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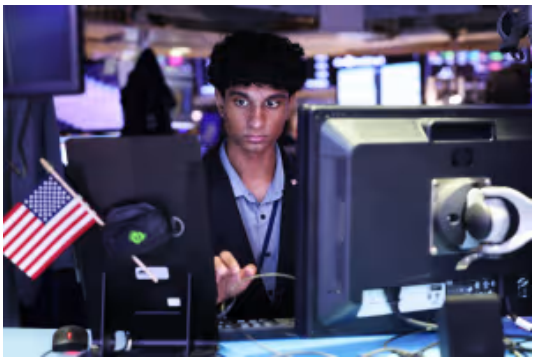
U.S. Treasury Bonds Sell Off as 30-Year Yield Rises Most Since 1982

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Long bonds are getting hit harder than stocks Wednesday morning. (MICHAEL M. SANTIAGO/GETTY IMAGES)

The selloff in U.S. government bonds gathered speed on Wednesday, with the 30-year Treasury yield set to rise the most in more than 40 years as a paradigm shift in trade policy upends the bond market.

Yields on the 30-year government debt were up 0.144 percentage point to 4.858% on Wednesday morning, putting them on pace to gain 0.467 point over a three-day period. If the market closes at current levels, it would be the largest three-day gain since January 1982.

The iShares 20+ Year Treasury Bond exchange-traded fund has dropped 5.9% so far this week, worse than the 1.4% decline seen in the S&P 500 index so far this week.

Higher yields mean bond prices are declining, which isn't typically what happens when stocks are selling off—investors generally buy U.S. Treasuries, considered the safest debt, in times of uncertainty. But despite the turmoil in the financial markets triggered by tariffs, Treasuries have been dumped, particularly those with long durations.

While the 30-year has taken the brunt of the damage, other maturities are getting hit as well. The 10-year yield, at 4.380%, is on pace for its largest four-day gain since the 2008-09 financial crisis.

“Bond Markets In TROUBLE…. This is not what we signed up for,” wrote Andrew Brenner, head of international fixed income at NatAlliance Securities.

Speculation that a chunk of the selling is being conducted by foreign governments is rampant. Emerging market currencies are tumbling, pushing foreign central banks to sell Treasuries and use the dollar to buy their own currency to prop it up. The Japanese yen and the Canadian dollar are also down, as are most European currencies.

The latest Treasury data is for January, and it showed that investors abroad have sold longer-term Treasuries for three consecutive months, with the latest move led by Canada.

Another explanation for the Treasury sales could be that U.S. assets are simply no longer preferred by foreigners given the country’s less than amicable relationship with its partners.

“China may be selling down its Treasury holdings before exchanging its U.S. dollars for gold, or for the currencies of countries with whom it has a less adversarial relationship (Europe? Japan? Commodity producers such as Australia and Canada?),” writes Gavekal Research’s Louis-Vincent Gave. “The fact that some of the biggest downside moves seem to be occurring during Asian hours might support this explanation.”

Other factors include the loss of liquidity from hedge funds unwinding their risky trading strategies. Exceptionally high uncertainty combined with expected higher inflation could also be leading investors to demand better returns. High gaps between U.S. revenue and spending have also penalized the U.S. Treasury market outlook.

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Washington doesn't want this. Treasury Secretary Scott Bessent has time and again made it clear that he wants to lower 10-year rates. The decision is by no means entirely in his hands, but he's done his part by leaving sales of long-term bond steady and communicating plans to keep it that way "for at least the next several quarters."

Higher yields also mean President Donald Trump won't be able to accomplish what he promised during the campaign. He won with the promise to lower the cost of goods and housing, and higher 10-year yields—on which mortgage, credit card, and other consumer rates are based—hamper that goal.

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