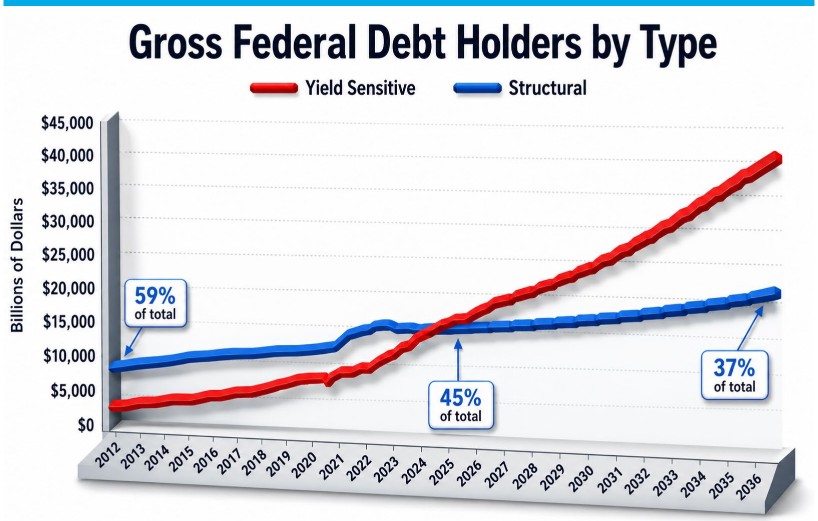
Economic & Market Watch Intelligence Brief

September 14, 2026

Briefing

- Holders of the federal debt include intragovernmentals (federal entities, such as Social Security, that invest their surpluses in Treasurys), the Federal Reserve (which holds Treasurys as a consequence of conducting monetary policy) and the non-Fed public (people, businesses and foreign, state and local governments) (**Figure 1**). Since the late 1960s, the federal debt has doubled every 8.5 years, on average.
- From 1967 to 1982, the federal debt fluctuated between 1.6 and 2.3 times annual federal tax revenue. That ratio rose to a peak of 3.7 in 1994, dropped to 2.8 during the budget surpluses of the Clinton years, then rose to a peak of 7.9 in 2020. The Congressional Budget Office anticipates that the ratio will hit 7.7 in 2036 (**Figure 2**).
- Currently, 24 cents out of every tax dollar goes toward paying the gross interest on the debt (net interest is gross interest minus interest income). This figure is expected to rise to 30 cents by 2036. The last time interest consumed this much of tax revenue was 1991, when the average interest rate on outstanding Treasurys was 8.2% (versus 3.4% today). If the interest on the debt were 8.2% today, the gross interest expense would consume more than 50 cents out of every dollar of tax revenue (**Figure 3**).

Chart of the Week



Commentary

One way to classify Treasury debt holders is by motivation. Structural lenders hold Treasurys, in part, for reasons other than investment goals. Government entities that hold balances, like the Social Security trust funds and federal employee retirement funds, are required by law to invest those balances in Treasury securities. Banks, private pension funds, mutual funds and insurance companies hold Treasurys, in part, because they help satisfy regulatory and institutional requirements. Yield-sensitive lenders, however, hold Treasurys as part of their investment strategies and so are far more responsive to changes in Treasury yields compared to structural lenders.

In 2012, structural lenders owned almost 60% of outstanding Treasurys. Since then, mounting deficits have forced the government to issue Treasurys at a faster rate than structural lenders are required to purchase them. Yield-sensitive lenders are taking up the slack. They now own 55% of outstanding Treasurys and are projected to own more than 60% by 2036. This has had the dual effect of putting upward pressure on Treasury yields and increasing Treasury volatility as yield-sensitive demand is much more responsive to news than is structural demand.

