PRECISION PIPS

MACROECONOMICS SERIES

PART 7

YIELDS & GOLD

Treasury yields, real yields and the opportunity cost of holding gold

Expanded edition with FRED, Treasury and market-data context

NOMINAL | REAL | DXY | XAUUSD



Next lesson: Part 8, Risk Sentiment, Geopolitics & Gold

Educational material only. Not financial advice. Trading involves substantial risk of loss.

• About this lesson

In Part 6 we saw how the US Dollar Index can hint at pressure on gold. Now we go one level deeper: **US Treasury yields** and their relationship with XAUUSD. This matters because gold can sometimes rise while DXY strengthens, or fall while DXY weakens. Bond yields, and especially **real yields**, help explain why.

> **The goal**
> Yields give context, not a guaranteed direction. Combine the macro picture with ICT/SMC confirmation and risk management.

What this expanded edition adds

- The **price-yield mechanics** behind the headline, with a worked bond example.
- The exact **nominal = real + breakeven** decomposition, with the FRED series to pull each piece.
- A **yield-curve** primer (2s10s, steepening, inversion) and why long yields can rise for non-Fed reasons.
- A real case study: **September and early October 2026**, when a rise in real yields lined up with a large fall in gold.
- Research on **when the gold-real-yield link breaks** (and when it returns).
- Where to find reliable data and how not to misread a chart (yield versus price).
- A dual-panel ICT/SMC model, an extended checklist, mistakes and sources.

1 What are US Treasury yields?

The US government borrows by issuing Treasury bills, notes and bonds. A **Treasury yield** is the return associated with a security at its current market price. For existing fixed-rate securities, **price and yield move in opposite directions**: when the price rises the yield falls, and when the price falls the yield rises.

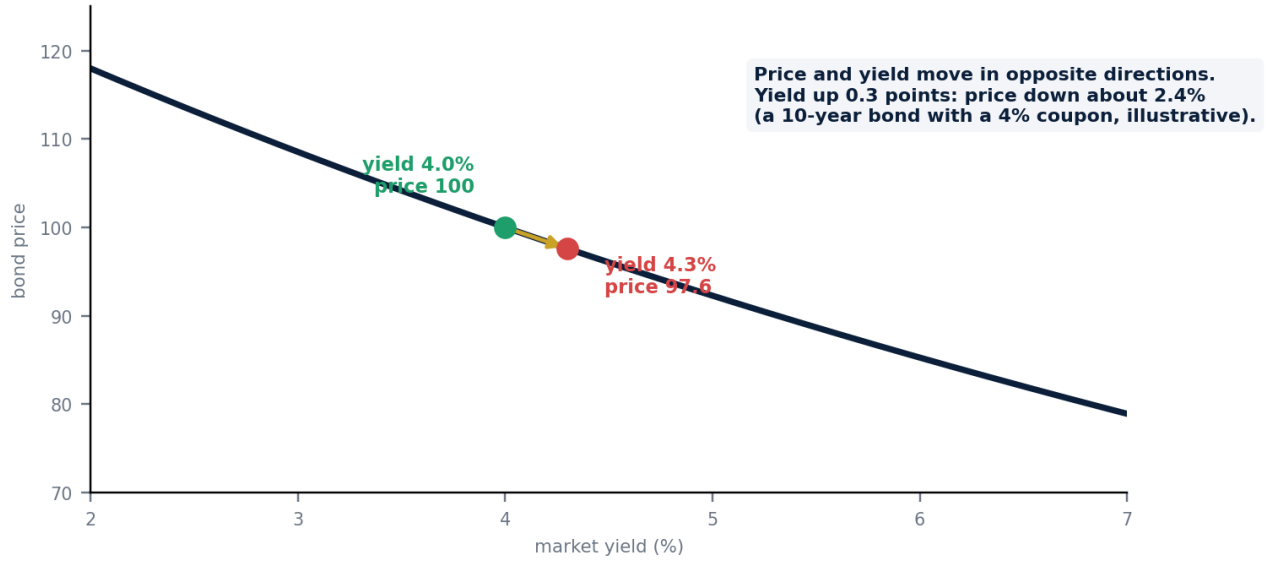


Figure 1 — Price versus yield for a 10-year bond with a 4% coupon (illustrative). A rise in yield from 4.0% to 4.3% lowers the price by about 2.4%.

- If investors become more willing to buy existing notes, prices may rise and yields fall. If they sell, prices fall and yields rise.

- **Why this matters for gold:** Treasury yields show the return available from interest-bearing assets compared with holding gold, which pays no interest.
- **Chart warning:** make sure you know whether a chart shows a yield or a bond **price**. They are inversely related, and bond-fund charts (including TIPS funds) show price, not yield.

