Bessent's bond market intervention falls flat as turbulence continues

Nick Beams
20 August 2026

U.S. Treasury Secretary Scott Bessent's announcement that the Treasury is going to double its buyback of long-dated US bonds from $2 billion to $4 billion has fallen flat. After an initial fall in yields, they have started to rise again and are back near the multi-year highs recorded earlier this week.

This was despite Bessent saying in an interview with the business channel CNBC that the buyback could be more than the $4 billion that he initially announced. The general sentiment in the market is that the growing bond market turbulence is not going to be calmed by such interventions because more fundamental issues—above all, the rise of US debt to $40 trillion—are involved.

There are growing concerns that the US is in a "doom loop" because of the rise in interest payments to more than $1 trillion a year, creating a situation where the government must borrow money just to pay the interest bill on past debt.

In the words of one analyst cited by the *Wall Street Journal*, the Bessent intervention was a "band aid" and did not "really fix the problem."

Another analyst told the *Financial Times*: "We don't really think this [intervention] can succeed in isolation. Interventions such as this look like a sticking plaster."

Bessent's response to the market's thumbs down on his initiative was to try to bluff and bluster his way through the developing crisis. He told CNBC that the market had "gotten a little ahead of itself," and the Trump administration would be setting out a plan to reduce the budget deficit in the coming days.

"We believe there are many underlying factors that the market is not looking at," he said.

There was a "very good chance" that the deficit had peaked and that tariff income and a crackdown on fraud would lift government revenues.

Neither of these claims will be regarded as in any way credible. On the issue of tariffs, the Treasury is in the process of refunding large US corporations the billions of dollars they paid under Trump's "reciprocal tariffs" imposed in April 2025 but which were struck down by the Supreme Court as illegal earlier this year. The total amount to be handed back is estimated at $160 billion or more.

"All we're trying to do is get people to focus on the fundamentals and not trade the headlines in a quiet period in a thin market," Bessent told CNBC, as if the problems in bond markets were a mere technical glitch.

The driving force of the turbulence, however, is that finance capital is focusing on the "fundamentals," namely the ever-worsening financial position of US capitalism.

Reporting on the continued selloff of bonds yesterday, the *Financial Times* said it underscored "the deep concern among investors over the US's mounting public debt burden and whether policymakers will be able to contain the eruption of inflation triggered by President Donald Trump's war in Iran."

That assessment was based on the comments of analysts cited in the article. Joe Brusulas, chief economist at the professional services firm RSM US, said that "without a shift to fiscal consolidation" to be achieved through higher taxes and a slower pace of government spending, "the buybacks will prove to be only temporary."

Analysts at the global Japanese banking and investment firm MUFG said the Treasury was "lacking a strategic plan" and warned that its intervention might worsen the problems rather than resolve them.

"The danger now following this announcement … is that it proves counter-productive and leads to reduced appetite for either holding US assets or reduced appetite for exposure to the US dollar, or both," they said.

Kit Jukes, head of global foreign exchange strategy at Société Générale, doubted whether the intervention would hold rates down and said that as the debt rose and deficits remained high, the willingness to buy US assets "will be a growing issue."

Such assessments have far-reaching implications not only for the US but for the global financial system, because the U.S. Treasury market has functioned as a safe haven in times of financial stress.

This is now being called into question, as noted by *Wall Street Journal* columnist Greg Ip. The upward shift in bond yields had a number of drivers, he wrote, including "sticky" inflation and increasing AI-linked corporate borrowing.

"Lurking in the background, though, is a more troubling possibility. Treasuries, long the world's preferred 'safe' asset, are looking less safe," and in moments of stress, "they don't behave like a safe haven."

This is because the US has "flooded the market with additional debt," especially since the pandemic, and "there is no sign that the flood will abate."

The turbulence in the bond market is extending into Wall Street trading. Yesterday, quant hedge funds, which use statistics, historical data and algorithms to make their bets, suffered what was characterised as their worst day in two years.

One of the factors was the near tripling of the shares of Moderna after it announced successful trials for the treatment of skin cancer. This hit traders who had shorted its shares, expecting they would fall.

Summing up the situation, one hedge fund trader told the *Financial Times*: "Volatility is exceptional, so options makers are losing money left and right. The market is rotating every day, so what makes money today is almost always down tomorrow."

The volatility follows what has been described as a "brutal July," in which AI-related chip stocks fell sharply, leading to the collapse of the hedge fund Situational Awareness and delivering a loss to the major Wall Street trading firm Jane Street of $15 billion in a single month.

Wall Street was also hit by the announcement by Walmart, the largest US retailer, that its sales growth for the second quarter of the fiscal year ending July 31 was the lowest in six years. Its shares dropped 9.2 percent, with the *Wall Street Journal* noting that its sales data showed "a string of data suggesting that consumer spending—the key engine of US economic growth—is softening somewhat."