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## US Debt Demand Slumps Amid \$10 Trillion Roll-Over

### Description

President Donald Trump's military actions in Iran are affecting U.S. debt investors, as interest in Treasury securities declines. The demand for two-, five-, and seven-year Treasury notes fell last week, resulting in higher yields than expected. This is a significant change from a month ago when the Treasury auction saw record demand for 30-year bonds.

The short end of the yield curve is facing pressure due to rising oil prices, which are driving inflation expectations. This situation has caused the Federal Reserve to pause further rate cuts, with interest rate hike predictions increasing. Additionally, the financial cost of the U.S. involvement in Iran is straining the national debt, with reports that the Pentagon seeks \$200 billion from Congress. Notably, military operations have depleted expensive munitions and damaged U.S. military assets.

Joseph Brusuelas, Chief Economist at RSM, noted that the Treasury bond market is reacting to the conflict's economic impact, leading to increased market volatility and a higher risk associated with buying Treasuries. This week, the two-year yield exceeded 4.0%, while the ten-year yield surpassed 4.4%.

The "MOVE index," which measures volatility in the Treasury market, has significantly risen, indicating potential instability. If the current uncertainty persists, it may lead to broader stress in debt markets.

As the conflict continues, analysts predict it could last months, affecting borrowing costs. The federal government is also expected to refinance \$10 trillion of debt due in the next year, alongside a budget deficit projected to reach \$2 trillion. Increased corporate debt may further complicate the borrowing landscape, according to experts.

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### Vocabulary List:

1. **Treasury** //ˈtreɪzəri// (noun): a government's department that manages money
2. **yield** //ji:ld// (noun): how much profit comes from an investment
3. **auction** //ˈɔ:kʃən// (noun): a public sale where people bid money
4. **volatility** //ˌvɒləˈtɪlɪti// (noun): frequent and large changes in prices
5. **refinance** //ˌriːˈfaɪnæns// (verb): to change a loan to get better terms
6. **munitions** //mjuːˈnɪʃənz// (noun): weapons, bombs, and related military supplies

### Comprehension Questions



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## Multiple Choice

1. What has happened to the demand for Treasury securities recently?
  - Option: It has increased
  - Option: It has declined
  - Option: It has remained unchanged
  - Option: It has doubled
2. What caused the Federal Reserve to pause further rate cuts?
  - Option: Rising oil prices
  - Option: Decreasing inflation
  - Option: Increase in stock prices
  - Option: Stable yield curve
3. How much funding is the Pentagon seeking from Congress?
  - Option: \$100 billion
  - Option: \$150 billion
  - Option: \$200 billion
  - Option: \$250 billion
4. What is the projected budget deficit for the federal government?
  - Option: \$1 trillion
  - Option: \$2 trillion
  - Option: \$3 trillion
  - Option: \$4 trillion
5. What is the current yield of the two-year Treasury note mentioned in the text?
  - Option: 3.5%
  - Option: 4.0%
  - Option: 4.2%
  - Option: 4.4%
6. Which index measures volatility in the Treasury market?
  - Option: VIX index
  - Option: MOVE index
  - Option: SPX index
  - Option: TRIX index



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**True-False**

- 7. Interest in Treasury securities is currently increasing.
- 8. The Treasury auction recently saw record demand for 30-year bonds.
- 9. The yield curve is currently experiencing pressure from rising oil prices.
- 10. Joseph Brusuelas is the Chief Economist at RSM.
- 11. Current uncertainty in the market does not affect U.S. debt investors.
- 12. The financial cost of U.S. involvement in Iran is reducing the national debt.

**Gap-Fill**

- 13. The demand for two-, five-, and seven-year Treasury notes fell last week, resulting in higher yields than expected. This is a significant change from a month ago when the Treasury auction saw record demand for 30-year bonds. The short end of the yield curve is facing pressure due to rising oil prices, which are driving \_\_\_\_\_ expectations.
- 14. The Pentagon seeks \$200 billion from Congress to cover the financial cost of U.S. \_\_\_\_\_ in Iran.
- 15. According to Joseph Brusuelas, the Treasury bond market is reacting to the economic impact of the \_\_\_\_\_.
- 16. If the current uncertainty persists, it may lead to broader stress in \_\_\_\_\_ markets.
- 17. The federal government is expected to refinance \$10 trillion of debt due in the next \_\_\_\_\_.



