Handelsbanken

Handelsbanken Wealth

wealthandasset.handelsbanken.co.uk
24 August 2026

US Treasury intervenes

Key takeaways

Last week saw government bond markets shrug off a surprise intervention by the US Treasury amid rising government debt levels, with only UK and emerging market shares making gains.

Bond market turbulence as US government debt passes $40trn

Last week was a gruelling one for US government bond (Treasury) markets. By Monday, the yield on 30-year US Treasuries had hit a 19-year high (5.31%) meaning that prices were at record lows. By Wednesday, US Treasury secretary Scott Bessent announced that the Treasury would “at least double” its buyback operations for longer-dated government bonds (from $2bn to $4bn). This provided a temporary boost to stock and bond markets, and helped Treasury yields to ease, but they subsequently gave up any gains delivered by the Treasury’s intervention.

Bond investors remain uneasy. US government debt has now ploughed past the $40trn mark, with around half of this arising in the last decade. As the cost of repayment continues to rise, markets remain cynical of US fiscal policy and the rising deficit amid a flood of massive bond issuance by the AI hyperscalers.

Investors take flight from US dollar assets

Last week’s moves by the US Treasury helped to fuel a powerful rally in commodities and alternative assets as investors looked to move away from the US dollar and dollar-denominated assets in what’s referred to as a ‘debasement trade’. Gold jumped over 4% on Wednesday, following the Treasury announcement. It booked a third consecutive week of gains, to be more than 12% ahead in August, and on track for its biggest monthly gain this century.

Other precious metals also rallied, as did metal mining stocks, and crypto currencies as investors sought alternatives to dollar exposure. Digital currencies strengthened with Bitcoin gaining 24% over the week. Gold investors and others will be glued to Friday’s speech from Federal Reserve Chairman Kevin Warsh for any signals of a US rate rise at next month’s meeting.

UK inflation ticks up

UK inflation took a noticeable step up from 2.6% in June, to 2.9% in July, well above the Bank of England’s 2% target. The rise was driven mostly by spiralling energy costs linked to the Iran war, with the steepest increase in gas prices for four years. Next month Ofgem, the energy regulator, increases the UK energy price cap by 13% to reflect the rise in commodity prices with expectations of further increases before the year is out.

Elsewhere, the UK suffered a surprise £1.8bn deficit in government spending in July, reflecting ballooning benefit payments, while Friday brought news that UK retail sales fell by 0.5% during the month, the first decline in three months. This, alongside weakening UK labour market numbers and falling private-sector wage growth, means traders are no longer expecting UK interest-rate increases in 2026.

For more in-depth commentary from our investment team, please see our latest Investment Views article and Quarterly Outlook video.

Market moves

Global shares declined due to losses in the US, European and Japanese stock markets.

UK and emerging market shares were the top performers with modest gains.

Both UK and US government bonds suffered losses moving them further ‘into the red’ for the year. Meanwhile, gold rallied strongly to be over 12% in the first three weeks of August.

What to look out for this week

US Treasury secretary Scott Bessent speaks again today, this time to announce details of the ‘economic D-Day’ planned for Iran.

Tuesday brings German GDP data and US consumer confidence numbers, followed by the latest US personal consumption expenditures (PCE) inflation report on Wednesday.

Friday promises Japanese inflation and EU consumer confidence numbers, and a much-anticipated Jackson Hole speech from Federal Reserve Chairman Kevin Warsh.

If you have questions about financial markets, or our investment services, please contact the Marketing team:

marketing.hwam@handelsbanken.co.uk

Important Information