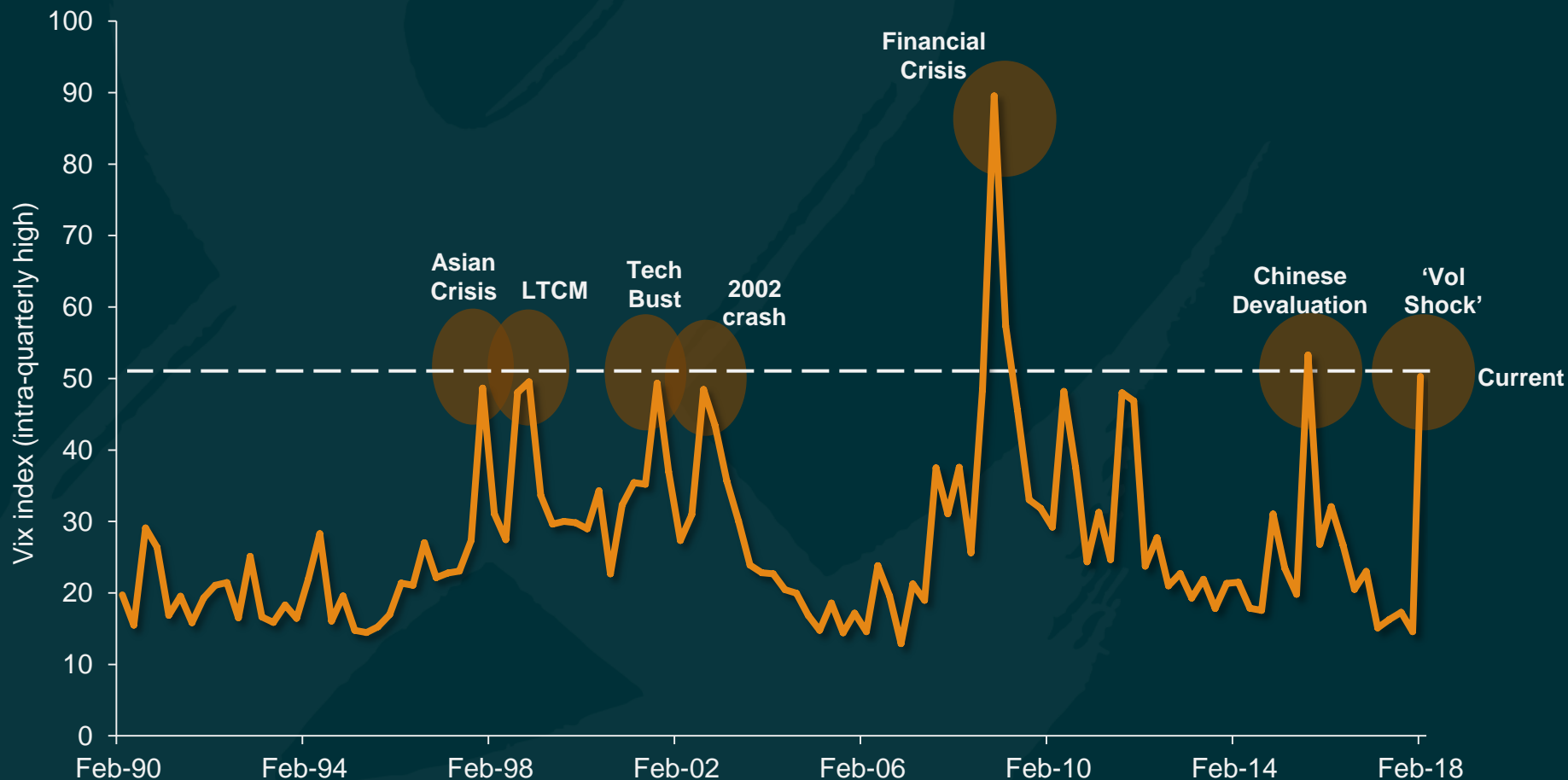


# Highest volatility levels over the last 30 years

Vix index (intra-quarterly high)