18. Analysts predict the conflict could last \_\_\_\_\_, affecting borrowing costs.

## Answer

**Multiple Choice:** 1. It has declined 2. Rising oil prices 3. \$200 billion 4. \$2 trillion 5. 4.0% 6. MOVE index

**True-False:** 7. False 8. True 9. True 10. True 11. False 12. False

**Gap-Fill:** 13. inflation 14. involvement 15. conflict 16. debt 17. year 18. months

## Vocabulary quizzes

### Multiple Choice ( Select the Correct answer for each question. )

1. What organization manages government revenue and expenditure?

- Option: Federal Reserve
- Option: Treasury
- Option: Central Bank
- Option: Finance Ministry

2. What term describes the degree of variation of a trading price series over time?

- Option: Stability
- Option: Volatility
- Option: Predictability
- Option: Consistency

3. What term is used when a borrower revises their payment schedule for repaying debt?

- Option: Rebuild
- Option: Refinance
- Option: Restructure
- Option: Reborrow

4. Which concept refers to meeting the needs of the present without compromising future generations?

- Option: Sustainability
- Option: Scalability
- Option: Profitability
- Option: Efficiency

5. What event is a public sale where goods or property are sold to the highest bidder?

- Option: Fair
- Option: Auction



Option: Market

Option: Bazaar

6. What term refers to a statistical measure of changes in a representative group of individual data points?

Option: Indices

Option: Trends

Option: Data sets

Option: Averages

7. What economic term describes the rate at which the general level of prices for goods and services is rising?

Option: Deflation

Option: Stagnation

Option: Inflation

Option: Depreciation

8. What shape is described as having a circular cross-section and extending in a straight line?

Option: Cubical

Option: Spherical

Option: Cylindrical

Option: Elliptical

9. Which term describes processes that are capable of renewal or restoration?

Option: Regenerative

Option: Degenerative

Option: Destructive

Option: Transient

10. What term refers to activities intended for profit or business purposes?

Option: Locally

Option: Residentially

Option: Commercially

Option: Socially

**Gap-Fill ( Fill in the blanks with the correct word from the vocabulary list. )**

11. Technological advancements can significantly \_\_\_\_\_ the capabilities of existing systems.

12. If the conflict \_\_\_\_\_, it could lead to significant economic repercussions.



13. The project requires \_\_\_\_\_ efforts to be successful over the long term.
14. The company aims to \_\_\_\_\_ its production within the next three years.
15. The engine's \_\_\_\_\_ is essential for determining its overall performance.
16. \_\_\_\_\_ are a groundbreaking development in regenerative medicine.
17. The process of \_\_\_\_\_ organs has advanced significantly over the past decade.
18. The device was successfully \_\_\_\_\_ in the patient's chest and is functioning well.
19. The approval for the project is \_\_\_\_\_ upon meeting safety standards.
20. The doctor noted the \_\_\_\_\_ of the disease and recommended further treatment.

**Matching Sentences ( Match each definition to the correct word from the vocabulary list. )**

21. The Treasury is responsible for managing the government's financial resources.
22. Volatility in the stock market can lead to significant investment risk.
23. To refinance a loan means replacing an existing loan with a new one under different terms.
24. Sustainability practices focus on reducing our ecological footprint.
25. An auction allows participants to compete to purchase assets.
26. Indices are used to gauge market performance and economic health.
27. Inflation affects purchasing power and is a key economic indicator.
28. Cylindrical shapes are often used in engineering due to their strength.
29. Regenerative technologies aim to restore and replenish natural resources.
30. Products that are developed commercially are aimed at generating profit.

**Answer**

- Multiple Choice:** 1. Treasury 2. Volatility 3. Refinance 4. Sustainability 5. Auction 6. Indices 7. Inflation  
8. Cylindrical



9. Regenerative 10. Commercially

**Gap-Fill:** 11. enhance 12. escalates 13. sustained 14. quadruple 15. torque 16. Induced pluripotent stem (iPS) cells 17. transplanting 18. implanted 19. conditional 20. progression

**Matching sentence:** 1. Treasury 2. volatility 3. refinance 4. sustainability 5. auction 6. indices 7. inflation 8. cylindrical 9. regenerative 10. commercially

## CATEGORY

1. Business - LEVEL4

## POST TAG

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2. B2
3. ESL learning
4. esl news
5. Iran war
6. Level 4
7. US debt
8. weaker demand

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