

THE PRICE OF MONEY CHANGED

This bond-market story matters even if you don't own bonds

There is a lot of discussion out there. Some good. A lot incomplete. And a surprising amount of fear.

This guide is a dated snapshot. For the live version, updates & interactive tools: [Read it on MichaelRyanMoney.com](https://MichaelRyanMoney.com)

WHY I SENT THIS

I hate sending email just to fill an inbox. But this is one of those subjects I think almost everyone needs to understand because the same bond-market move can hit a retirement account, mortgage, car loan, savings and stock portfolio.

3-MO TREASURY

3.92%

Sept. 2 close

10-YR TREASURY

4.79%

Sept. 2 close

30-YR TREASURY

5.27%

Sept. 2 close

30-YR MORTGAGE

6.66%

Freddie Mac Aug. 27

The one picture to remember: The bond market is an auction for money. Borrowers compete for lenders. Lenders compare every offer with their other choices.

What this issue will do

Show you the mechanism first, then explain Japan, bond funds, mortgages, retirement & stocks without turning any of it into a crash prediction.

What this issue will not do

Tell you that Japan is "dumping" Treasuries, promise rates are about to fall, or pretend anyone knows the exact timing of the next market move.

Stocks & bonds start as two different deals with the same \$100,000

Deal A: lend the money

Your buddy needs \$100,000 for a pizza shop. You lend it to him at 8% for five years.

He owes: interest each year + your \$100,000 back at the end.

That is a bond

Deal B: own part of the shop

You hand him \$100,000 and take 25% ownership instead.

He never owes the \$100,000 back. You own 25% of the profits & future value.

That is stock

RUN IT FORWARD

Why your 8% loan loses market value when new loans pay 12%

YOUR OLD LOAN

8%

Pizza shop loan you already own.



NEW OFFER

12%

Taco shop down the street.



IF YOU SELL EARLY

Price ↓

Your loan must get cheaper until the return can compete.

Interest-rate risk

Your borrower is still paying. The market price changes because a better-paying loan appeared.

Credit risk

The pizza shop fails & your buddy cannot make the promised payments. Different problem.

Five-year memory test: if you remember the pizza shop, you can rebuild the rule. Higher market yields make older lower-paying loans less valuable to a new buyer.

The pizza shop walks into the Auction for Money

Now put thousands of borrowers in the same room. The Treasury, corporations, mortgage lenders, banks, state governments, auto lenders & our pizza-shop owner all want capital.

Borrowers
"What do I have to pay to get your money?"

↔

Lenders
"What else can I earn, for how long, with what risk?"

What pushes the clearing yield around?

Supply
More borrowing means more offers competing for capital.

Inflation & time
Lenders demand compensation for tying money up while purchasing power can change.

Alternatives
If another market offers more attractive returns, the old auction may need to pay more.

WHY JAPAN IS SUDDENLY IN THE CONVERSATION

One of the world's biggest lenders has a better home option

JAPAN 10Y AUCTION AVG.
2.995%
Sept. 1, 2026

HIGHEST ACCEPTED YIELD
3.011%
Sept. 1 auction

JAPAN U.S. TREASURY HOLDINGS
\$1.12T
June 2026

Scary internet version	Better explanation
"Japan is dumping Treasuries."	Japan is still the largest foreign holder. Higher domestic yields change the relative attractiveness of U.S. debt at the margin.
"Carry trade unwinds, so crash is next."	The mechanism is real. The size, timing & counter-forces are not knowable from one yield level.

Mechanism is not timing. A change in incentives can matter without giving us a reliable market forecast.

Why BND or AGG can fall even when most borrowers keep paying

BND AVERAGE DURATION

5.7 years

Duration is a first-order estimate of how sensitive the portfolio's price is to changing yields.

BND YIELD TO MATURITY

5.01%

The higher-rate world that hurt old bond prices also improves the income available as the portfolio rolls into newer bonds.

Pizza-shop version of duration

A five-year 8% loan is one thing. A 30-year 8% loan is another. If new loans suddenly pay 12%, being stuck with the old rate for 30 years makes the resale price much more sensitive.

The longer the economic wait, the more today's rate change can matter to today's price.

Individual bond vs. bond fund: the debate is usually framed wrong

Question	Individual bond	Bond fund
Single maturity date?	Yes.	No. Holdings continuously roll.
Market value moves when rates move?	Yes, before maturity.	Yes, reflected continuously in NAV.
Useful planning feature	Can match a known future cash need to a maturity date.	Instant diversification & automatic reinvestment across many bonds.
Higher future yields help?	When principal/coupons are reinvested.	As the fund continually replaces holdings at new yields.

Do not confuse: "I don't have to look at the market price" with "there is no economic risk."

The real risk is not seeing a red number. It is being forced to sell.

A bad market early in retirement matters more when withdrawals force you to sell depressed assets and leave fewer shares to participate in the recovery.

THE FIRST PLANNING QUESTION

How much of the next few years of spending is already covered without selling stocks after a bad market?

