

China Ups the Ante in Trump's Trade War

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Billed as so rock-solid safe they're risk-free, US Treasury bonds have long been the first port of call for investors during times of panic. They rallied during the global financial crisis, on 9/11 and even when America's own credit rating was cut.

But this time may be different. As President Donald Trump unleashes an all-out assault on global trade, their status as the world's safe haven is increasingly coming into question. They are trading, in other words, a little like a risky asset themselves. Or, as former Treasury Secretary Lawrence Summers says, like the debt of an emerging-market country.

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Yields, especially on longer-term debt, have surged in recent days while the dollar has plunged. Even more disconcerting for America is the pattern of recent market moves. Investors have often dumped 10- and 30-year Treasuries—pushing prices down and yields up—at the very same time they frantically sold stocks, crypto and other risky assets. The inverse is also true, with Treasuries rising in unison with them. This has many on Wall Street increasingly nervous.