Stock Market Briefing: Valuation Models
Misery Index & Rule of 20

March 11, 2020

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MISERY INDEX* & STOCK MARKET CYCLE (percent)

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

Note: Shaded red areas denote S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.

MISERY INDEX COMPONENTS DURING BULL & BEAR MARKETS

Note: Shaded red areas denote S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.
Figure 3.

UNEMPLOYMENT RATE & BUSINESS CYCLE (percent)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.

Figure 4.

UNEMPLOYMENT RATE & BEAR MARKETS IN STOCKS (percent)

Note: Shaded red areas denote S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.
Figure 5.
S&P 500 FORWARD P/E RATIO & MISERY INDEX

- Misery Index* (5.8)
- S&P 500 Forward P/E** (19.1)

* 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 6.
MAPE: S&P 500 FORWARD P/E* PLUS MISERY INDEX**

Average = 23.8
Latest (22.5)

* 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 7.**

*S&P 500 FORWARD P/E RATIO & CONSUMER PRICE INDEX*

- **Consumer Price Index** * (2.3)
- **S&P 500 Forward P/E** ** (16.7)

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


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**Figure 8.**

**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: I/B/E/S data by Refinitiv, Standard & Poor’s, and Bureau of Labor Statistics.

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