Chart 1: The three-month moving average of the three-month Correlation between SPX price change and Sw30yr yield change. Positive correlation means Stocks up when Rates are up (bond prices down).
This strong positive correlation began near the start of QE; and I expect will end in Q1-19 (chart 7). Leveraged Risk Parity funds will need to "sell" when this correlation reverses.
NOTE: These quant/algo managers will not sell because they are bearish; rather, it will be a mathematical program adjustment to reflect the new risk coefficients. Respectfully, Quants and Algos do not "think", they do not have emotions or opinions, they manage to realized correlations.

Source for next two charts: CS Locus

Chart 2: Scatter diagram (courtesy of Credit Suisse) between SPX returns and Interest rates that implies an inflection point at 3.50%. I don't love this chart, but it does support my notion that somewhere slightly above 3.25% would be problematic. It is no coincidence this rate would mark a break above the demographic trend (as shown in chart 3).

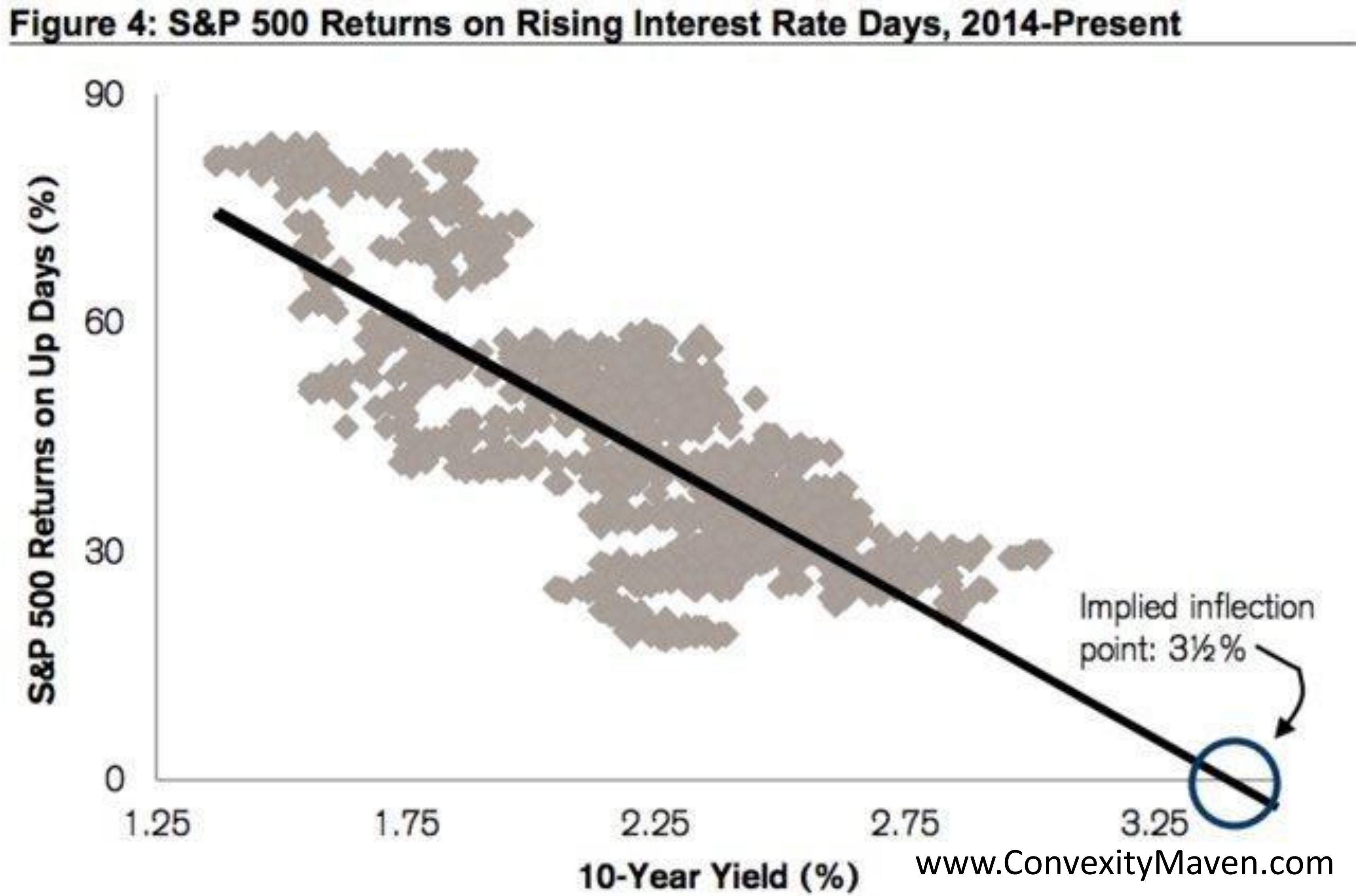

Chart 3: My favorite chart - The long-term correlation between the Labor Force Growth rate and Interest Rates. Interest rates (and inflation) have followed the Baby Boomers, peaking when the average Boomer reached age 30 in 1985.