2 Why do yields influence gold?

Gold is a non-yielding asset: no coupon, no interest. That creates an **opportunity cost**.

	Yields rise	Yields fall
Interest-bearing assets	More attractive relative to gold	Less attractive relative to gold
Opportunity cost of holding gold	Higher	Lower
Possible effect on gold	Downward pressure	Upward support

Putting numbers on it: with the 10-year Treasury near 5.16% in late September 2026, an investor holding a $4,285 ounce of gold instead of a 10-year note gives up roughly **$221 a year** of interest (4,285 × 5.16%) if the gold price goes nowhere. That gap is the opportunity cost, and it widens when yields rise.

> **Do not turn it into a rule**
>
> This is a **tendency, not a law**. Gold can rise while yields rise if inflation fears, geopolitical risk, central-bank demand or other forces are stronger, and it can fall while yields decline.

3 Nominal yields versus real yields

This is one of the most important distinctions in gold analysis.

	Nominal yield	Real yield
What it is	The quoted yield before adjusting for inflation	The yield after inflation, observed from TIPS (Treasury Inflation-Protected Securities)
Contains	Expected inflation + expected real rates + compensation for uncertainty	The inflation-adjusted return on a relatively safe asset
FRED series	DGS10 (10-year), DGS2 (2-year)	DFII10 (10-year TIPS yield)

Real yield ≈ Nominal yield − Expected inflation Breakeven = Nominal yield − TIPS yield

- The **breakeven inflation rate** is derived from the 10-year nominal yield (DGS10) and the 10-year TIPS yield (DFII10); FRED publishes it as **T10YIE** and describes it as what market participants expect inflation to be over the next 10 years, on average.
- It is not a perfect measure of expected inflation: it also reflects inflation risk premiums and liquidity differences.
- So if the 10-year nominal yield is 5.27% and the breakeven is about 2.35%, the real yield is about **2.92%**.

