this mean for me?

A: It depends on whether you are saving or borrowing. A few areas are worth reviewing:

- **Your cash.** Moving forward, savings accounts, money market funds, CDs, and Treasury bills may pay more than have recently. If you have a lot of cash sitting in an account that pays little or nothing, it is worth a look.
- **If you plan to borrow.** If you plan to buy a home, refinance, or take out a loan, rates matter more now. Variable-rate debt, like credit cards and HELOCs, can get more expensive when the Fed raises rates.
- **Bonds you already own.** If you own bonds, their prices may have dipped. That is normal when rates rise. If you hold a bond until it matures, you still get your full principal back, as long as the issuer can pay.

None of this calls for a rushed decision, and the right answer depends on your situation. That is exactly what we're here to help with.

Q: So, what are we doing about it?

A: We are not reacting to headlines, whether they are about bond yields, oil, inflation, or anything else. Acting on scary news rarely helps and often hurts. The same goes for excitement. We work just as hard to not get carried away by hot stories, whether it's AI or a surging stock market.

Our investment principles, which we outlined most recently in our July letter, remain:

- We aim to be long-term, goal-focused, plan-driven investors, working over years and even decades toward the attainment of your most important financial goals.
- Our core investment policy is to pursue your goals by investing in a diversified portfolio of companies.
- Unless your goals change, there should be no reason to alter your plan. And if your plan remains in place, so – broadly speaking – will your portfolio.
- ***We do not trade on current events of any kind***, be they economic, financial, or political.
- We believe that the economy cannot be consistently forecast, nor the markets consistently timed. Moreover, we find no predictable pattern in the way markets react to – or choose to ignore – economic developments.
- So, we stay invested in both “good markets” and “bad markets”, to capture the full long-term returns for your portfolio.

These are interesting times to be an investor. Uncertainty can be uncomfortable, but it can also create opportunity. That is why we remain optimistic about your long-term goals and the plan we have built to help you reach them.

We will keep you updated. In the meantime, if you would like to talk through any of the above, please call or email either of us. We are always here for you.

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- ¹ “Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity,” *Federal Reserve Bank of St. Louis*, (Max View), <https://fred.stlouisfed.org/series/dgs10>
- ² “Remarks by Secretary of the Treasury Scott Bessent before the Treasury Market Conference,” *U.S. Department of the Treasury*, <https://home.treasury.gov/news/press-releases/sb0314>
- ³ “Who’s buying U.S. Treasury debt, and why?” *Brookings*, <https://www.brookings.edu/articles/whos-buying-u-s-treasury-debt-and-why/>
- ⁴ “Know your bonds: A quick guide to Treasuries,” *CNN Business*, <https://www.cnn.com/2026/09/10/economy/bond-market-treasury-explained>
- ⁵ “Federal Reserve issues FOMC statement,” *Board of Governors of the Federal Reserve System*, <https://www.federalreserve.gov/newsevents/pressreleases/monetary20260916a.htm>
- ⁶ “U.S. diesel prices soar past \$6 a gallon,” *Associated Press*, <https://apnews.com/article/diesel-prices-record-iran-war-636252b3b82326b41661ee5c4073dadb>
- ⁷ “What is the national debt?” *U.S. Department of the Treasury*, <https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/>
- ⁸ Board of Governors of the Federal Reserve System via FRED, Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity: <https://fred.stlouisfed.org/series/DGS10>
- ⁹ Board of Governors of the Federal Reserve System via FRED, Federal Funds Effective Rate: <https://fred.stlouisfed.org/series/FEDFUNDS>