



# Wealth Strategies Team

SUPPORTED BY OHANESIAN / LECOORS

**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.

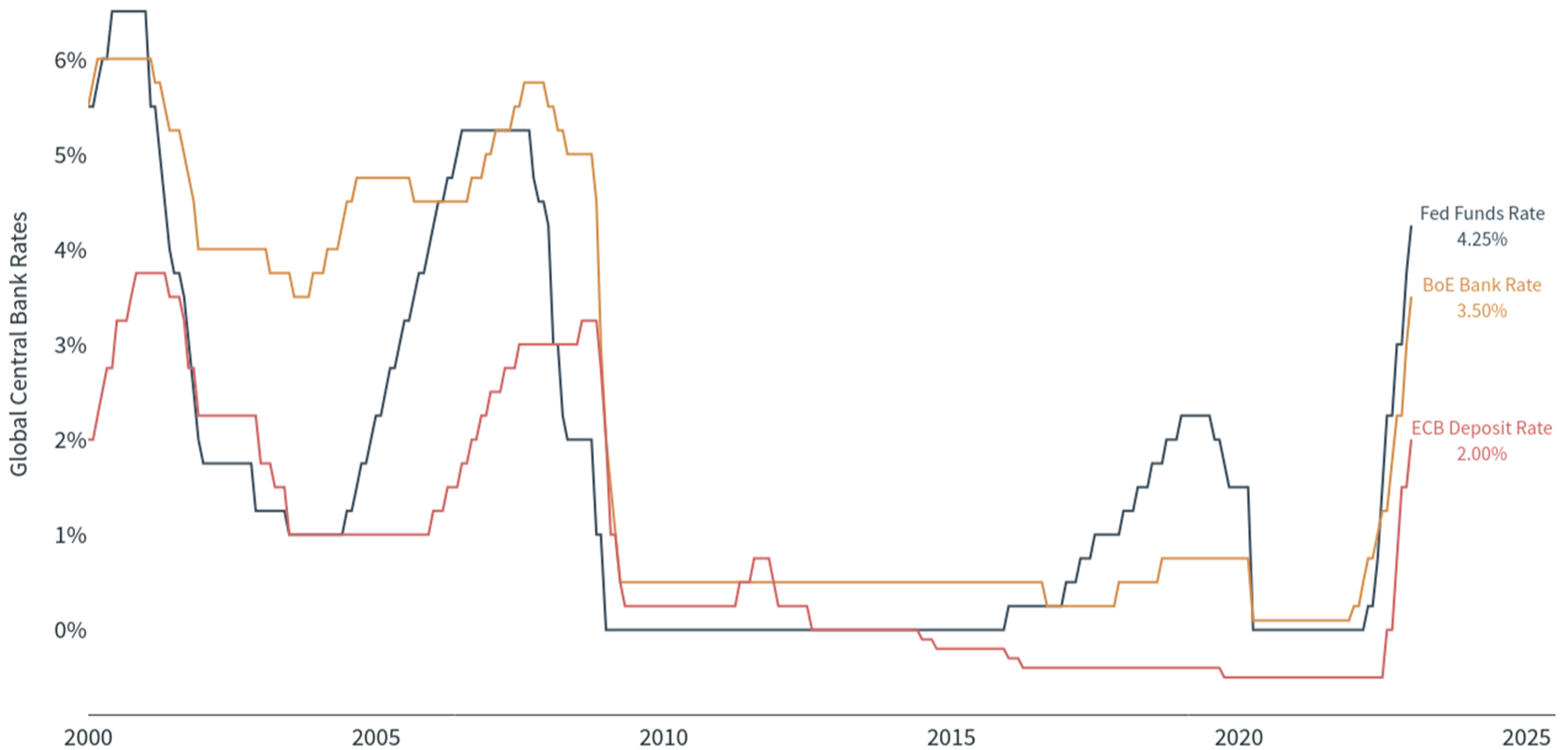
*Latest data point is Jan 3, 2023*

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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