



Wealth Strategies Team

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2022 Back to Normal - Chartbook

Cliff Jarvis | Investment Advisor | January 5th, 2023

Stock Market Price-to-Earnings Ratio

S&P 500 forward P/E ratio using earnings estimates over the next twelve months



- This PE ratio uses next-twelve-month earnings estimates, so it is forward rather than backward-looking.
- Valuations are more attractive now due to the market pullback.
- Investors should exercise caution and properly diversify across asset classes, both in the U.S. and globally.

Latest data point is Jan 3, 2023

Sources: Clearnomics, Refinitiv

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Stock Market Valuations

S&P 500 Index valuations today, one year ago, and ranges since 2003



- U.S. stock valuations have improved due to the market pullback of the past year.
- Valuations were previously near historic highs. Stable earnings have helped valuations over the past year.
- Investors should remain properly diversified both in the U.S. and abroad due to valuation differences.

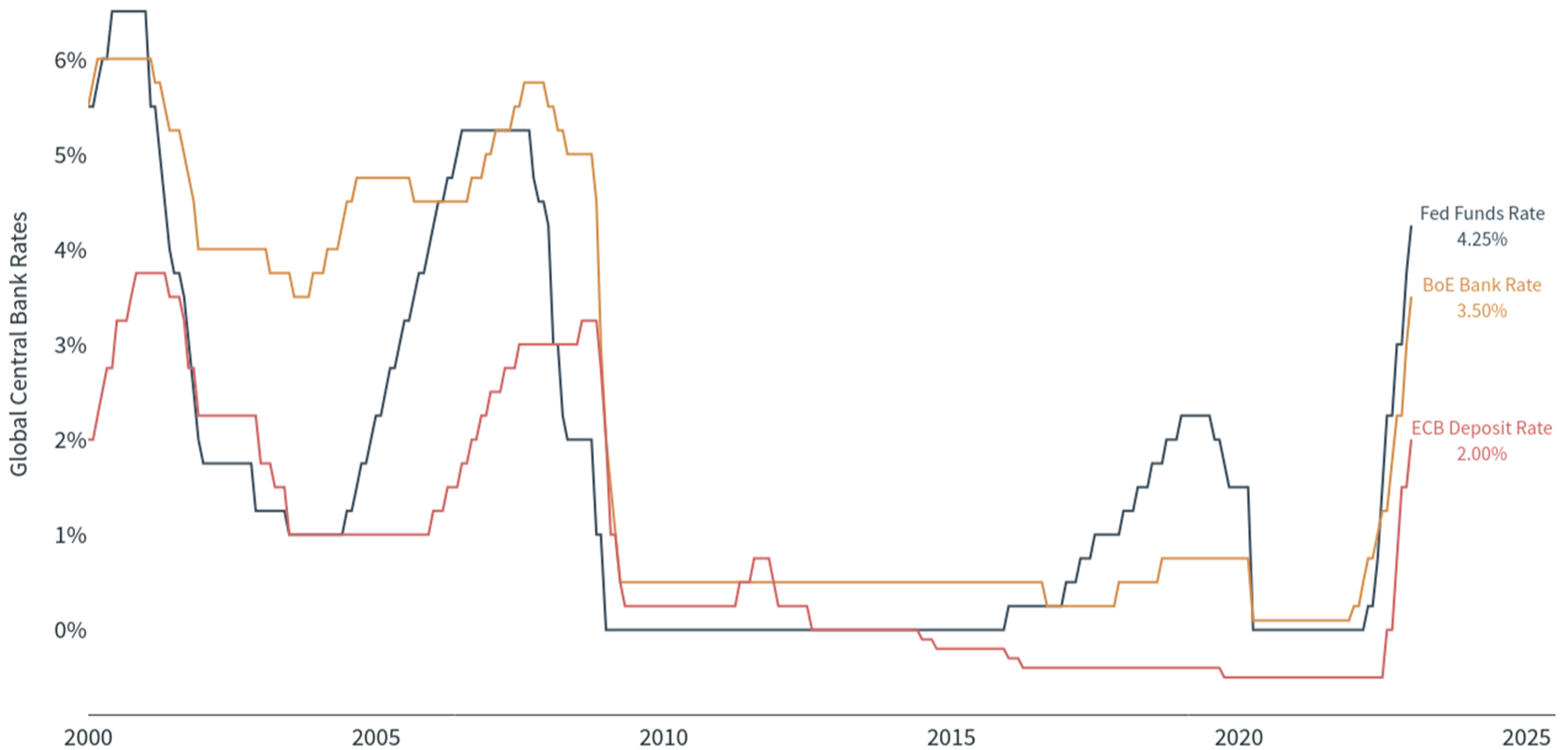
Latest data point is Jan 3, 2023

Sources: Clearnomics, Refinitiv

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Global Central Bank Policy Rates

Federal Reserve, Bank of England and European Central Bank Rates



Latest data point is Dec 2022

- Our Central Bank, The Federal Reserve dramatically raised their target short term interest rate in 2022.
- Central Banks around the world are also raising rates.
- This has been very disruptive to the financial market.

Sources: Clearnomics, Federal Reserve, ECB, Bank of England

Definitions and Methodology

The **S&P 500** is a market capitalization-weighted index of large cap U.S. stocks. U.S. **mid cap** and **small cap** are the S&P 400 and S&P 600, respectively. **Value** and **growth** are the corresponding Standard & Poor's value and growth indices.

MSCI EM is an index of emerging market stocks. **MSCI EAFE** is an index of developed market stocks. **MSCI ACWI** is an index of global stocks.

The **forward P/E** is a ratio of the current market price of an index divided by an estimate of earnings over the next twelve months. The **Shiller P/E** is based on Robert Shiller's cyclically adjusted price-to-earnings ratio.

The **AAll Investor Sentiment** index is based on a weekly survey conducted by AAll.

Unless stated otherwise, **earnings** and **valuations** data are from Refinitiv indices.

The **LEI**, or Leading Economic Index, is produced monthly by the Conference Board.

Consumer sentiment indices are based on surveys conducted by the University of Michigan Surveys of Consumers.

Asset Class Performance and Asset Classes Relative to U.S.

Stocks charts: The EM, EAFE, Small Cap, Fixed Income and Commodities are these indices, respectively: MSCI EM, MSCI EAFE, Russell 2000, iShares Core U.S. Bond Aggregate, Bloomberg Commodity Index.

Fixed Income Performance: All sectors are represented by the Bloomberg Barclays bond indices except for EMD USD and Local which are the JPMorgan EMBIG Diversified Index and JPMorgan GBI-EM Core Index, respectively.

The Balanced Portfolio is a hypothetical 60/40 portfolio consisting of 40% U.S. Large Cap, 5% Small Cap, 10% International Developed Equities, 5% Emerging Market Equities, 35% U.S. Bonds, and 5% Commodities.

The **Bloomberg Commodity Index** is a broadly diversified basket of physical commodities futures contracts.

The **DXY** is a U.S. dollar index based on a basket of currencies, including the Euro, Yen, Pound, Canadian Dollar, Swedish Krona and Swiss Franc.

Portfolio Risk/Reward and Portfolio Drift Since 2009 charts: stocks and bonds are the S&P 500 and iShares Core U.S. Bond Aggregate, respectively. Each portfolio represents a hypothetical stock/bond asset allocation.

The **MSCI Factor** indices are created and maintained by MSCI to capture factor returns. They cover various factors including Quality, Size, Momentum, Volatility, Value and Yield. The Multi-Factor index tracks the performance of Value, Momentum, Quality and Size.

The **MSCI USA** index tracks large and mid cap U.S. stocks.

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