2 GRAY BEARDS | Week 185 One-Pager

July 18, 2026 | Real Yields Near the Trigger

WHAT HAPPENED LAST WEEK

CPI and PPI both came in softer than expected across services and goods, but bonds barely moved — the curve steepened only 3bps. Real yields hit ~292 intraday, closing at 289, extending the multi-year grind higher.

THE CORE THESIS

Real (inflation-adjusted) returns, not nominal ones, build wealth. Long-term TIPS are the one asset with a knowable real return, making them the benchmark other assets get priced against. When TIPS get attractive, other assets tend to follow — not always immediately.

THE TARGET

A long-held 3% real yield target has been approached and missed repeatedly (270 → 250 → 280 → 260 → now 289–292). Waiting has been the right call — anyone who bought earlier is underwater — and the gap is now under 10bps.

THE RISK

Bond markets can move violently on fiscal-sustainability fears or a bad auction — "decades happen in hours." A real move in nominal rates could push yields straight through 3% before reversing.

THE PLAN

- Scale in 5% of target allocation at each level: 3.00% → 3.25%
- Build to ~30–35% real yield (TIPS), ~5% nominal duration
- 20–25% gold/commodities, remainder to equities once they bottom

RISK/REWARD

If yields back off from 292 to 270, the missed opportunity is minor. If they reach 3–3.25%, the entry is compelling enough to be close to a guaranteed long-term win. That asymmetry is the entire case for continuing to wait.

Source: 2 Gray Beards Week 185 Transcript — July 18, 2026