

12-10-2024

WSJ Print Edition

Election and Its Aftermath Driving Large Swings in Yields on Treasuries

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Things are getting political in the \$28 trillion U.S. Treasury market.

Treasury yields, a crucial driver of borrowing costs across the U.S. economy, typically fluctuate with traders' bets on short-term interest rates set by the Federal Reserve.

But their biggest moves lately have been sparked by U.S. election results and President-elect Donald Trump's pick of Scott Bessent as Treasury secretary.

The Dow Jones Industrial Average soared more than 1,500 points the day after Trump's election win, and the S&P 500 rose Friday to close at a record, its 57th of the year.

Treasuries, by contrast, started to rally only after the announcement of Bessent's nomination.

Here is a look at what has been driving the swings in Treasury yields and what that could mean about the road ahead.

Out with inflation

As of Friday, the yield on the benchmark 10-year Treasury note was 4.150%, in the middle of a range that has prevailed since late 2022.

That is when the U.S. central bank was raising interest rates aggressively to tame inflation.

That range, however, is large.

Yields, which move in the opposite direction of bond prices, have swung sharply this year as economic-data releases have sent traders shifting between worries about inflation and fears of a recession.

More recently, inflation has faded as a concern for investors, often doing little to move yields.

Jobs data have remained important. A strong report released in October eased concerns about a recession and sparked a rebound in yields. The latest report, on Friday, showed a small uptick in the unemployment rate and had a more modest impact.

Enter Trump

Now traders say Trump's agenda of mass deportations, higher tariffs, lower taxes and looser regulations could put upward pressure on inflation and interest rates, driving down bond prices and sending yields higher.

Bond-market bets on a Trump victory intensified after a series of good polls for the former president. Yields peaked after the election, but reversed after Trump's pick of the longtime investor Bessent as Treasury secretary.

Wall Street generally views Bessent as a safe pair of hands who could temper Trump's populist impulses.