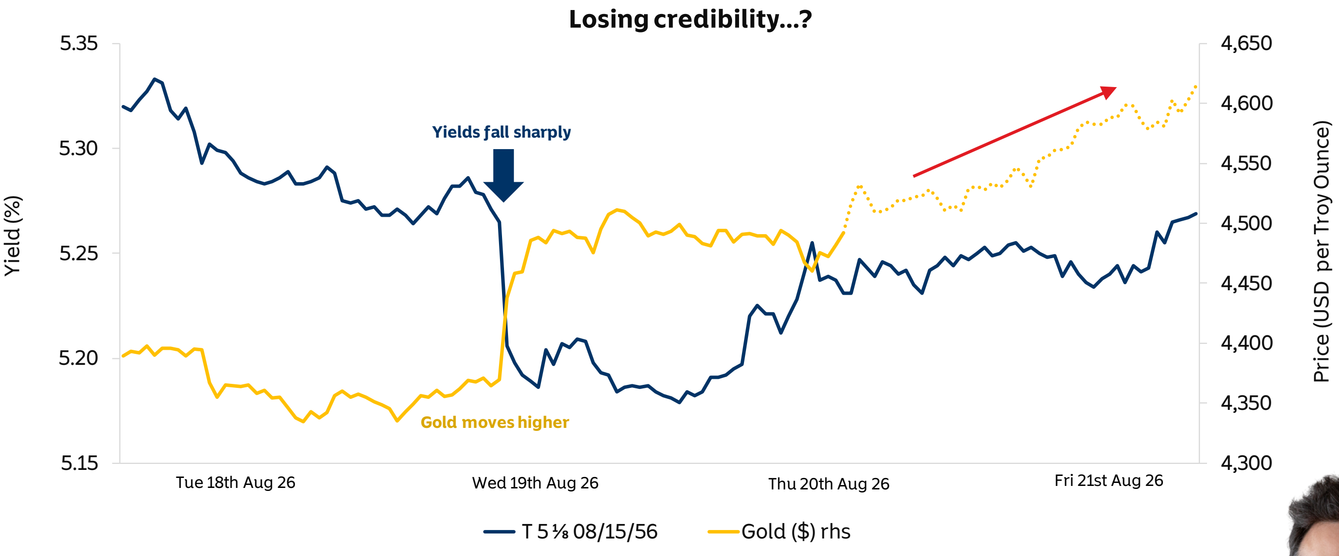
Chart of the Week

24 August 2026

momentum
global investment management



Source: Momentum Global Investment Management, Bloomberg Finance L.P. Data to 21 August 2026.

Bessent buys bonds

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What does the chart show?

The chart shows the yield of the 'on-the-run' 30yr US treasury bond and the gold price in US dollars. The 'on-the-run' bond is the most recently issued bond for a given maturity, in this case 30 years. The bond it replaced will join other 'off-the-run' issues which, because they are traded less actively and offer less liquidity, tend to trade at a small discount (=higher yield) to the 'on-the-run' issue. The data is shown intraday (at 30-minute intervals) to show the evolution of the bond yield/gold price through each of the four trading days shown. On 19th August the yield of the 30yr bond fell sharply (for a long bond) from 5.27% to 5.19% whilst the gold price jumped concurrently. This followed the announcement by the Treasury Secretary, Scott Bessent, to double the Treasury's scheduled $2bn buybacks of longer dated (20-30yr) US treasury bonds. Following Wednesday's fall in yields, which due to the inverse relationship between yield and price saw the 30yr bonds gain sharply on the day, the market then sold off on the realisation that doubling the four-times-a-quarter buybacks was not going to move the needle on the outstanding amount of long dated US debt, and also the fact that new, shorter dated bonds and bills would neutralise these debt purchases. The sell off pauses when Secretary Bessent says on 20th August that the operation could be larger than the previously stated doubling to $4bn. At this juncture yields oscillate before edging higher on Friday, but Gold never retraced lower; it only continued to gain – 5.5% over the full week.

Why is it important?

