MARKET ANALYSIS

Debts Coming Due

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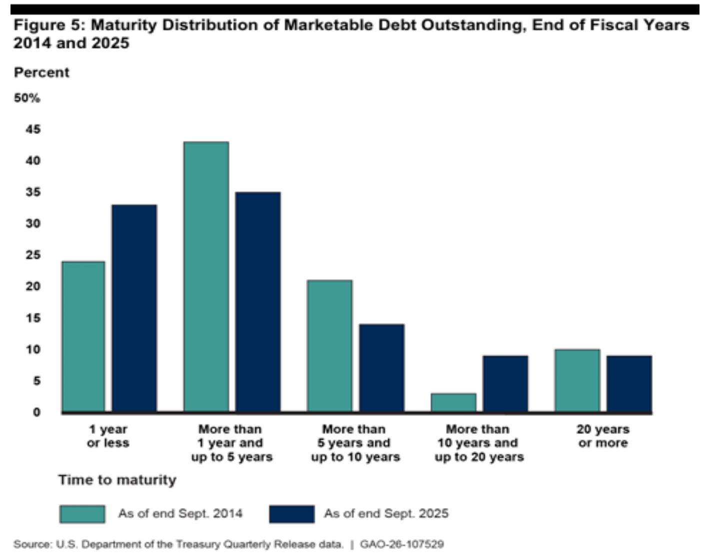
What is the U.S. Debt Refinancing Wall?

The U.S. government’s growing debt challenge is commonly discussed in terms of its size, but an equally important question is what happens when that debt comes due. Treasury debt does not remain outstanding indefinitely. As bonds mature, the government must refinance them by issuing new securities at the prevailing interest rate.[1]

This process of refinancing maturing debt by issuing new securities creates what is known as a “refinancing wall”. Rather than all debt coming due at a single maturity date, this wall is a rolling series of maturities that makes the government increasingly sensitive to rising interest rates.

The Treasury will need to refinance approximately $9.7 trillion of maturing securities in 2026, in addition to borrowing to finance the federal deficit, which occurs when government spending exceeds revenues. In the fiscal year 2025, the Treasury refinanced $9.1 trillion while also raising $1.9 trillion in new borrowing.[2]

Chart 1

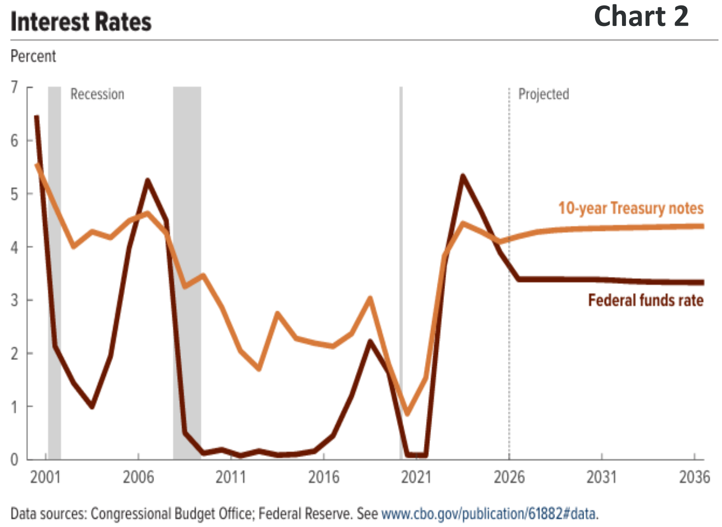


The composition of the debt changes constantly, but the Treasury has increasingly relied on shorter-term borrowing in recent years. As of September 2025, approximately one-third of the Treasury’s debt was scheduled to be refinanced within 12 months. This means a large portion of the debt will need to be replaced in the coming years amid likely higher interest rates, which raises the government’s borrowing costs.[2]

What Does This Mean for Interest?

