24 August 2026
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LONG END WATCH: 30Y AT 5.34%

The U.S. 30-year Treasury recently touched 5.34% — its highest level since 2007.

This is not simply a Fed story. Long-term yields can be decomposed as:

10Y/30Y yield ≈ expected future short rates + expected inflation + term premium

The first two components are arguably less threatening — payrolls have moderated, inflation has eased, and expectations for another Fed hike have fallen.

Yet long yields remain extremely high.

That points toward term premium, the extra return investors demand to lock up money for 10 to 30 years, as an increasingly important driver. One measure of Treasury term premium has reached a 12-year high.

What this means:

- This is not primarily about the next Fed meeting.
- It's about the market demanding more compensation for holding long-duration U.S. government debt.
- $40T in outstanding debt, $1T in annual interest costs, and continued large Treasury issuance are structural headwinds.

Why it matters for equities:

- Higher long yields → higher discount rates → lower present value of future earnings.
- This disproportionately affects high-duration technology stocks.

What to watch at Jackson Hole:

- If 30Y falls alongside 2Y → this is still a Fed/inflation story.
- If 30Y stays stubbornly above 5% while 2Y falls → the market is signaling a structural fiscal repricing.

Implication for our regime: The 10Y at 4.73% — just 2bps from our 4.75% trigger — is not just a cyclical blip. Rising term premium suggests the bond market is becoming structurally more sensitive to long-duration supply. We are watching the 30Y and the 2Y/30Y spread as confirmation of whether this is monetary or fiscal.

REGIME SIGNAL

MARKET REGIME & PORTFOLIO RISK MONITOR

LIQUIDITY | CREDIT | VOLATILITY | BREADTH | POSITIONING

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THE CALL

The regime remains NEUTRAL (3.15), but the headline score understates the deterioration beneath the surface. The 10-year Treasury rose to 4.73%, just 2bps below our primary portfolio trigger, while the 30-year reached 5.34% and term premium climbed to a 12-year high. Credit spreads widened, liquidity remained below $6.0T, and crypto volatility increased sharply. Equity volatility, however, remains subdued.

The bond market is warning that the next risk may be coming from the long end, not the Fed.

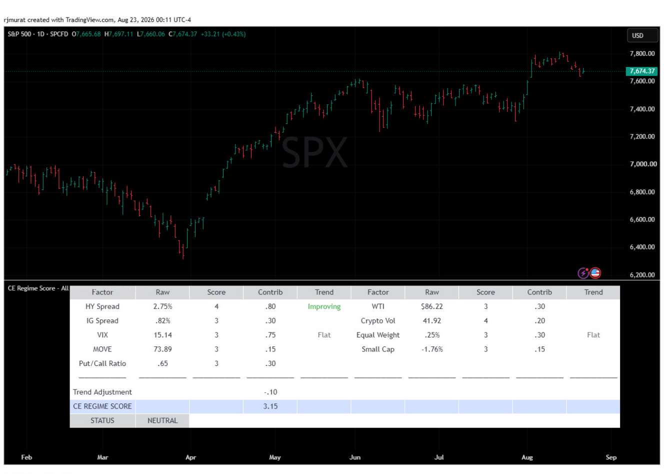
CE Regime Score	Status	VIX	HY	Small Cap	US10Y	MOVE	Put/Call
3.15	NEUTRAL	15.14	2.75%	-1.76%	4.73%	73.89	0.65

Note: Score moved from 3.30 to 3.15 this week — now at the lower end of NEUTRAL. Drivers: HY widened (2.71→2.75), VIX rose (14.26→15.14), MOVE rose (69.57→73.89), US10Y rose to 4.73%, crypto vol spiked to 41.92 (score 4). Net liquidity contracted to $5.79T.