Two different reasons yields might rise

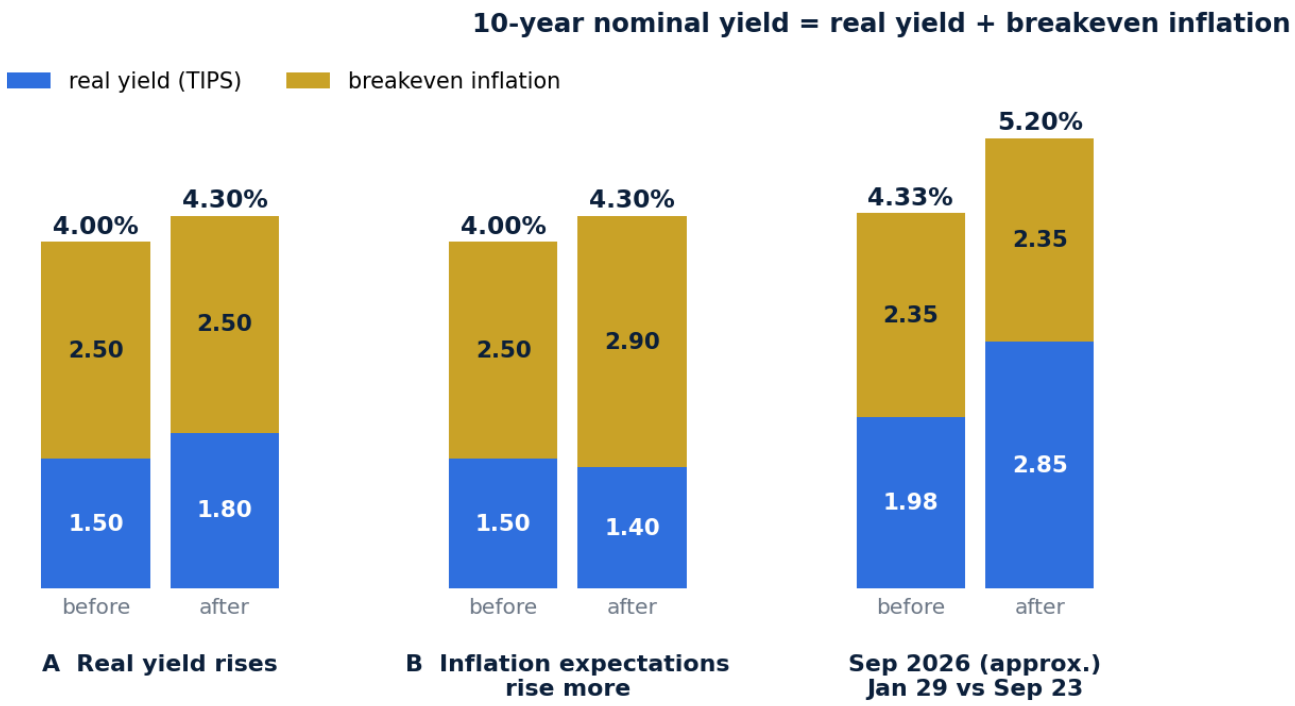


Figure 2 — Same nominal rise, different causes. A and B are the lesson's illustrative numbers; the third pair is approximate 2026 data (nominal +0.87 points, breakeven about 2.35% on both dates).

Scenario	Nominal	Expected inflation	Real yield	Gold implication (all else equal)
A	4.0% → 4.3%	stays near 2.5%	1.5% → 1.8%	Higher opportunity cost: possible bearish pressure
B	4.0% → 4.3%	2.5% → 2.9%	1.5% → 1.4%	Lower real yield and inflation worries: gold may be supported despite higher nominal yields
2026	about 4.33% → 5.20%	about 2.35% both	about 1.98% → 2.85%	A scenario A day-for-day: all of the rise was real

Numbers in A and B are illustrative. The direction of nominal yields alone does not tell the whole story.

4 Which Treasury yields should gold traders watch?

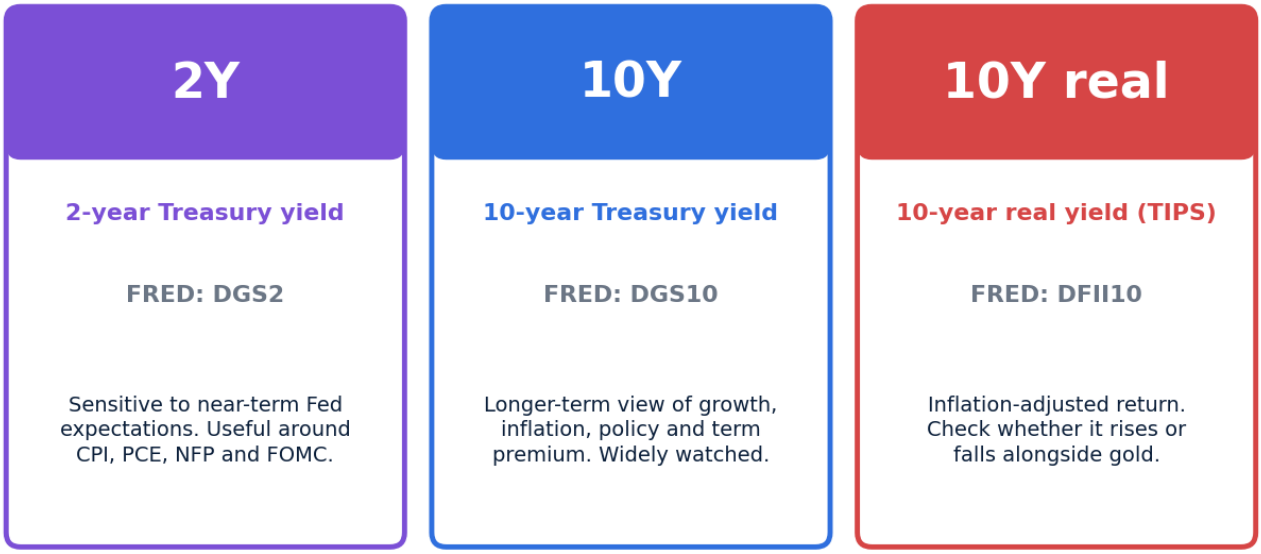


Figure 3 — Start with these three. The FRED series codes tell you exactly what to pull.

Series	Use it for	Source
DGS2 2-year yield	Near-term Fed policy expectations; sensitive around CPI, PCE, NFP and FOMC	FRED / Treasury / Fed H.15
DGS10 10-year yield	Longer-term growth, inflation, policy and term-premium expectations	FRED / Treasury / Fed H.15
DFII10 10-year real yield	The inflation-adjusted return; the cleanest link to gold's opportunity cost	FRED (Treasury's fitted real curve)
T10YIE breakeven	What the market prices for average inflation over 10 years	FRED
T10Y2Y 2s10s spread	Yield-curve shape (see Section 5)	FRED

- A practical start: watch the **10-year nominal and 10-year real yield**, then add the **2-year** when policy expectations are the day's story.
- **Data timing:** daily series are end-of-day and published with a lag, so they cannot tell you what happened in the last hour. Intraday, use a nominal-yield feed and estimate the real-yield change as the **change in nominal minus the change in breakeven**.
- Reliable sources: the US Treasury (daily par and real yield curve rates), the Federal Reserve (H.15) and the Federal Reserve Bank of St. Louis (FRED).

