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Nicole Bullock YESTERDAY



Wall Street may soon discover the importance of the number three, as the [10-year Treasury yield](#), one of the most important rates for asset markets, appears set to test 3 per cent for the first time in four years.

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Equity investing involves a delicate balance of three things: earnings, interest rates and valuation. Over the past decade, low long-term bond yields have played a crucial role in helping elevate equity valuations.

...

“You have to consistently show economic and earnings growth to justify these valuations at higher rates,” says Nicholas Colas, cofounder at DataTrek. “People forget how closely tied economic and profit growth is to rising rates — it is a horse race and profit growth has to win — even if just by a little.”