Figure 1.

S&P 500 FORWARD P/E RATIO & MISERY INDEX

- MISERY INDEX*: (6.6)
- S&P 500 Forward P/E**: (17.7)

* Unemployment rate plus yearly percent change in consumer price index.
** Average monthly S&P 500 stock price index divided by S&P 500 12-month forward consensus expected operating earnings per share.


Figure 2.

S&P 500 FORWARD P/E RATIO*

- Average = 13.8

* Average monthly S&P 500 stock price index divided by S&P 500 12-month forward consensus expected operating earnings per share.

Source: Thomson Reuters I/B/E/S.
**Figure 3.**

S&P 500 FORWARD P/E* PLUS MISERY INDEX**

Average = 23.9

* Average monthly S&P 500 stock price index divided by S&P 500 12-month forward consensus expected operating earnings per share.

** Unemployment rate plus yearly percent change in consumer price index.

Note: Bear markets are declines of 20% or more (in red shades).


**Figure 4.**

RULE OF 20: S&P 500 FORWARD P/E PLUS CPI INFLATION*

* Using forward P/E monthly and yearly percent change in CPI for inflation.

Note: Bear markets are declines of 20% or more (in red shades).

Source: Thomson Reuters I/B/E/S and Standard & Poor’s.
Figure 5.

S&P 500 VALUATION MEASURES
(weekly)

Forward P/E*

Forward P/S**

* Price divided by forward consensus expected operating earnings per share.
** Price divided by forward consensus expected sales per share.
Source: Thomson Reuters I/B/E/S.

Figure 6.

STOCK MARKET CAPITALIZATION RATIOS

S&P 500 Market Cap
(as a ratio of S&P 500 Revenues) (1.82)

US Equity Market Capitalization Ex Foreign Issues
(as a ratio of nominal GDP) (1.69)

Note: Shaded red areas denote S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.
Source: Federal Reserve Board and Standard & Poor’s.
Figure 7.

**STOCK MARKET CAPITALIZATION RATIO & PRICE-TO-SALES-RATIO**

- US Equity Market Capitalization Ex Foreign Issues (as a ratio of nominal GDP) (1.69)
- Forward P/S* (1.90)

* S&P 500 index divided by 52-week forward consensus expected revenues per share for S&P 500.

Figure 8.

**FED’S STOCK VALUATION MODEL**

(percentage overvalued or undervalued)

- Percentage S&P 500 Over/Under Valued Relative to Fair Value
  - Using Treasury Bond Yield* (-61.9)
  - Using Corporate Bond Yield** (-24.9)

* S&P 500 12-month forward consensus expected operating earnings divided by 10-year US Treasury bond yield converted to percentage.
** S&P 500 12-month forward consensus expected operating earnings divided by corporate bond yield (using average of Moody’s Aaa and Baa yields through 1996, then average of BoA Merrill Lynch data for AA-AAA and BBB-A yields) converted to percentage.
Source: Thomson Reuters I/B/E/S, Federal Reserve Board, and Haver Analytics.
Figure 9.

CHINA: POPULATION
(billions, ratio scale)

Source: State Statistical Bureau of the People’s Republic of China.

Figure 10.

CHINA: POPULATION
(10-year change, millions)

Source: State Statistical Bureau of the People’s Republic of China.
Figure 11.

CHINA: RURAL & URBAN POPULATION
(as a percent of total population)

- Rural (42.7)
- Urban (57.3)

Source: China National Bureau of Statistics.

Figure 12.

CHINA: URBAN POPULATION
(yearly change, millions)

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