

FCM Weekly Market Notes

What Yield Makes Bonds a Buy?

There are two cyclical reasons and one big structural reason why guessing a bond yield is “attractive” is now a fool’s game.

As a former bond fund portfolio manager with a fund to sell, we get it: bond guys must list the reasons why bonds are a buy. If they aren’t now, they soon will be. This mentality is a feature of the financial media as well, and nothing stokes that impulse more than seeing yields rise sharply through a big round number like 5%.

How attractive is 5%? Historically, about average. The disinflationary era of globalization and non-inflationary growth led to a 30-year bond bull market.

U.S. 10-Year Treasury Yield, 1986–2026 (40 years)

Yield (%)

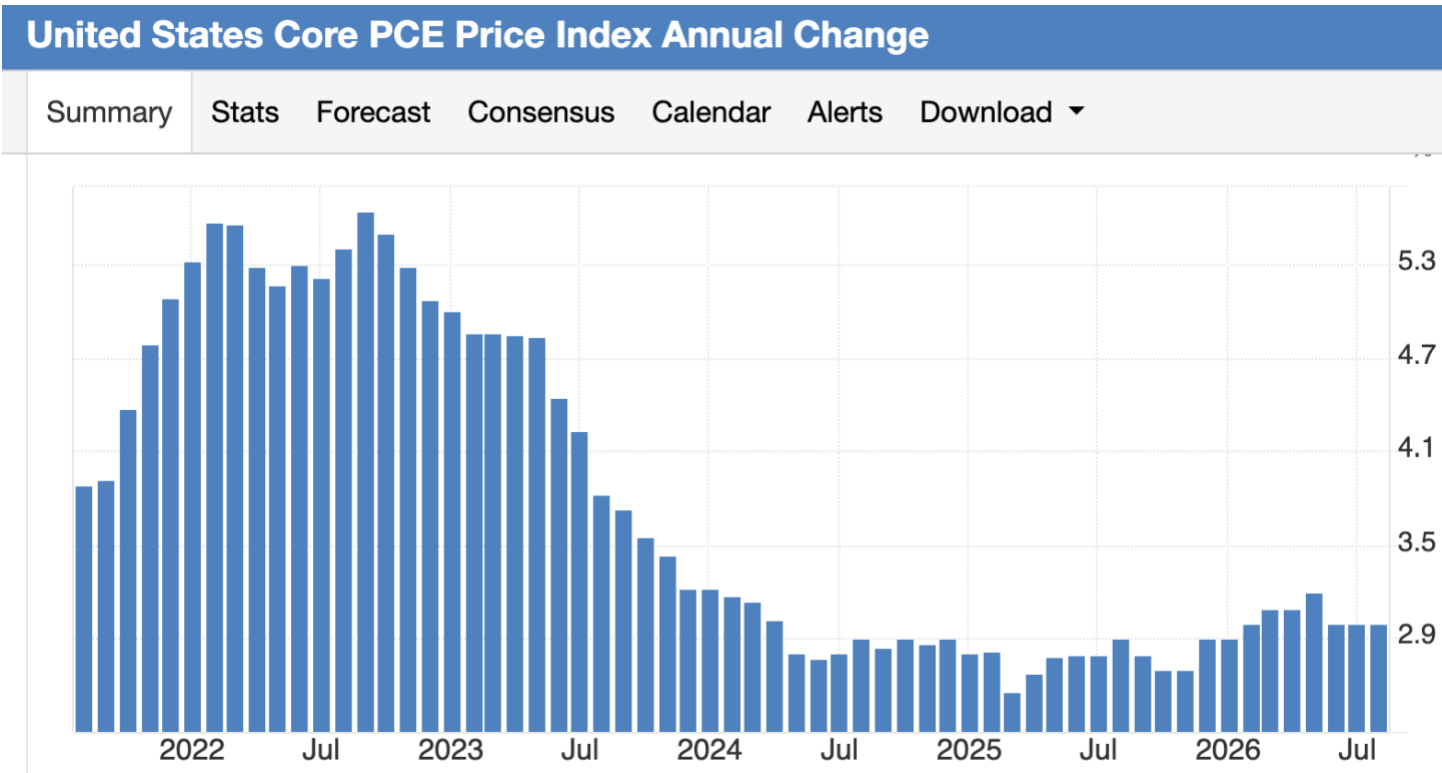




There are lots of reasons to think that era is over—from the reversing of globalization as a slow inflationary driver to geopolitics to commodity scarcity. But let's grant that 5% is a fine yield and stability is around the corner. Are you ready to buy and hold for 2-5 years?

