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TITLE: **The Price of Money Has Changed**

TRANSCRIPT:

Host: Eric, US technology shares have been near record highs, but your latest commentary focuses on the bond market. What is it telling us?

Eric: That investors may have to get used to a very different price for money.

The US 10-year Treasury yield has been around 5%, a level that would have seemed extraordinary for much of the past 15 years. The immediate move has been sharp, but I think the level matters more than the volatility. A government bond yielding around 5% changes what investors are willing to pay for shares, property and private assets. It also changes what households, companies and governments pay to borrow.

What's striking is that the Nasdaq has remained so strong. Equity investors see rising earnings and the opportunity from artificial intelligence. Bond investors are asking whether interest rates will stay higher for much longer than markets once assumed. Both views can hold for a while. The question is how long.

Host: What has pushed yields higher this week?

Eric: First, the economy has been stronger than expected. US jobless claims fell, new-home sales improved, and business surveys point to continued activity. After raising rates earlier this month, the Federal Reserve has little reason to declare its work finished.

But there is a second force: the amount of money being raised. Governments are borrowing heavily, while technology companies are financing an enormous buildout of data centres, computing capacity and power infrastructure. All that debt has to find buyers.

So AI has become much more than a story about share prices. It is contributing to growth, electricity demand, construction and borrowing at the same time. That could help explain why longer-term interest rates are rising even as central banks try to restrain demand.

Host: The commentary also points to a difference between what equity and credit investors are seeing. Where is that most visible?

Eric: Oracle is one example to watch. Reports around a data-centre project put attention on the practical risks of building AI infrastructure: construction, access to power, financing and the agreements between developers and technology companies.

I wouldn't take one project as evidence that the AI boom is failing. The demand may be real, and the largest technology companies have substantial resources. But lenders have to ask when a project will start generating cash and what happens if it costs more, or takes longer, than planned.

That is why I'm watching credit markets closely. Shares can respond quickly to the promise of future growth. The cost of borrowing tells us what investors are charging to finance the journey there.

Host: Is this just an American story?

Eric: No. Japan is particularly interesting. Its government bond yields have risen even after the Bank of Japan increased rates, while the yen has remained weak. That combination tells us Japan is also adjusting to a world in which money costs more.

And across developed markets, governments need to finance large amounts of debt. The pressure on bond yields is therefore broader than one Federal Reserve decision or one week of US data.

Host: Oil and geopolitics moved sharply during the week too. How do they fit into the picture?

Eric: Oil is pulling markets in two directions. The possibility of progress between the US and Iran offers a route to lower prices if shipping through the Strait of Hormuz becomes more secure. But the conflict still poses an immediate risk to supply.

That matters because a sustained rise in energy costs makes inflation harder for central banks to contain. A genuine easing of tensions could bring relief to oil prices and bond markets quite quickly. For now, investors have to consider both outcomes.

The Trump–Xi meeting offered some breathing room on trade, but the difficult issues around technology and supply chains remain. It bought time; it did not settle the underlying competition.

Host: Are there opportunities when higher yields put pressure on shares?

Eric: Utilities show why this market needs careful analysis. Their shares have been weak, partly because higher bond yields make steady-income investments less attractive and raise financing costs. Yet demand for electricity from data centres could be a lasting benefit for the sector.

That doesn't make every utility attractive. It does mean we should look beyond a sector's recent share-price performance and ask what its assets can earn in this new environment.

Host: What is the main message for investors?

Eric: The economy is strong, and the AI investment boom is real. Those are reasons why equities have held up. But financing that growth has a cost, and the bond market is making that cost increasingly clear.

I'll be watching whether company earnings continue to rise, whether caution in credit spreads beyond individual projects, and whether energy prices give central banks any relief.

For years, markets were built around the assumption that money would be cheap. That assumption is being tested. The price of money has changed, and investors are still working out what everything else should be worth.

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