Horizon	What you are solving	Illustrative tools to evaluate
0-2 years	Known spending without forced equity sales	Cash, money market, T-bills, short CDs
2-7 years	Medium-term liabilities + income	Treasury/CD ladder, short-intermediate high-quality bonds
Longer	Purchasing-power growth	Diversified growth assets consistent with the plan

Do not add bonds because your birthday says so

A better reason to own fixed income is that a specific future withdrawal needs a dependable source.

- Next 24 months of net withdrawals
- Social Security & pension start dates
- Large one-time expenses
- Duration of current bond holdings
- Taxable vs. IRA/Roth location
- Whether a drawdown forces a sale or only looks uncomfortable

No universal two- or three-year bucket fits everyone. Guaranteed income, flexible spending, health-insurance/tax planning & risk capacity can materially change the answer.

The Fed is not your mortgage rate

FED

Very short-term rate

Direct policy target.

≠

30-YEAR MORTGAGE

Long-lived asset

MBS/TBA pricing + Treasury benchmark + spread.

\$400,000 mortgage

5.50%: about \$2,271/mo P&I

6.66%: about \$2,571/mo P&I

Difference: about \$299/month

The refinance trap

A lower rate can still be a poor deal if points, closing costs or a reset loan term create a long break-even.

Check the break-even, not just the rate.

CAR LOANS

Same higher-cost-of-money world, with more personal pricing layered on top

\$40,000 / 60 months

7%: about \$792/month

9%: about \$830/month

About \$2,300 more across 60 payments.

What changes your quote?

Credit, income, debt load, term, down payment, vehicle, lender & sometimes dealer markup.

A bank or credit-union preapproval can give you a cleaner reference price for the money.

Planning rule: a future refinance can be upside. It should not be the rescue plan that makes today's purchase affordable.

Savers finally get paid more. Stocks face a higher hurdle.

If you are a saver

The same higher yield that makes an old bond look worse can make the next bond or cash investment look better.

On Sept. 2, yields were about 3.92% at 3 months, 4.16% at 1 year, 4.54% at 5 years & 4.79% at 10 years.

More yield farther out can also mean more duration risk.

If you own stocks

If safer assets can offer something near 5%, stocks have to offer enough expected return to justify business risk & volatility.

That is a valuation headwind. It is not a promise that stocks fall.

FOR THE FINANCE NERDS

The technical vocabulary, after the picture

Term	What it is really describing
Long-term yield	Expected future short rates + inflation + term premium + supply/demand + market structure.
Duration	First-order price sensitivity to rate changes. Convexity & curve shape refine the estimate.
Mortgage rate	MBS/TBA pricing with Treasuries as a benchmark, plus the spread investors demand.
Japan effect	Relative value, FX hedging, regulation, liability matching & capital flows. Not simply "3% JGB vs. 4.79% Treasury."

THREE PEOPLE WORTH FOLLOWING ON X

Mohamed El-Erian

@elerianm

Central banks, inflation, bonds & macro connections.

Jim Bianco

@biancoresearch

Treasury mechanics, Fed policy, positioning & market structure.

Harley Bassman

@ConvexityMaven

Duration, convexity, mortgages & fixed-income mechanics.

Start with your side of the auction

Borrowing?

Can today's payment work without a future rate rescue?

Owning bonds?

How much duration do you own, and when do you need the money?

Near retirement?

How much upcoming spending can happen without selling stocks after a bad market?

Saving or investing?

How much extra return are you getting for locking money up longer or taking more risk?

Mortgages, bond funds, retirement income, stocks, Japan & car loans are not six unrelated stories. They are different people standing in the same auction for money.

IF SOMETHING STILL DOESN'T CLICK

Reply and ask me the question exactly the way you'd ask it across a kitchen table.

If I can answer it generally, I will. And if enough readers are asking the same thing, it will probably become the next Financial Clarity issue.

Keep, share or continue online

The web version includes interactive bond-rate & duration tools, updates, social sharing and the latest source notes.

[Open the live explainer](#) →

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Retirement & sequence risk

How asset allocation changes once your portfolio has to create a paycheck.

[Read related guide](#) →

Mortgage decisions

How loan type, rate, term & refinancing trade-offs fit together.

[Read related guide](#) →



Scan for the live version, interactive tools & future updates.

Where the numbers came from

Current market stories move fast. These are the primary or first-party sources used for the dated figures in this Sept. 3, 2026 guide.

- **U.S. Treasury**: Daily Treasury Par Yield Curve, Sept. 2, 2026.
- **Freddie Mac PMMS**: 30-year mortgage 6.66%, Aug. 27, 2026.
- **Japan Ministry of Finance**: Sept. 1, 2026 10-year JGB auction.
- **Bank of Japan**: July 2026 Outlook highlights.
- **U.S. Treasury TIC**: Major Foreign Holders, June 2026.
- **Vanguard BND**: duration & yield-to-maturity data.
- **FINRA**: duration & interest-rate-risk guidance.

Educational information only. This is not individualized investment, tax, legal, mortgage, insurance or retirement advice. Market yields & rates change continuously.

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