5 The yield curve and why long yields move

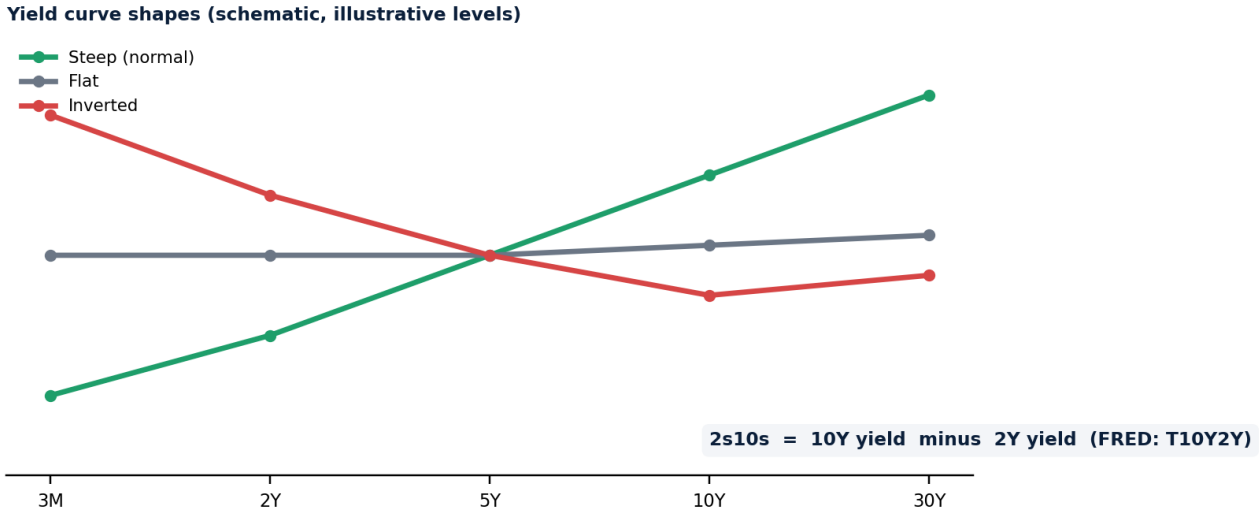


Figure 4 — Three curve shapes (schematic). The 2s10s spread is the 10-year yield minus the 2-year yield.

Term	Meaning
Steepening	Long yields rise relative to short yields (the 2s10s spread widens)
Flattening	The spread narrows, often when short yields rise on expected Fed tightening
Inversion	The 10-year yield is below the 2-year yield (negative 2s10s)

- The **same curve move can have different causes**: expected cuts (short end falling), expected hikes (short end rising) or worries about supply and deficits (long end rising). Always ask why.
- **Example from 2026:** after the June projections, short-dated yields jumped and the gap between 2-year and 10-year yields narrowed to under 30 basis points, the smallest in more than a year, as markets priced a possible hike.
- **Long-end yields** can also rise on inflation and spending concerns. In August 2026 the 30-year yield topped 5.33%, a 19-year high, and in September it reached about 5.45%, the highest since 2004, according to market reports.
- Do not map a curve shape straight onto gold. Use it as evidence about what the market expects from the Fed and from inflation.

6 How economic news changes yields and gold

Economic event	Possible yield reaction	Possible gold reaction
Inflation hotter than expected	Yields may rise if markets price a tighter Fed	Potential bearish pressure
Inflation cooler than expected	Yields may fall if markets price a more accommodative Fed	Potential bullish support
Strong employment data	Short-term yields may rise if rate-cut expectations fall	Potential bearish pressure
Weak employment data	Yields may fall if rate-cut expectations rise	Potential bullish support