Right now, going by PCE core inflation, you would be committing to a sub-2% real return. That seems pretty skinny, so perhaps you are forecasting the Fed will reach their 2% target while you hold the bonds and you can bank some capital appreciation along with your dividends.

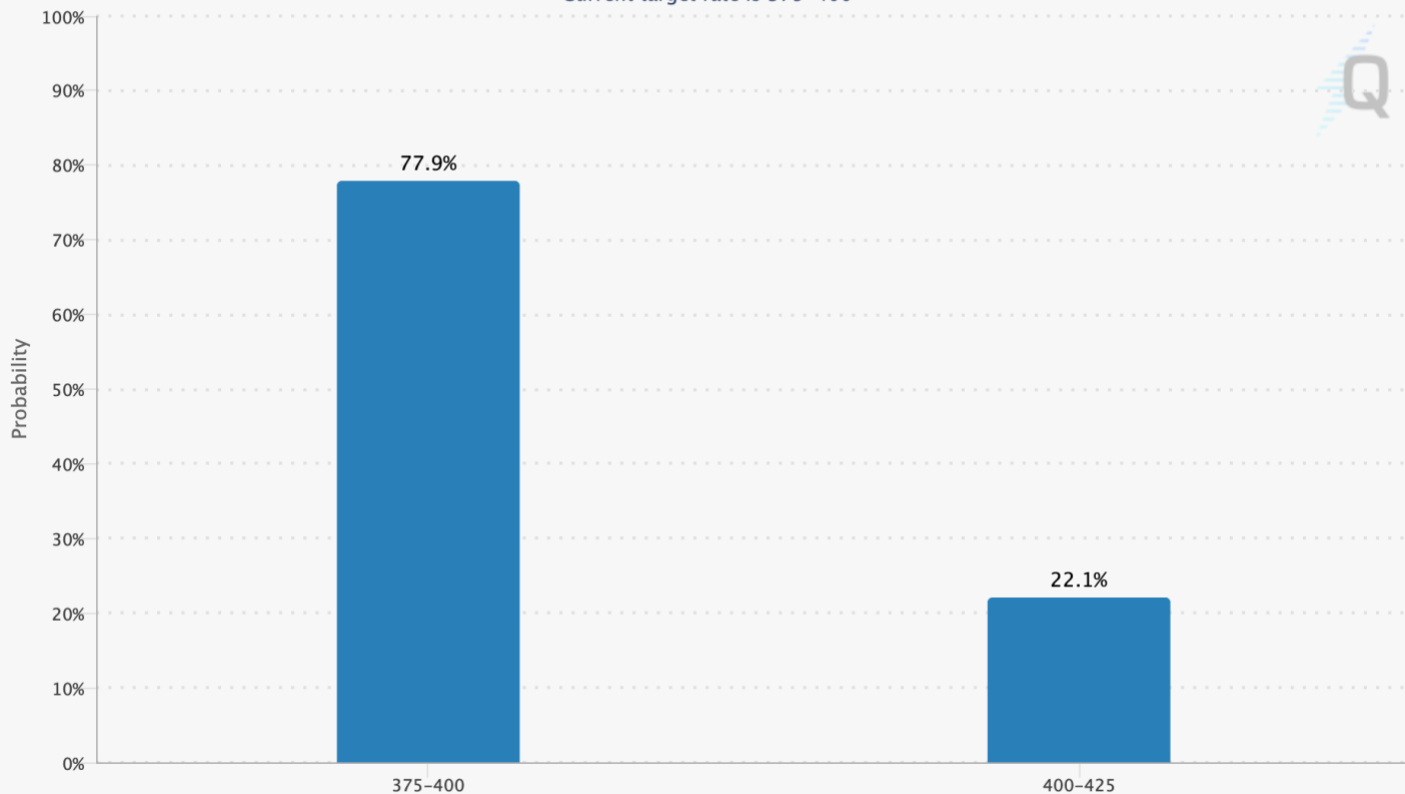
That's a big bet, and reason #2 for skepticism. After 66 straight months of missing that target, *the evidence suggests the Fed doesn't really have a 2% target so much as a (very effective) PR campaign to convince markets that target still exists.* Core PCE looks like this:



