

# Stock Market Briefing: Valuation Ratios Using Market Capitalization

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*thinking outside the box*

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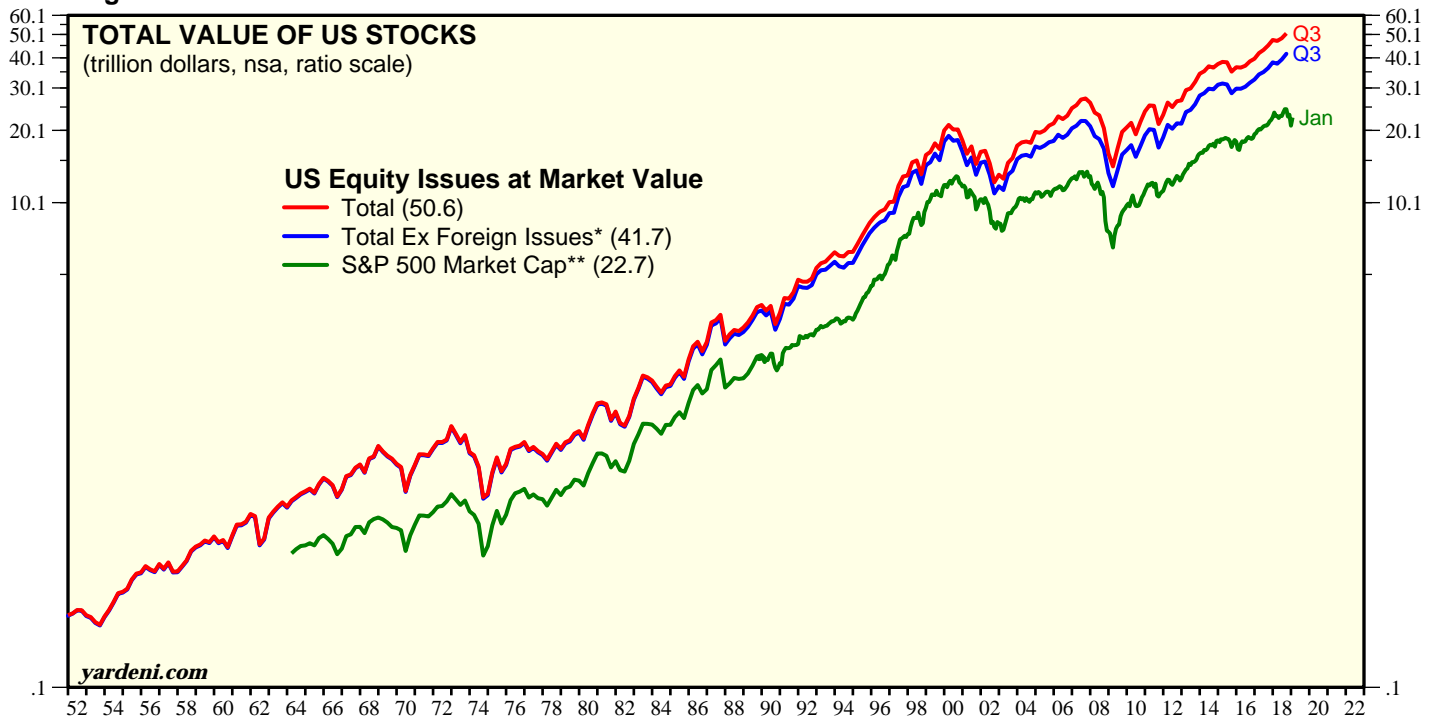
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Capitalization Ratios

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# Capitalization Ratios

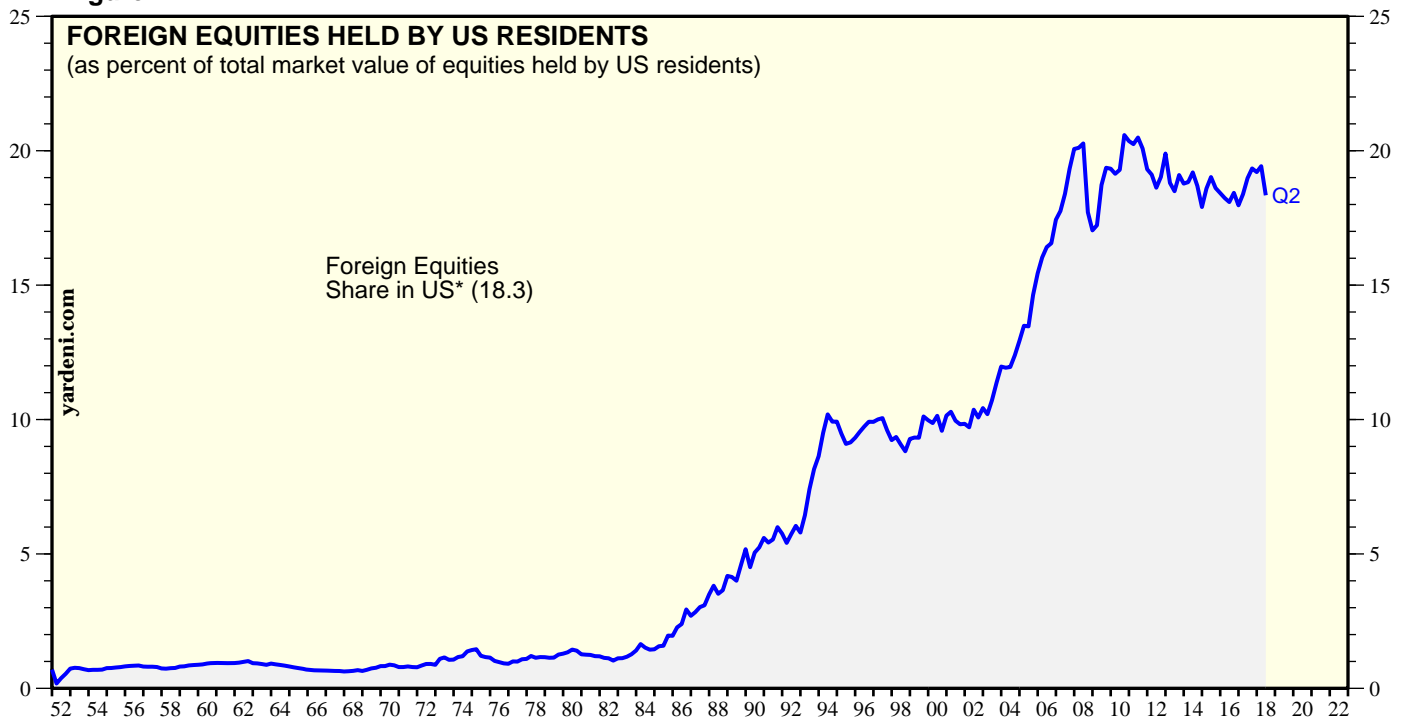
Figure 1.