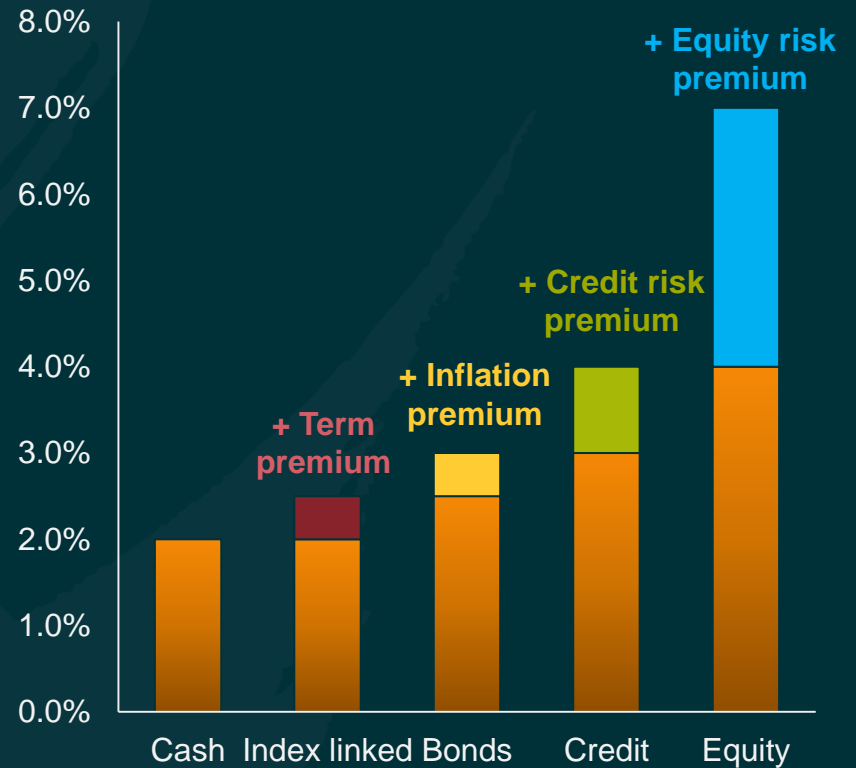


# The key role of cash rates in asset price determination

## 2-year US Treasury yield



## Building block valuation equilibrium



*Theory implies important inter-linkages*



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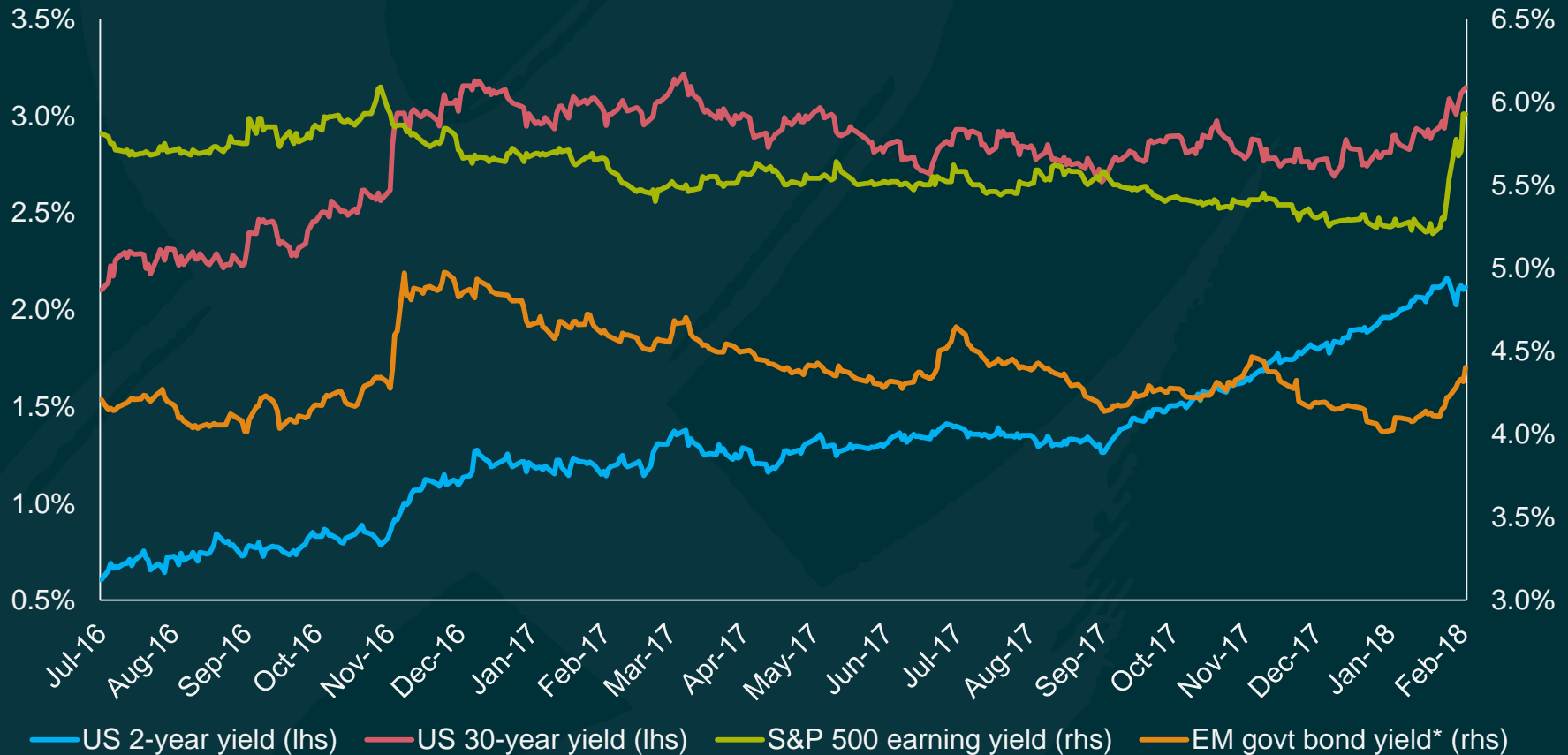
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Source: Thomson Reuters Datastream,  
09 February 2018



# How has the recent increase in 2-year yields impacted financial asset valuations?

Valuation of different asset classes (bond yields and earning yields)



***Can risky assets continue to ignore the rise in 2-year yields?***



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Source: Thomson Reuters Datastream, 8 February 2018.\*ICE BOFAML Emerging Market Hard Currency Sovereign Debt Index



# Improving earnings and falling prices leads to improvements in equity valuations