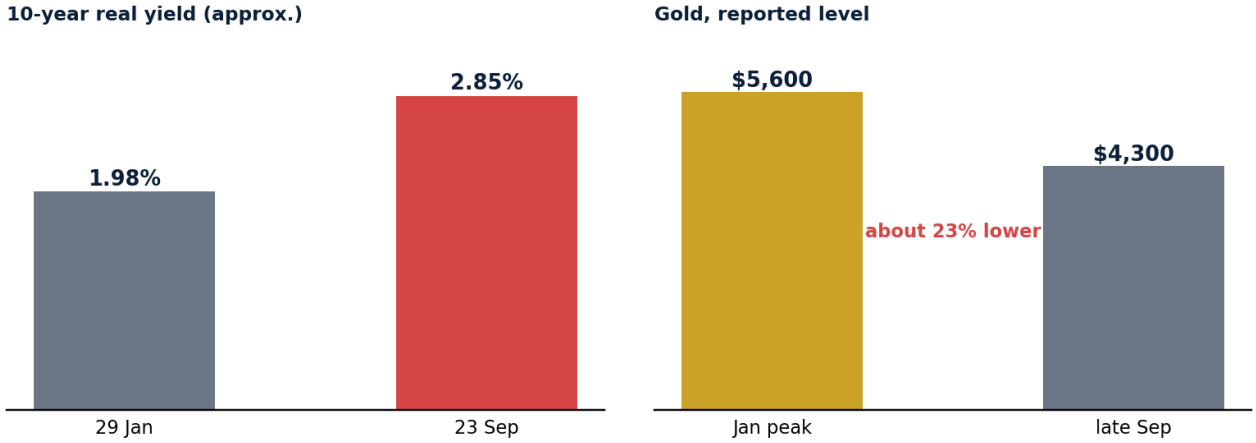
Economic event	Possible yield reaction	Possible gold reaction
Strong growth surprise	Real yields may rise as the Fed gets room to keep tightening	Potential bearish pressure (see Section 7)
Sudden geopolitical shock	Treasury yields may move either way	Gold may rise on safe-haven demand

These are conditional scenarios. A release can already be priced in, and the market may react more to a secondary detail than to the headline.

Why gold sometimes ignores falling yields

Suppose the 10-year yield falls after disappointing data. You might expect gold to rise. But if investors are selling assets to raise cash, or gold has already rallied into a major higher-timeframe resistance zone, gold might initially fall anyway. **Your job is not to force the expected correlation.** Combine the macro evidence with the market's actual reaction.

7 Case study: when real yields did the work (September to October 2026)



Endpoints, not the path: nominal yield rose 0.87 points, breakeven stayed near 2.35%

Figure 5 — Reported endpoints for 2026. The chart shows where things started and ended, not the path in between.

Item	Reported level	Note
10-year nominal yield	about 5.15 – 5.18% in late September	Highest since July 2007 (market reports)
10-year real yield (DFII10)	2.68% (18 Sep) → 2.85% (24 Sep); 2.92% on 2 Oct	2 Oct was 0.23 points under the record 3.15% of 21 Nov 2008
10-year breakeven	about 2.35% on both 29 Jan and 23 Sep	So the whole nominal rise (+0.87) was real
30-year yield	touched about 5.45%	Highest since June 2004
Gold	about $4,254 – 4,300 in late September	Roughly a quarter below the January peak near $5,600
Trigger on one day	September PMI 58.4, strongest since July 2021	13 of the 15 basis points added to the 10-year were real yield
Backdrop	August CPI 3.4% y/y; Fed raised rates to 3.75 – 4.00% on 16 Sep	See Part 5

- This is the lesson's **Scenario A** in real life: nominal yields rose, inflation expectations did not, so real yields did the work, and gold fell.
- One PIMCO regression (2004 to 2025), as cited by a market publication, found each 100-basis-point rise in real yields historically cost gold roughly 18% of its inflation-adjusted price. That is a historical average, not a price forecast.
- Sources differ by a few dollars or basis points depending on the data provider and the time of day.