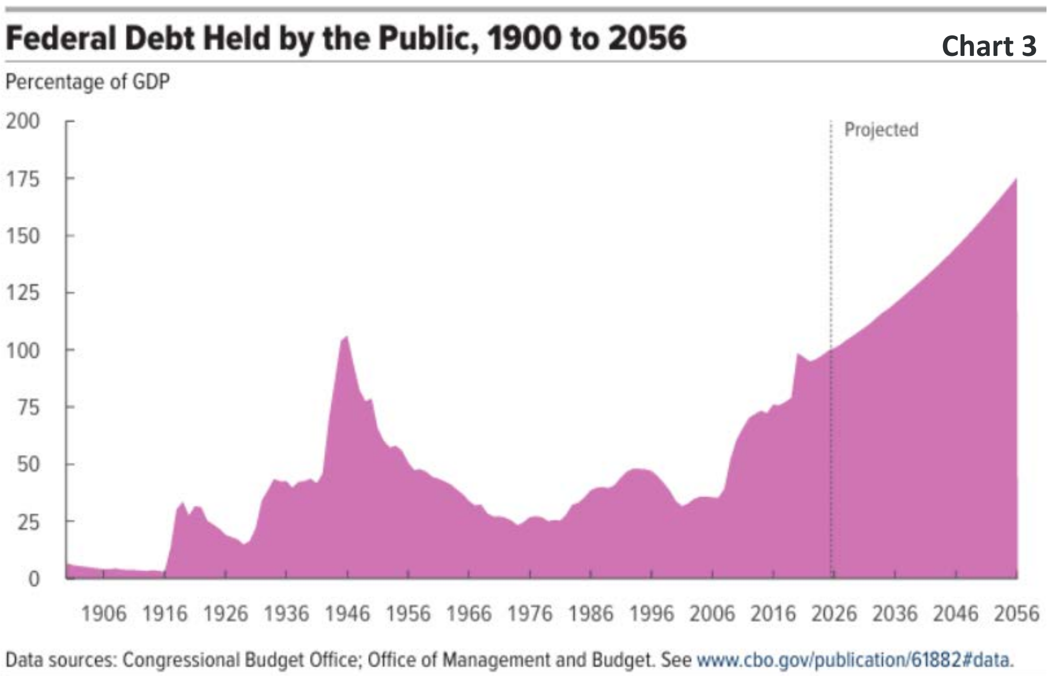
Much of the current U.S. debt was issued during the low-rate period of the 2010s and early 2020s. An estimated 60% of U.S. debt originated when the average interest rate on 10-year Treasury notes was less than 3%.[3] Today, the 10-year U.S. Treasury rate is roughly 5%.[4] This means that as low-rate securities mature and are replaced with higher-rate debt, federal borrowing costs continue to increase over time. In 2026, the average interest rate on debt held by the public is estimated to be 3.4% and is expected to rise. Simultaneously, the net interest payments owed by the government are projected to double from $1 trillion in 2026 to $2.1 trillion in 2036.[5] This could potentially create a debt-interest feedback loop in which higher interest expenses increase the debt stock, larger deficits require additional borrowing, and additional borrowing increases the amount of debt to be refinanced.

Chart 2



Fixed Income Effects

Treasury yields act as a benchmark for interest rates across the fixed-income market, so sustained increases in government borrowing costs can impact rates on corporate bonds, mortgages, and other credit markets. Higher yields can initially lower the prices of existing fixed income securities since older bonds that carry lower yields are often less attractive than newer issues with higher yields. Ultimately, however, rising interest rates can provide investors with higher income and more attractive reinvestment opportunities.



Social Security

Adding another layer to the U.S. debt picture is the Old Age and Survivors Insurance Trust Fund (OASI), the fund for Social Security benefits, which is projected to be depleted in the fourth quarter of 2032. At that point, program income would be insufficient to cover scheduled Social Security benefits – falling short by 32%.[6]

Social Security trust funds hold special-issue Treasury securities. As trust-fund reserves are drawn down, the securities are redeemed, which requires the Treasury to provide cash to the Social Security program. If the government does not have sufficient revenues to fund those redemptions, the broader budget must absorb the difference through higher taxes or additional borrowing, potentially increasing the government's overall financing needs.

Conclusion

The U.S. debt maturity wall underscores the fact that the nation's fiscal challenges extend beyond the simple total amount of debt outstanding and include recurring refinancing costs on trillions of dollars of maturing securities in a rising rate environment. As low-interest debt is replaced with higher-cost borrowing, federal interest expenses are expected to rise, increasing pressure on the budget. Combined with persistent deficits, growing debt levels, and ballooning obligations, like Social Security, the government's ability to refinance debt at sustainable rates will play a critical role in maintaining long-term fiscal stability and economic confidence.

Economic Definitions

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

Disclosures

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[1] Understanding the National Debt | U.S. Treasury Fiscal Data

[2] FEDERAL DEBT MANAGEMENT: Treasury Is Meeting Borrowing Needs but the Deteriorating Fiscal Outlook Poses Risks

[3] The High Cost of Borrowing at Low Rates-2023-09-25

[4] Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis | St. Louis Fed

[5] The Budget and Economic Outlook: 2026 to 2036 | Congressional Budget Office

[6] Social Security Board of Trustees: Projection for Combined Trust Funds Remains Consistent with Prior Year | News | SSA