Market Commentary Blog

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6/5/25

Real Rate of the 10-Year Treasury Note

Historical Real Rates Of Return On 10-Yr. Treasury Note (T-Note)

Year	10-Yr. T-Note (Year-End & 6/3/25)	CPI YoY (Year-End & 4/30/25)	Real Rate (Yield-CPI)
2025	4.5%	2.3%	2.2%
2024	4.6%	2.9%	1.7%
2023	3.9%	3.4%	0.5%
2022	3.9%	6.5%	-2.6%
2021	1.5%	7.0%	-5.5%
2020	0.9%	1.4%	-0.5%
2019	1.9%	2.3%	-0.4%
2018	2.7%	1.9%	0.8%
2017	2.4%	2.1%	0.3%
2016	2.5%	2.1%	0.4%
2015	2.3%	0.7%	1.6%
2014	2.2%	0.8%	1.4%
2013	3.0%	1.5%	1.5%
2012	1.8%	1.7%	0.1%
2011	1.9%	3.0%	-1.1%
2010	3.3%	1.5%	1.8%
2009	3.8%	2.7%	1.1%
2008	2.2%	0.1%	2.1%

Source: Bloomberg. **Past performance is no guarantee of future results.**

10-Yr. T-Note yields are rounded. The 6/3/25 yield is as of 4:00PM CST. CPI rates are measured year-over-year (YoY) and NSA.

View from the Observation Deck

We like to update this table from time to time to monitor the impact of interest rate policy on the longer-term fixed income market, as represented by the U.S. 10-Year Treasury Note (T-note). At a minimum, bond investors typically seek to generate a yield that outpaces the rate of inflation over time, allowing them to maintain a base level of purchasing power. A bond's real yield - calculated by subtracting the most recent inflation rate, such as the Consumer Price Index (CPI), from the bond's current yield - is a simple way to measure this.

The yield on the benchmark 10-year T-note stood at 4.46% (4.5% rounded) on 6/3/25, well above the 2.3% trailing 12-month rate on the CPI in April 2025. That equates to a real rate of 2.2%.

For comparative purposes, over the 30-year period ended 4/30/25, the average monthly yield on the 10-year T-note was 3.69% (3.7% rounded), while the CPI averaged 2.5%, according to data from Bloomberg. Those figures translate into an average real yield of 1.2%, below the current real rate offered by the T-note. For continued comparison, the S&P 500 Index experienced an average annual total return of 10.39% for the 30-year period ended 6/3/25.

As of 5/30/25, the federal funds target rate (upper bound) stood at 4.50%, down from its most recent high of 5.50% on 8/30/24.

As the table shows, the CPI stood at 2.3% at the end of April 2025, significantly lower than its most recent peak of 9.1% in June 2022 and below its 30-year average of 2.5% (addressed above). The Federal Reserve ("Fed") implemented several policy rate reductions in the years since our last post. Disinflation and a strong labor market are likely catalysts for these decisions. That said, tariffs and their ensuing economic disruption led the Fed to pause interest rate cuts, holding rates unchanged over its last three consecutive meetings.

Takeaway

The 10-year T-note currently offers the highest observed real yield of any period covered in today's table. Notably, despite disinflation and declining interest rates, the T-note's yield remained relatively stable in recent months. As we see it, elevated long-term yields may reflect unease among investors as they discount future cash flows across their fixed income portfolios. That said, the bond market appears to have priced for lower interest rates in the near-term. The yield on the 2-year T-note (not in today's table) declined by 86 basis points (bps) compared to the 10-Year T-note's increase of seven bps over the trailing 12-months ended 6/3/25. Will real yields remain elevated throughout 2025, or will they decline amidst strong economic data and productive tariff negotiations? Stay tuned!