EXECUTIVE TAKE *as of August 21, 2026:*

Metric	Level	Change
Net Liquidity	$5.79T	(-**$10B — contracting**)
TGA	$953.6B	(-**$10.3B**)
RRP	$0.2B	**Effectively zero**
Fed Balance Sheet	$6.75T	(-**14.3B**)
SOFR	3.63%	**(stable)**

Markets	Level	Score	Signal
SPX	7,641	—	**Flat**
VIX	15.14	3	**Elevated complacency**
MOVE	73.89	3	**Bond vol rising**
US10Y	4.73%	—	**2bps from 4.75% trigger**
HY Spread	2.75%	4	**Extreme complacency**
Equal Weight	+0.25%	3	**Positive**
Small Cap	-1.76%	3	**Negative**
Put/Call Ratio	0.65	3	**Normalizing**
WTI	$86.22	3	
Gold	$4,681	—	**(above $4,600)**
30Y Treasury	**~5.34%**	—	**(highest since 2007)**



LIQUIDITY

Metric	August 14	August 21	Change
Net Liquidity	$5.80T	$5.79T	**-$10B**
TGA	$964B	$954B	**-$10B**
RRP	$0.2B	$0.2B	**Flat**
Fed Balance Sheet	$6.76T	$6.75T	**-$14B**
SOFR	3.62%	3.63%	**+0.01%**

Watch: Net liquidity remains below the $6.0T warning threshold. The liquidity headwind persists.

RATES

Yield	Level	Trigger	Gap
US10Y	4.73%	>4.75%	**2 bps**
2-Year	4.19%	—	—
10Y-2Y Spread	+0.51%	Positive	—

Read: US10Y at 4.73%, just 2bps below our 4.75% portfolio action trigger. This is the closest we have been all year. A sustained breach would warrant a more defensive portfolio response.

CREDIT

Spread	Level	Score	Signal
IG	0.82%	3	**Tight**
HY	2.75%	4	**Widening**

Read: HY widened from 2.71% to 2.75% — the first meaningful widening in weeks. Still at cycle tights, but moving in the wrong direction.

Trigger: HY > 3.00% = portfolio action (reduce HY)
HY > 3.25% = pain trade

VOLATILITY

Index	Level	Score	Trigger
VIX	15.14	3	**>22**
MOVE	73.89	3	**>80**
Put/Call Ratio	0.65	3	**>0.85**

Read

VIX rose to 15.14.
MOVE rose to 73.89. PCR normal at 0.65.
Volatility is creeping back up.

BREADTH

Factor	4-Week Diff	Score	Trend
Equal Weight	+0.25%	3	**Positive**
Small Cap	-1.76%	3	**Negative**

Read

Equal Weight remains barely positive (+0.25%), while Small Cap remains negative (-1.76%).
With Mega Cap concentration still elevated, breadth remains fragile.

TACTICAL POSITIONING

Asset	Recommendation	Change
Equities	**Neutral**	Same
Credit (HY)	**Underweight**	Same
Cash/Short Duration	**Moderate**	Same
Gold	**Hold**	—
Energy	**Neutral**	Same

LEVELS TO WATCH

Instrument	Current	Threshold	Status
US10Y	4.73%	>4.75%	2 bps away
MOVE	73.89	>80	6.11 pts away
HY Spread	2.75%	>3.00%	25 bps away
VIX	15.14	>22	6.86 pts away
Small Cap	-1.76%	< -2.0%	—

WHAT WOULD CHANGE OUR VIEW

	Trigger	Condition	Action
1	**US10Y**	>4.75%	Reduce equity to 40%, increase cash to 25%
2	**HY**	> 3.00%	Reduce HY to 0%
3	**MOVE**	>80	Add duration hedge / reduce equity to 40%
4	**VIX**	>22	Add volatility hedge (VXX)
5	**Equal Weight**	<-2.0%	Reduce equity to 35%, increase cash to 30%
6	**Small Cap**	< -3.0%	Reduce equity to 35%, increase cash to 30%

● Priority

Move to RISK ON if:

	Trigger	Condition	Action
1	**VIX**	> 25	Add equity exposure / Reduce hedges
2	**HY**	> 3.50%	Add HY exposure
3	**Put/Call ratio**	> 1.00	Add equity exposure
4	**Equal Weight**	> +2.0%	Increase equity to 55%, reduce cash to 15%
5	**Small Cap**	> +2.0%	Increase equity to 55%, reduce cash to 15%

FINAL SIGNAL

The headline regime remains NEUTRAL, but the source of risk is changing. Equity volatility remains subdued while the long end of the Treasury curve is demanding greater compensation for duration. With the 10-year just 2bps below our portfolio trigger, liquidity below $6.0T, and credit beginning to widen, the margin for error is narrowing.

Stay NEUTRAL. Maintain 20% cash and remain underweight HY. A sustained US10Y breach above 4.75% triggers a more defensive portfolio response. Watch the 30Y and the 2Y/30Y relationship for evidence that long-end pressure is becoming structural rather than cyclical.

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