U.S. Treasury Yields Look Attractive for Long-Term Investors

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By Emese Bartha

U.S. Treasury yields have reached levels attractive enough for long-term investors, as signaled by strong demand at last week's auctions of long-dated Treasurys, said Burke Koonce, chief investment strategist and principal at U.S. wealth manager Trust Company of the South.

U.S. 10- and 30-year Treasury yields reached 24-year highs of 5.365% and 5.733% on Wednesday and Thursday last week, respectively, according to Tradeweb data.

On Wednesday, the Treasury auctioned $39 billion in 10-year notes at a yield of 5.300%, the highest since November 2000, backed by robust demand indicators.

"Last week's Treasury auctions went well, with healthy demand from non-primary buyers, so that's a sign that new buyers are starting to take advantage of these yields that are at multi-decade highs," Koonce said.

He attributed the recent rise in Treasury yields at least in part to a consistently overachieving U.S. economy.

Concerns about high energy prices and inflation have undoubtedly played a role in driving up both interest-rate expectations and sovereign bond yields. However, long-term inflation expectations have remained relatively stable, which suggest that the biggest drivers have come from other factors, including a strong U.S. economy, Koonce said.

"There's been a fundamental repricing of the term premium [the extra compensation investors demand for buying longer-dated over shorter-dated bonds], and generally that's a positive for bond investors."

Fixed income remains a cornerstone for the Trust Company of the South, despite the recent sharp jump in yields.

"We still think of fixed income as ballast for our equity portfolios," he said. "We favor diversified bond funds but we sometimes use Treasurys for clients with specific liquidity or funding needs."

The U.S. wealth manager has some international exposure through bond funds in order to provide global diversification, he said.

Trust Company of the South tends to maintain a slightly shorter duration within fixed income than the broader market, Koonce said. This means less exposure to bonds with high sensitivity to changes in interest rates, which are typically those with longer maturities.

The wealth manager has also been increasing allocations to municipal bonds, allowing clients to capitalize on highly attractive tax-equivalent yields, Koonce said.

In line with the market, Koonce doesn't anticipate that the Federal Reserve will raise rates again as soon as this month. Money markets currently price in a modest 18% probability of a rate hike on Oct. 28, LSEG data showed.

"It doesn't look like we will see a hike this month," he said. Markets have been "getting more hawkish," however, he said. They now price in three quarter-point rate hikes over the coming 12 months.

Koonce expressed surprise that the sharp surge in U.S. Treasury yields during the third quarter didn't cause the U.S. dollar to rally even more.

"I thought it was actually pretty interesting that the U.S. dollar did not strengthen more during the third quarter given the large jump in Treasury yields," he said.

"Oil and the U.S. dollar tend to move in opposite directions because oil is priced in dollars, so with the huge jump in oil prices during the quarter, the dollar didn't move a great deal on a broad trade-weighted basis."

Trust Company of the South had $4.6 billion in assets under management as of September 2026.

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