Snapshots

Figure 1. Federal Debt (Billions)

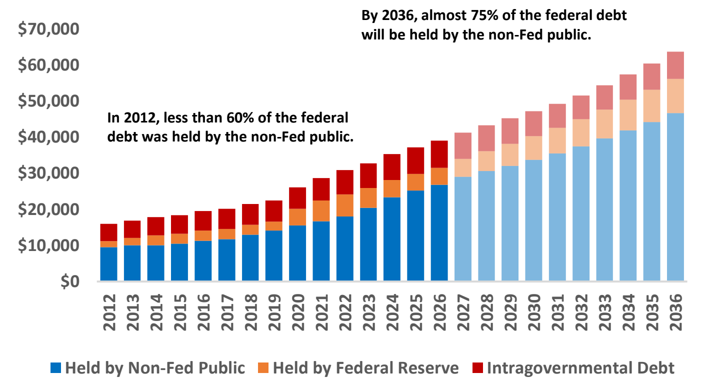


Figure 2. Federal Debt Compared to Federal Revenue

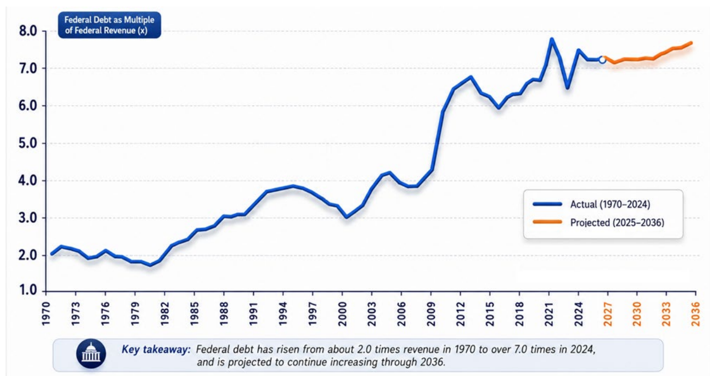
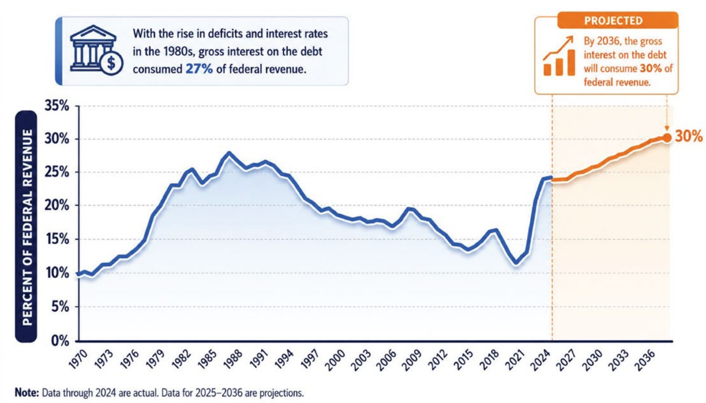


Figure 3. Gross Interest Expense Consumes Federal Revenue



Note: Data through 2024 are actual. Data for 2025–2036 are projections.

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Key Indicators

INTEREST RATES[1]

	Current	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3
Fed Funds Target[2] (%)	3.75	4.00	4.25	4.50	4.75	4.75
SOFR (%)	3.62	3.65	3.69	3.71	3.66	3.58
2Y UST (%)	4.66	4.12	4.05	3.98	3.90	3.82
5Y UST (%)	4.83	4.26	4.19	4.14	4.09	4.04
10Y UST (%)	5.00	4.59	4.52	4.47	4.43	4.39
30Y UST (%)	5.37	5.13	5.07	5.02	4.98	4.94

ECONOMY

	Current	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3
PCE Inflation (YoY %)	3.7	2.8	2.9	2.7	2.4	2.2
CPI Inflation (YoY %)	3.4	2.9	2.7	2.5	2.4	2.1
Real GDP (QoQ %)	1.5	1.9	1.9	2.0	2.1	2.1
Unemployment (%)	4.1	4.2	4.3	4.3	4.3	4.3
Consumer Spending (QoQ %)	3.2	1.7	1.9	1.9	2.0	2.0
Industrial Production (YoY %)	1.1	1.2	2.1	2.3	1.8	2.0

Equities & Currency

	Current	Year ago	YoY Δ
DJIA	52,466	45,883	14.4%
Nasdaq	26,109	22,349	16.8%
S&P 500	7,618	6,615	15.2%
US Dollar Index	$1,197.22	$1,194.93	(0.1%)