8 When the gold-real-yield relationship breaks (and returns)

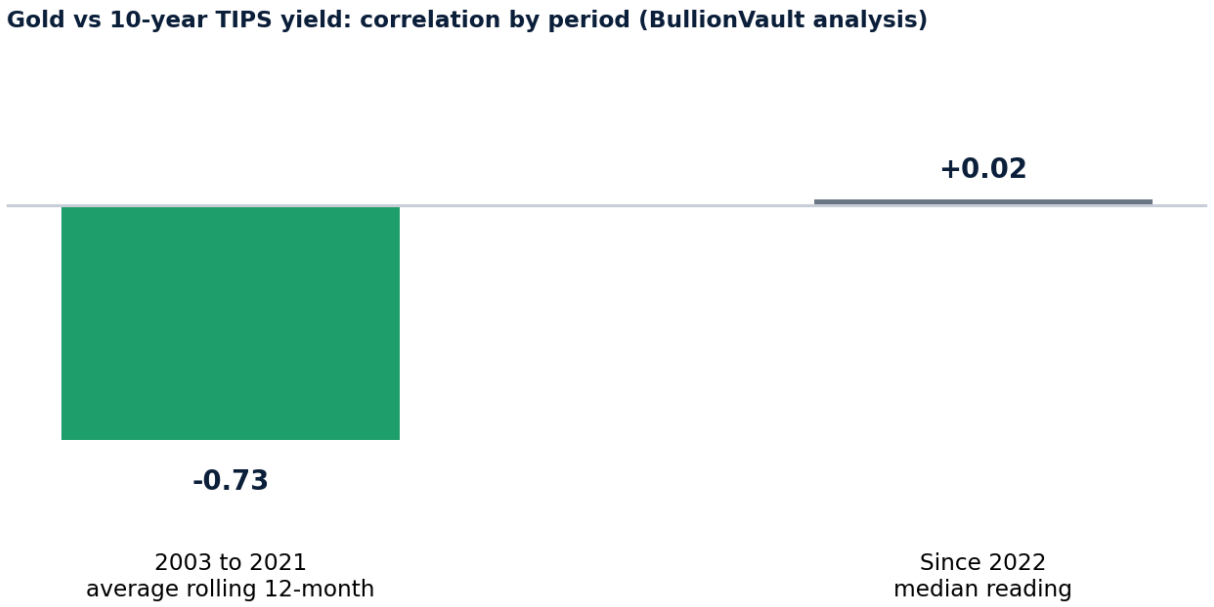


Figure 6 — Rolling 12-month correlation of gold with the 10-year TIPS yield, as analysed by BullionVault.

- From 2003 to 2021 the average rolling correlation was about **-0.73**: higher real yields, lower gold. Since Russia's 2022 invasion of Ukraine the median reading was about **+0.02**: effectively no link, even while real yields climbed to their highest since 2007.
- **Why it decoupled:** central-bank buying (the World Gold Council reported +289 tonnes in Q2 2026; the People's Bank of China was reported adding gold for a 22nd straight month), geopolitical risk, a “debasement” narrative and investor positioning.
- **Why it can return:** in 2026 real yields hit multi-year highs and gold fell by roughly a quarter from its peak. ETF investors, in particular, tend to respond to real yields, policy expectations and the dollar (WGC).
- **Takeaway:** measure it. Compute a rolling correlation of gold's changes with changes in DFII10 on the timeframe you trade, and treat it as a regime indicator, not a constant.

9 Integrating yields with DXY

Part 6 introduced DXY. Combine it with real yields for a stronger framework.

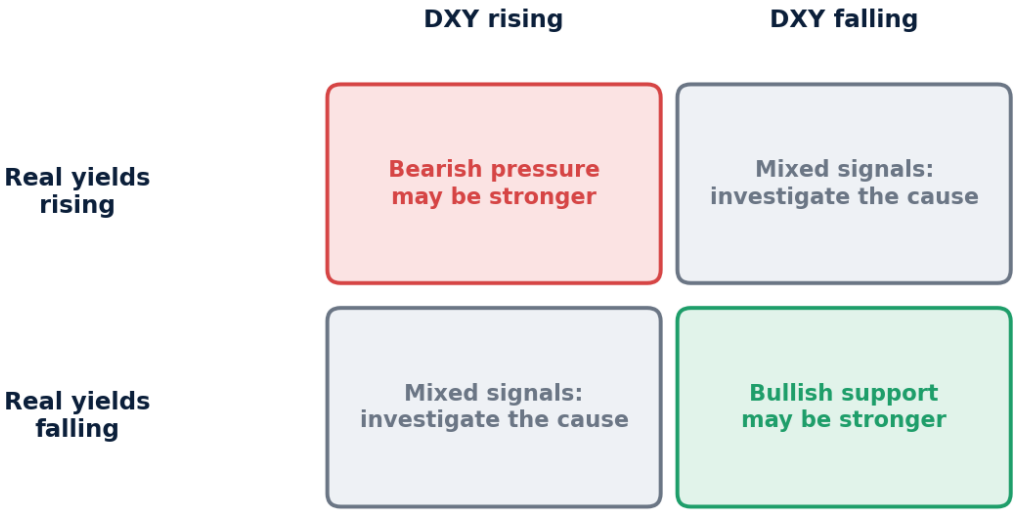


Figure 7 — Four combinations to recognise.

Real yield	Nominal yield	Breakeven	DXY	Initial gold interpretation
Rising	Rising	Flat	Rising	Strongest bearish macro case (2026 example)
Falling	Rising	Rising faster	Mixed	Inflation channel: gold may hold despite higher nominal yields
Falling	Falling	Flat	Falling	Strongest bullish macro case
Rising	Rising	Flat	Falling	Mixed: investigate the cause (a weak dollar can offset)
Falling	Falling	Flat	Rising	Mixed: investigate (a firm dollar can offset)

Precision Pips rule: when DXY and real yields agree, you have a more coherent macro narrative. When they disagree, investigate before building a directional bias. Safe-haven demand, positioning and other flows can override the usual tendencies.