Notice that the demographic turns up again in 2023 to 2026 when the Millennials enter the Labor Force.

Source: Gerard Minack, Minack Advisors

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Chart 4: The Baby Boomers have been selling Equities to buy Debt to prepare for retirement. ½ Over nearly a decade, mutual fund owners have been net sellers of Stocks and net buyers of Bonds. ½ The net buyer of equities has been corporations as funded by QE-reduced interest rates.

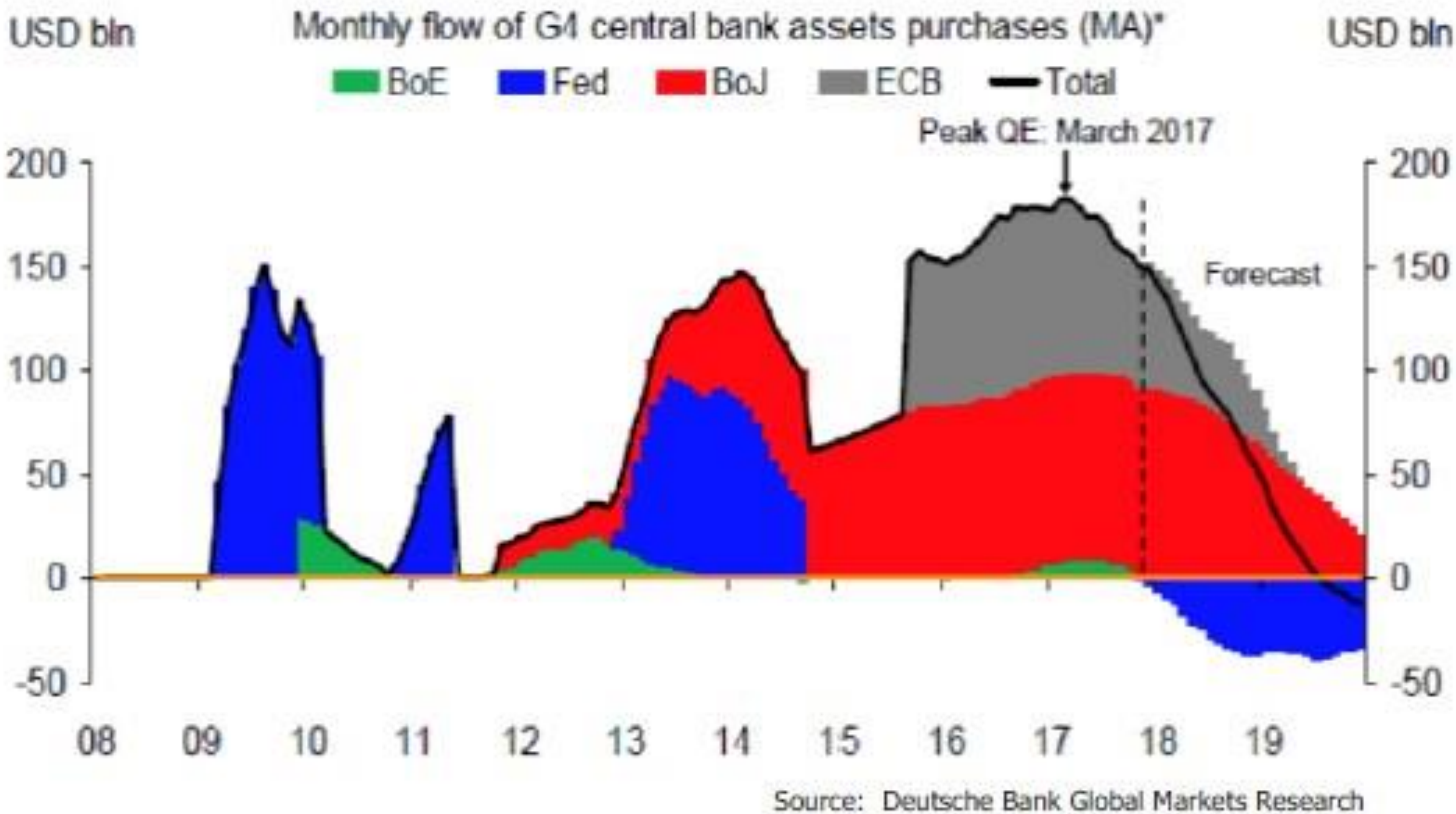
Source: BofA Merrill Lynch Global Investment Strategy, S&P Global, EPFR Global

Chart 5: The VIX at 10 to 12 was at a record low

Chart 6: The MOVE in the low-50s was at a "forever low" since 1988

Source: Credit Suisse LOCUS

Chart 7: The financial asset bubble will start to unwind in the first quarter of 2019. This is when the Western Central Banks will be NET sellers of assets.



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