This chart is about two things. Creditworthiness and credibility. Gross US federal debt recently surpassed $40 trillion and with an average coupon of approximately 3%, this amounts to over $1trn in debt service costs (interest) each year – over $3bn a day. With a budget deficit sitting close to 6% of GDP, at a time of robust economic growth and low unemployment, the US fiscal trajectory looks both increasingly unsustainable and profligate. There is no question of the US reneging on its debt, but investors demand a higher yield to compensate for the risk that its worth diminishes, through both a weaker US dollar and inflation resulting from higher import prices and any monetization of the debt. The initial move higher in gold on Tuesday can be attributed in part to the dollar's move lower, but its subsequent gains owe more to issues of credibility than creditworthiness. The Treasury Secretary's shifting narrative, from 'doubling' one day to 'could be larger' the next, was taken by the market as a sign that Treasury policy lacked rigour. Just when investors needed a firm hand, they were offered a wavering one, and although yields and the dollar stayed relatively in check through Friday, the ascending price of gold signalled international investors are losing confidence in both the Treasury's ability to mediate in markets, and this administration's commitment to fiscal responsibility.

At Momentum we don't own a lot of US treasury bonds directly in our multi asset portfolios today having chosen through the course of the last year to diversify what government bonds we do own, and to shorten the average maturity of the US treasury bonds we retained. The shortest maturity bonds we still own (2031s) have outperformed the longest we sold (2054s) by almost 5ppts (percentage points) over the last six months. At some point we will want to add back to those positions, but the chart suggests we may not be there yet.

Weekly market update

Week ending 21 August 2026

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Higher energy prices and long-term government bond yields challenged risk assets, even as economic activity remained broadly resilient. Diversified investors benefited from balancing equity growth exposure with less correlated regional, defensive and real-asset allocations.

US

- Rising oil prices and renewed concern about the Strait of Hormuz lifted inflation expectations and long-dated Treasury yields, putting pressure on equity valuations, particularly rate-sensitive growth companies.
- The Treasury's decision to expand buybacks of longer-dated bonds briefly lowered long yields and weakened the dollar, but investors remained focused on the need for credible fiscal consolidation.
- Minutes from the Federal Reserve's July meeting showed that many policymakers considered further tightening likely if inflation failed to ease, reinforcing a cautious, data-dependent policy outlook.
- Economic signals were mixed: housing and industrial data softened, while business surveys and jobless claims pointed to continued resilience. Retail earnings also raised questions about consumer momentum.

UK

- Headline inflation rose to 2.9% in July, while core inflation remained firm. The combination of higher energy costs and persistent underlying pressures supported a cautious Bank of England outlook.
- Labour-market data were softer, with payroll employment falling and private-sector wage growth slowing, reducing some pressure on the Bank of England to tighten policy further.
- Gilts outperformed several European sovereign markets after softer employment data, although long-term UK borrowing costs remained elevated against a backdrop of fiscal and inflation uncertainty.
- Consumer confidence improved to its highest level in two years, offering a more constructive signal on household sentiment despite high energy prices and borrowing costs.

Europe

- Germany's August investor-expectations survey improved to its strongest level since February, offering a tentative sign of confidence despite the region's energy and rate pressures.
- Energy prices remained a significant constraint. Higher oil and European gas prices kept near-term inflation risks elevated and weighed both regional equities and sovereign bonds.
- Regional equities came under pressure as higher discount rates and energy costs challenged earnings expectations, with technology and other rate-sensitive sectors particularly vulnerable.
- Long-dated German and French bond yields reached multi-year highs as markets absorbed heavier borrowing needs, fiscal uncertainty and the prospect of inflation remaining above target.

Rest of the World/Asia

- China's July retail sales and industrial production disappointed expectations, reinforcing concerns about weak domestic demand even as authorities retained room for targeted support.
- Japan's economy grew more slowly than expected in the second quarter, but firmer inflation and improving August business surveys strengthened expectations of further Bank of Japan normalisation.
- Asian technology markets were volatile as semiconductor shares sold off sharply before partially recovering, highlighting sensitivity to demanding valuations and uncertainty over returns from artificial-intelligence investment.
- Canada and the United States continue to fight over tariffs with Canadian Prime Minister Mark Carney pushing to apply counter-tariffs on $20B of US products on 8th of September.

