



What Rising Real Yields Mean for Investors

By Peter Madlem, CFA | Chief Investment Officer and Valeria Chepilev, Associate Portfolio Manager

Real yields are at their highest levels in years, driven by inflation concerns, fiscal uncertainty, and a shrinking Fed balance sheet. A thoughtfully constructed and well-balanced portfolio aligned with financial plans is more important than ever.

Higher Rates Are Changing the Investment Landscape

For more than a decade, investors operated in a world where low interest rates left few attractive alternatives to equities. Today, that environment has changed dramatically. Treasury yields have climbed to levels not seen in years, with the 10-year Treasury once again above 4.6% and the 30-year Treasury holding above 5% for its longest stretch since 2007. While higher rates often create short-term volatility, they also present meaningful opportunities for long-term investors. The more important story, however, isn't simply higher nominal yields, it's the rise in **real yields**.

Why Real Yields Matter

Nominal yields represent the stated interest rate investors receive on a bond. Real yields go one step further by adjusting those returns for expected inflation, making them one of the most important benchmarks across financial markets.

When real yields were negative during 2020 and 2021, investors were effectively accepting a guaranteed loss in purchasing power in exchange for the safety of U.S. Treasuries. That environment pushed capital toward equities, real estate, and other risk assets under the familiar "There Is No Alternative" (TINA) narrative.

Today, the picture looks very different. The 10-year Treasury offers a nominal yield near 4.7%, while the corresponding real yield has climbed to roughly 2.4%, its highest level since before the Global Financial Crisis. Investors can once again earn a meaningful inflation-adjusted return from government bonds, fundamentally changing the opportunity set across asset classes.

Why Long-Term Rates Remain Elevated

Several forces are keeping Treasury yields higher.

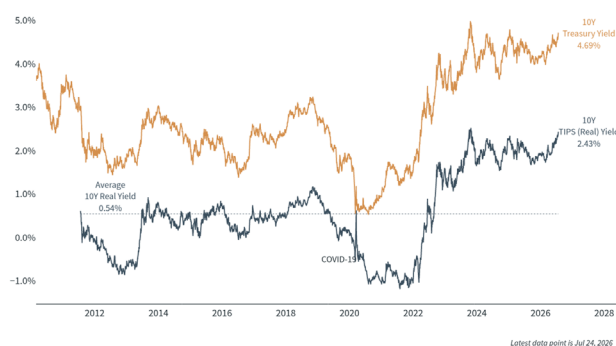
Inflation remains a concern as energy prices have rebounded, with Brent crude trading above \$90 per barrel and gasoline prices again exceeding \$4 per gallon nationally. While long-term inflation expectations have remained relatively stable, markets increasingly expect the Federal Reserve to maintain a restrictive policy stance—or even tighten further if inflation proves persistent.

Fiscal policy is also playing a growing role. With the national debt now exceeding \$39 trillion, investors are demanding greater compensation for holding longer-dated Treasury securities. Economists refer to this additional compensation as the **term premium**, the extra yield required to own long-term bonds amid greater fiscal uncertainty and Treasury issuance.

Market and Economic Chartbook | July 27, 2026

Real Interest Rates

10-year real inflation-adjusted interest rate based on TIPS



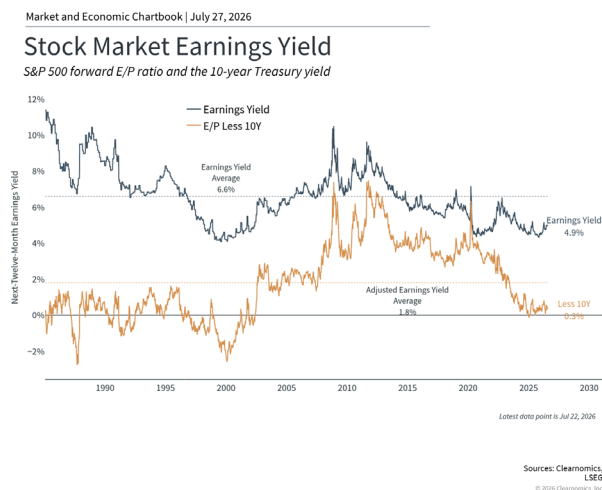
Sources: Clearmatics,
U.S. Treasury
© 2026 Clearmatics, Inc.

The result has been persistently higher long-term yields even as inflation expectations remain relatively contained.

