

Singer *Wealth*



The Bond Market Sets the Rules. Not the Fed.

Most people assume the Federal Reserve controls interest rates. I understand why. The Fed gets all the headlines. Every rate decision becomes a news event. But what is happening in the bond market right now tells a different and more important story, one that every investor needs to understand.

The U.S. government needs to refinance \$10 trillion of debt over the next 12 months. At the same time, the war in the Middle East has sent oil prices past \$100 a barrel, reigniting inflation fears. This week, Treasury auctions for two-year, five-year, and seven-year notes all saw weak demand. When demand for Treasuries falls, yields rise. The 10-year Treasury yield has climbed to around 4.4 percent, up from under 4 percent before the conflict began. Bond prices move in the opposite direction of yields. That means people who bought bonds for safety have watched their values fall.

Here is the key insight. The Fed does not unilaterally set long-term interest rates. The market does. When investors lose confidence, when inflation fears rise, when the government needs to borrow enormous sums, they demand higher yields to buy that debt. The Fed can set the overnight lending rate. But the bond market sets the price for everything else. Mortgages. Car loans. Corporate borrowing. Retirement income. And right now the bond market is sending a clear signal that it wants more compensation for the risk it is taking on.

There is an old saying on Wall Street. The bond market is undefeated. It has humbled governments, central banks, and investors who thought they understood the rules. Right now, investors who assumed rates would continue to fall may be in for a rude awakening. Those who positioned their portfolios entirely around declining rates face real risk they may not have anticipated.

This matters for retirees and pre-retirees most of all. If your income plan was built on one interest rate assumption, it deserves a fresh look. A well-constructed plan accounts for multiple rate scenarios, not just the favorable one.

The bond market does not care what anyone assumed. It only cares about demand.

Have you heard about our Vision Quest Process? Watch the video below to learn more!



We are committed to helping you achieve your financial goals. Please feel free to contact us with any questions, comments, or a more in-depth discussion.

Sincerely,
Keith Singer

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