But the market is concluding that at the next Fed meeting, after a single hike, the Fed has plenty of room to pause:

Target Rate Probabilities for 28 Oct 2026 Fed Meeting

Current target rate is 375-400



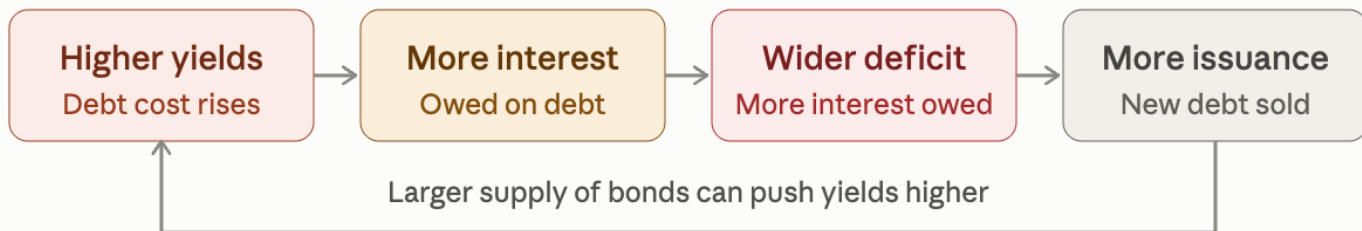
After this week's inflation numbers hit expectations and growth numbers looked slightly soft, market odds for the Fed staying put doubled, and two Fed officials made statements saying that seems about right. Hardly a "whatever it takes to get to 2%" stance.

The evidence suggests that the Fed is highly unlikely to curb growth, and risk assets, to reach 2%. 3%-ish and robust risk assets is a far more comfortable place to sit.

So at 5% you've got a modest real return that in all probability wouldn't allow a normal investor to reach their financial goals and a very small chance that changes for the better over the life of any risk-free bond you might choose.

Which leads us to the structural issue. The US fiscal deficit over the past decade has gone from black swan to grey swan to current market driver.