Commodities

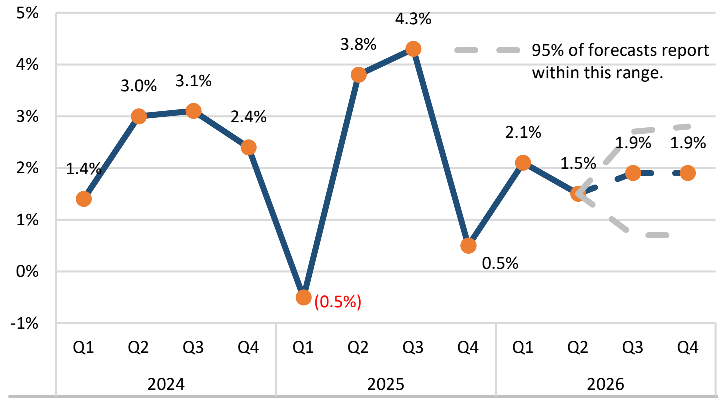
	Current	Year ago	YoY Δ
Crude Oil (Per Barrel)	$104.10	$63.30	64.6%
Natural Gas (Per MMBtu)	$2.89	$3.04	(5.1%)
Coal (Per Short Ton)	$14.68	$10.15	45.7%
Gold (Per Ounce)	$4,272.00	$3,679.4	16.3%
Corn (Per Bushel)	$5.34	$4.23	26.2%
Soybean (Per Bushel)	$13.05	$10.43	25.2%

Industry

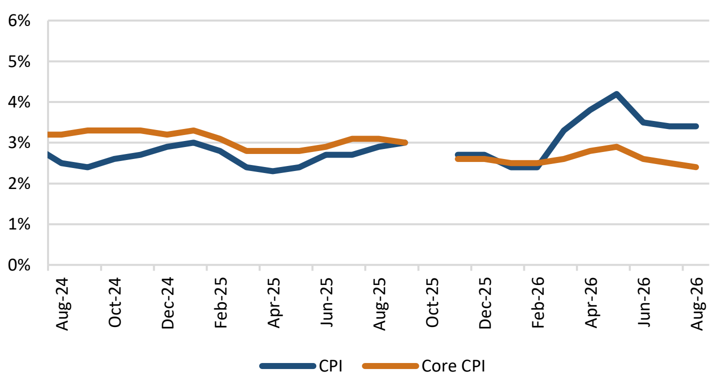
	Current	Year ago	YoY Δ
Natural Gas Storage (Billion Cubic Feet)	3,254	3,333	(2.4%)
U.S. Daily Power Consumption (MWh)	13,044,548	12,363,600	5.5%
World Container Index (Per 40ft)	$4,476	$2,044	119.8%

Forecasts

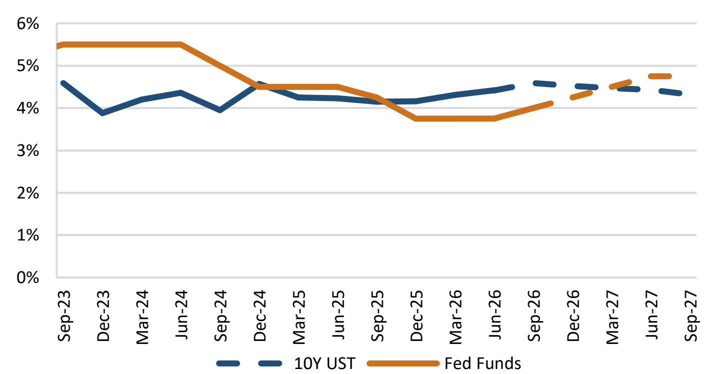
Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend



[1] Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.
[2] Target rate forecast is based on futures market contracts.

Sources: © Oxford Economics, Blue Chip Financial Forecasts, Trading Economics, Moody's Analytics, Statista, Oxford Economics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Energy Information Administration, U.S. Treasury Department, Federal Reserve Bank of Atlanta, Federal Reserve Bank of New York, Federal Reserve Bank of St. Louis, International Monetary Fund, World Bank, University of Michigan, The Conference Board.