Higher Rates Change Portfolio Math

Interest rates influence far more than bond returns. They serve as the benchmark against which nearly every asset class is evaluated. One useful comparison is the relationship between Treasury yields and the S&P 500's earnings yield—the amount of corporate earnings generated for every dollar invested in equities. Today, the S&P 500 earnings yield sits near 4.9%, corresponding to a forward price-to-earnings ratio of roughly 20x. When real Treasury yields were near zero, investors had little choice but to accept lower earnings yields from equities.

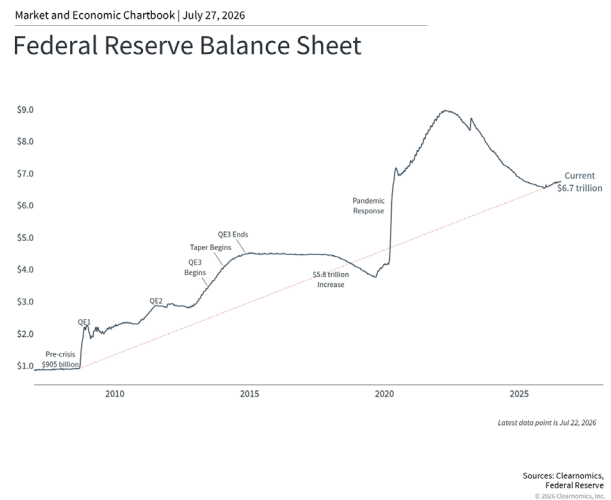
Today, bonds once again offer meaningful competition. That doesn't necessarily make stocks unattractive. Rather, it raises the bar. Companies must continue delivering strong earnings growth to justify current valuations, making security selection and thoughtful asset allocation increasingly important.



The Fed's Balance Sheet Matters Too

Another important variable is Federal Reserve policy under Chairman Kevin Warsh. One of Warsh's newly established task forces is reviewing the Fed's \$6.7 trillion balance sheet. Warsh has long argued that the central bank should reduce its footprint during periods of economic expansion by allowing its holdings of Treasury securities and mortgage-backed securities to decline over time.

A smaller Fed balance sheet increases the amount of Treasury supply that private investors must absorb, placing additional upward pressure on longer-term interest rates. Combined with the prospect of higher policy rates, this suggests interest rates could remain elevated for longer than investors have become accustomed to over the past decade.



What Investors Should Focus On

Higher yields should not be viewed solely as a headwind.

For long-term investors, they also represent an opportunity.

Fixed income once again provides meaningful income, stronger diversification benefits, and attractive inflation-adjusted returns. At the same time, equities continue to benefit from healthy corporate earnings and long-term economic growth.

Rather than signaling a reason to abandon one asset class for another, today's environment reinforces the importance of thoughtful portfolio construction. As real yields reset higher and the investment landscape evolves, maintaining an appropriate balance among stocks, bonds, and alternative assets may prove more valuable than attempting to predict the next move in interest rates.

Markets change. Investment discipline shouldn't.

Copyright (c) 2026. All rights reserved. The information contained herein has been obtained from sources believed to be reliable but is not necessarily complete and its accuracy cannot be guaranteed. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, or correctness of the information and opinions contained herein. The views and the other information provided are subject to change without notice. All reports posted on or via www.clearnomics.com or any affiliated websites, applications, or services are issued without regard to the specific investment objectives, financial situation, or particular needs of any specific recipient and are not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not necessarily a guide to future results. Company fundamentals and earnings may be mentioned occasionally but should not be construed as a recommendation to buy, sell, or hold the company's stock. Predictions, forecasts, and estimates for any and all markets should not be construed as recommendations to buy, sell, or hold any security--including mutual funds, futures contracts, and exchange traded funds, or any similar instruments. The text, images, and other materials contained or displayed in this report are proprietary to Clearnomics, Inc. and constitute valuable intellectual property. All unauthorized reproduction or other use of material from Clearnomics, Inc. shall be deemed willful infringement(s) of this copyright and other proprietary and intellectual property rights, including but not limited to, rights of privacy. Clearnomics, Inc. expressly reserves all rights in connection with its intellectual property, including without limitation the right to block the transfer of its products and services and/or to track usage thereof, through electronic tracking technology, and all other lawful means, now known or hereafter devised. Clearnomics, Inc. reserves the right, without further notice, to pursue to the fullest extent allowed by the law any and all criminal and civil remedies for the violation of its rights.

Disclaimer: Advisory services are offered through Avalan, LLC, a Registered Investment Adviser.