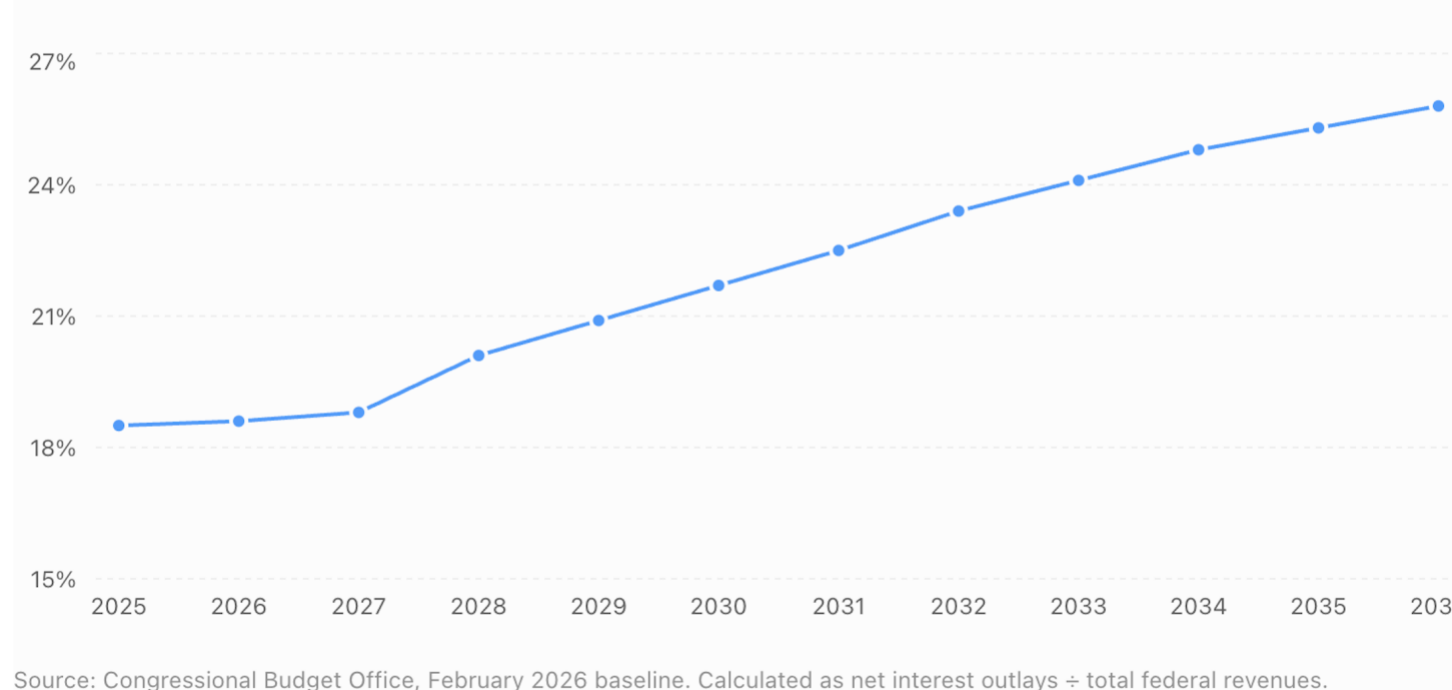
We



We are already experiencing a steep rise in the percent of revenue needed to fund the debt, and CBO projections see a steady path upwards:

Federal Debt Service Is Projected to Consume an Increasing Share of Revenue

Net federal interest outlays as a percentage of total federal revenues, CBO February 2026 baseline.





Now add the market dynamic that higher yields only serve to raise the upward slope of that line further into unsustainable territory. What was once a far-off phenomenon that we could all tsk-tsk about bi-partisan government profligacy, is now driving your future bond risks, volatility and potential returns.

If you would like further fuel for a radically different bond future than we have seen previously, you can pile on the fact that the social security trust fund will be depleted in 6 short years and benefits will [have to be trimmed by 22%](#).

Are all those risks worth your sub-2% real return?

Explore FCM's Investment Strategies →[Here](#)

Learn more about our SMA strategies, investment approach, risks and fees.

Subscribe to our free weekly newsletter [here](#).

James Barrineau, Chief Investment Officer

Fiduciary Capital Management LLC

1621 Central Ave

Cheyenne, WY 82001

Website: www.FiduciaryCM.com Direct:

(914) 588-1978

<https://calendly.com/jbarrineau-fiduciarycm/30min> [Fiduciary CM Firm Brochures](#)

<https://fiduciarycm.com/wp-content/uploads/2026/03/James-Barrineau-ADV2b-3212026.pdf> [Fiduciary CM Form CRS \(ADV3\)](#)



[Privacy Policy](#)

[Email Disclaimer](#)

Advisory and Consulting Services offered through **FIDUCIARY CM®** (Fiduciary Capital Management LLC). FIDUCIARY CM® is an SEC Registered Investment Adviser. Information presented is for educational purposes only for a broad audience. The information does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and are not guaranteed. FIDUCIARY CM® has reasonable belief that this marketing does not include any false or material misleading statements or omissions of facts regarding services, investment, or client experience. Please refer to our [Firm Brochure \(ADV2\)](#) for material risks disclosures. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. FIDUCIARY CM® may discuss and display, charts, graphs, formulas, and stock picks which are not intended to be used by themselves to determine which securities to buy or sell, or when to buy or sell them. Consultation with a licensed financial professional is strongly suggested. Please remember that securities cannot be purchased, sold, or traded via e-mail or voice message system. For more information, please visit www.FiduciaryCM.com.