Weekly market data

Week ending 21 August 2026

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		Cumulative returns			
Asset Class / Region	**Currency**	**Week ending 21 August 2026**	**Month to date**	**YTD 2026**	**12 months**
Developed Markets Equities					
United States	USD	-1.4%	2.5%	12.7%	21.5%
United Kingdom	GBP	0.7%	0.1%	11.9%	20.2%
Continental Europe	EUR	-0.8%	1.4%	12.7%	19.8%
Japan	JPY	-3.1%	1.6%	20.7%	35.0%
Asia Pacific (ex Japan)	USD	1.0%	3.2%	25.0%	36.7%
Australia	AUD	-0.4%	1.2%	5.9%	3.7%
Global	USD	-1.2%	2.6%	13.1%	21.8%
Emerging Markets Equities					
Emerging Europe	USD	1.1%	5.3%	27.8%	33.9%
Emerging Asia	USD	1.0%	3.5%	27.1%	42.1%
Emerging Latin America	USD	3.0%	-1.6%	14.1%	36.8%
BRICs	USD	1.7%	-0.1%	-5.6%	-2.6%
China	USD	2.9%	0.9%	-6.5%	-4.2%
MENA countries	USD	0.2%	2.7%	1.6%	-0.9%
South Africa	USD	6.7%	14.7%	8.3%	38.5%
India	USD	-0.5%	-0.7%	-12.0%	-10.8%
Global emerging markets	USD	1.2%	3.5%	24.2%	38.9%
Bonds					
US Treasuries	USD	-0.1%	0.3%	-0.5%	1.8%
US Treasuries (inflation protected)	USD	0.1%	0.3%	0.6%	2.2%
US Corporate (investment grade)	USD	-0.2%	0.2%	-0.4%	2.3%
US High Yield	USD	-0.1%	0.8%	2.4%	5.4%
UK Gilts	GBP	-0.2%	0.1%	-1.4%	2.4%
UK Corporate (investment grade)	GBP	-0.2%	0.4%	-0.1%	3.6%
Euro Government Bonds	EUR	-0.4%	-0.4%	-0.9%	-0.1%
Euro Corporate (investment grade)	EUR	-0.3%	0.0%	0.4%	1.1%
Euro High Yield	EUR	-0.1%	0.4%	1.9%	2.9%
Global Government Bonds	USD	0.2%	0.7%	-0.3%	0.5%
Global Bonds	USD	0.1%	0.7%	-0.2%	1.8%
Global Convertible Bonds	USD	-2.1%	2.4%	15.3%	24.4%
Emerging Market Bonds	USD	-0.4%	0.6%	0.9%	5.9%
Property					
US Property Securities	USD	-0.4%	-0.9%	18.4%	20.3%
Australian Property Securities	AUD	-4.3%	-5.5%	-11.9%	-17.9%
Global Property Securities	USD	0.0%	-0.7%	10.0%	12.3%
Currencies					
Euro	USD	1.0%	1.4%	-0.5%	0.6%
UK Pound Sterling	USD	0.8%	1.3%	1.4%	1.7%
Japanese Yen	USD	0.3%	0.3%	-1.3%	-6.7%
Australian Dollar	USD	1.2%	2.1%	7.5%	11.7%
South African Rand	USD	1.2%	3.4%	3.5%	10.9%
Swiss Franc	USD	1.4%	1.0%	-1.0%	0.9%
Chinese Yuan	USD	0.3%	0.5%	4.0%	6.8%
Commodities & Alternatives					
Commodities	USD	4.1%	6.7%	40.9%	47.1%
Agricultural Commodities	USD	2.9%	5.2%	17.5%	12.9%
Oil	USD	6.6%	4.7%	55.1%	39.5%
Gold	USD	5.5%	14.5%	7.1%	38.6%

Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

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