10 Applying yields to ICT/SMC

Step	What to do
1 Macro narrative	Are real yields rising or falling? Does DXY agree? Which event explains the move?
2 Higher-timeframe levels	On H4 and H1 mark major swings, BSL/SSL, FVGs, OBs and premium/discount
3 Liquidity objective	Which nearby highs or lows could attract price? An objective is a possibility, not a promise
4 Price confirmation	On M15/M5: sweep, then displacement and MSS/CHoCH in your direction

Step	What to do
5 Retracement	Evaluate an FVG, OB or other PD array. Do not enter just because price reached a zone
6 Risk and invalidation	Decide beforehand where the setup fails and how much you can risk. High-impact releases cause slippage and fast moves

Worked example: real yields rise and gold approaches resistance

Suppose US inflation comes in hotter than expected, the 10-year real yield rises, DXY strengthens, and gold approaches an H1 bearish order block near previous highs. That is a plausible bearish hypothesis, but you do not sell merely because three conditions align. Wait for gold to take nearby buy-side liquidity, deliver bearish displacement and confirm a bearish MSS. A retracement into a bearish FVG or OB then gives an area to evaluate, provided risk and invalidation are acceptable. If gold instead breaks resistance with strong bullish displacement, reassess: price confirmation beats the narrative.



Figure 8 — Top: the real yield rises after a hot CPI. Bottom: a bearish gold setup built on that context (illustrative).

1	**H1 bearish OB / premium** mapped before the release.	2	**Buy-side liquidity** is swept near the zone.
3	**Bearish displacement and MSS** through the swing low.	4	**FVG / IFVG** forms and is retested.
5	**Entry** on the retest, stop above the zone.	6	**Target** sell-side liquidity.

11 A simple daily research routine

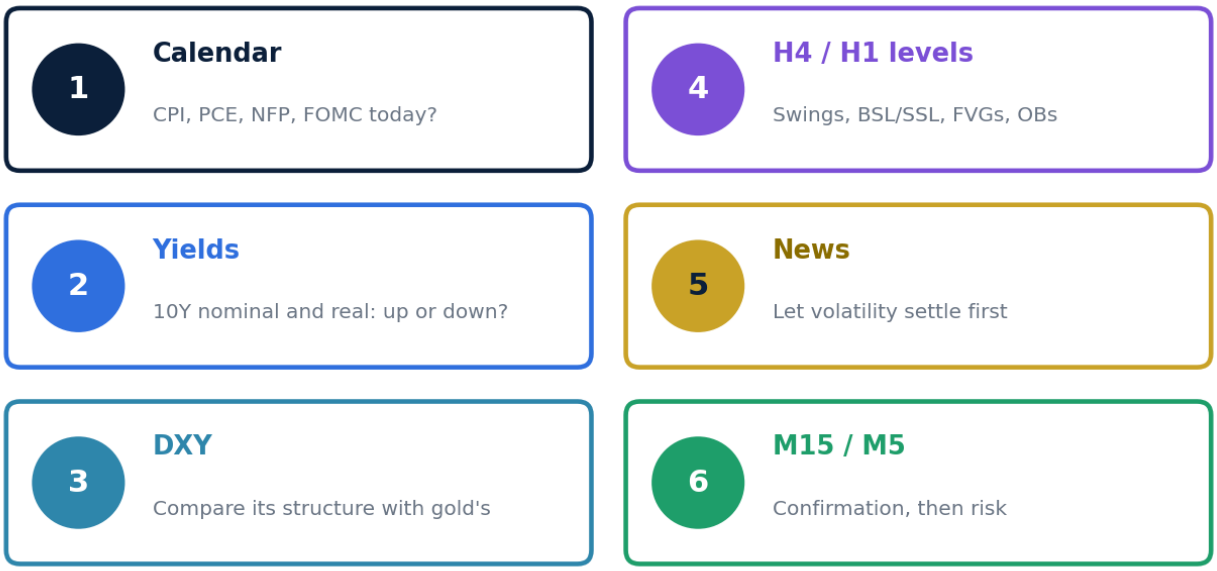


Figure 9 — Before the London or New York session.

- Use reliable sources (US Treasury, the Fed, FRED) and know whether your chart shows a nominal yield, a real yield or a bond price.
- During news, let volatility settle enough to read price structure before acting.
- Write one line: “Real yields X, DXY Y, therefore I look for ___, if gold confirms.”

12 Common mistakes to avoid

- Treating a rising nominal yield as automatically bearish for gold without checking the real yield and breakeven.
- Reading a TIPS fund or bond-price chart as if it were a yield (they are inversely related).
- Assuming the correlation is constant. It was strongly negative for years, then near zero, then reasserted.
- Trading yield headlines instead of price structure. A macro narrative is not an entry signal.
- Ignoring the yield curve and supply worries when long yields spike for non-Fed reasons.
- Using end-of-day data for an intraday decision.
- Chasing the first move after a high-impact release, when spreads and slippage are worst.
- Skipping risk management because the macro picture “looks clear”.

13 Precision Pips practice checklist

	Check	Meaning
☐	**Nominal vs. real yields**	I know which yield I am observing and why it is moving.
☐	**Breakeven check**	I know whether inflation expectations or real rates explain the move.
☐	**DXY confirmation**	I have checked whether dollar strength agrees with the yield narrative.
☐	**Economic catalyst**	I know whether a release or policy expectation explains the change.
☐	**Gold structure**	I have mapped H4/H1 levels and nearby buy-side or sell-side liquidity.
☐	**Price confirmation**	I am waiting for a valid sweep, displacement and structure shift rather than predicting.
☐	**Data timing**	I know whether my yield data is intraday or end-of-day.
☐	**Risk plan**	My invalidation, position risk and news-related volatility are considered.

14 Final takeaway

Treasury yields help explain the opportunity cost of holding gold, while real yields can provide particularly useful context for XAUUSD.

- Rising real yields can pressure gold; falling real yields can support it, all else equal.
- DXY and yields provide context, not guaranteed trade direction. Understand the catalyst behind their movements.
- Combine macro analysis with ICT/SMC confirmation and risk management. A bullish or bearish narrative is not an entry signal on its own.



Figure 10 — Macro narrative, real yields and DXY, H4/H1 levels, liquidity objective, price confirmation, retracement, risk.

Next lesson, Part 8: Risk Sentiment, Geopolitics & Gold

We will explore how wars, political uncertainty, banking stress, recession fears and safe-haven demand can influence gold, and why gold does not always react to risk events the way traders expect.

15 Practice and self-check

	Practice tasks
1	Pull DGS10, DFII10 and T10YIE from FRED for the last 30 days. Check that nominal minus real equals breakeven.
2	On three days when gold moved sharply, note whether real yields, breakevens or DXY moved. Which explained the day best?
3	Compute a rolling correlation between gold's daily changes and DFII10's daily changes. What is it today, and what was it six months ago?
4	Before the next CPI release, write your hawkish and dovish scenarios and the price action that would confirm each.

Question	Answer
What happens to a bond's yield when its price rises?	The yield falls.
Why can nominal yields mislead?	They mix real rates and inflation expectations; only the real part raises gold's opportunity cost.
Which series is the 10-year real yield?	DFII10 on FRED (the 10-year TIPS yield).
Can gold rise when real yields rise?	Yes, if central-bank buying, safe-haven demand or other forces dominate.
What should confirm a yield-based idea?	Gold's own sweep, displacement and market structure shift.

• Glossary

Term	Meaning
Treasury yield	The return on a Treasury security at its current market price.
TIPS	Treasury Inflation-Protected Securities: principal rises with the CPI.
Real yield	Roughly nominal yield minus expected inflation; observed from TIPS (FRED: DFII10).
Breakeven inflation	10-year nominal yield minus 10-year TIPS yield (FRED: T10YIE).
2s10s	The 10-year yield minus the 2-year yield (FRED: T10Y2Y).
Steepening / flattening	The 2s10s spread widening / narrowing.
Term premium	Extra yield investors demand for holding longer-dated bonds.
Opportunity cost	The return given up by holding a non-yielding asset such as gold.
Duration	Approximate sensitivity of a bond's price to a change in yield.

Sources

Federal Reserve Bank of St. Louis (FRED): series DGS2, DGS10, DFII10, T10YIE and T10Y2Y (Fed H.15 and US Treasury data). Market and data coverage for September and October 2026: VT Markets, ThriveInMarkets, PrimeXBT, BabyPips, the Fed H.15-based real-yield tracker thetrading.tools, goldsilver.com (citing PIMCO and CNBC), FT Portfolios, Anadolu Agency (June 2026 projections). Correlation analysis: BullionVault (December 2025). Gold demand: World Gold Council, Gold Demand Trends Q2 2026. Reported levels differ between providers and will have moved since. Educational only, not financial advice.