\* Total excluding market value of holdings of foreign corporate equities, investment fund shares, and American Depositary Receipts (ADRs) by US residents.

\*\* Quarterly from Q1-1964 through Q4-1989, and then monthly from January 1990.  
Source: Federal Reserve Board, Financial Accounts of the United States.

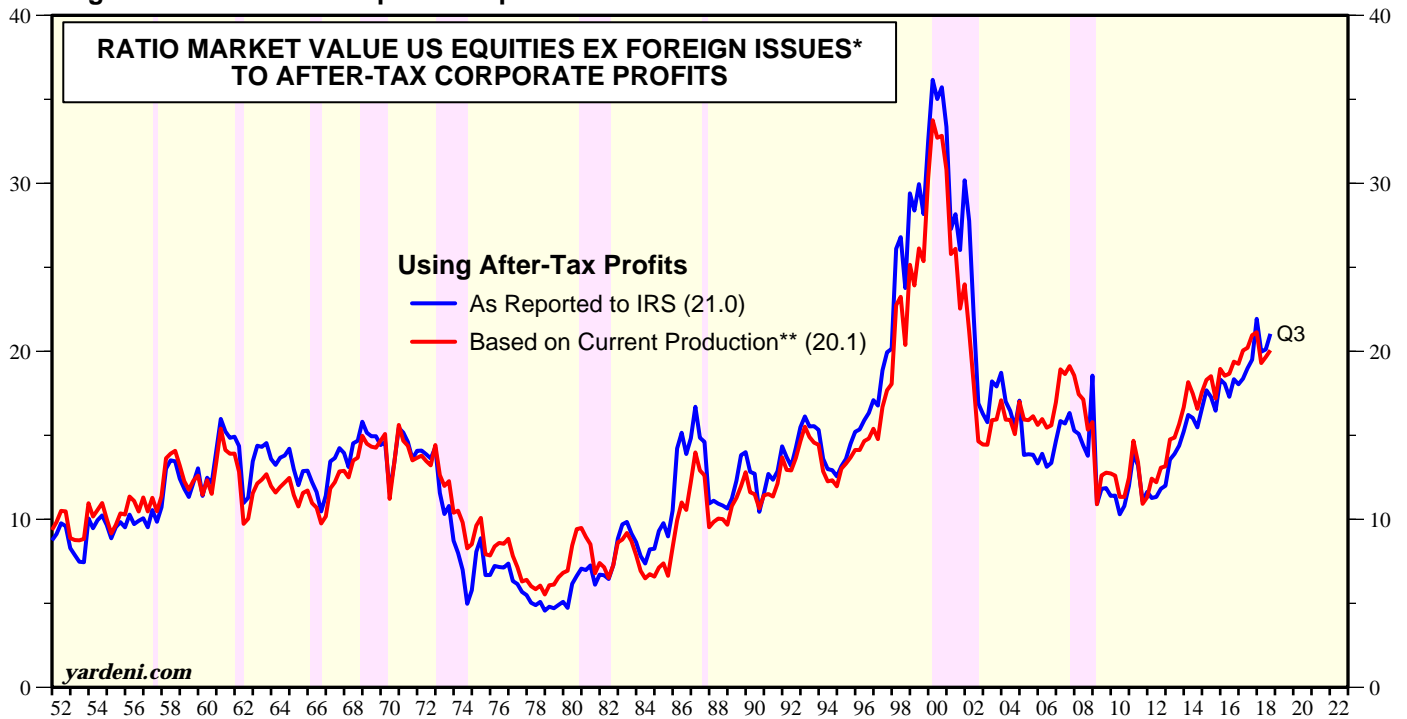
Figure 2.



\* Market value of holdings of foreign corporate equities, investment fund shares, and American Depositary Receipts (ADRs) by US residents as a percent of the market value of their total equity holdings.  
Source: Federal Reserve Board, Financial Accounts of the United States.

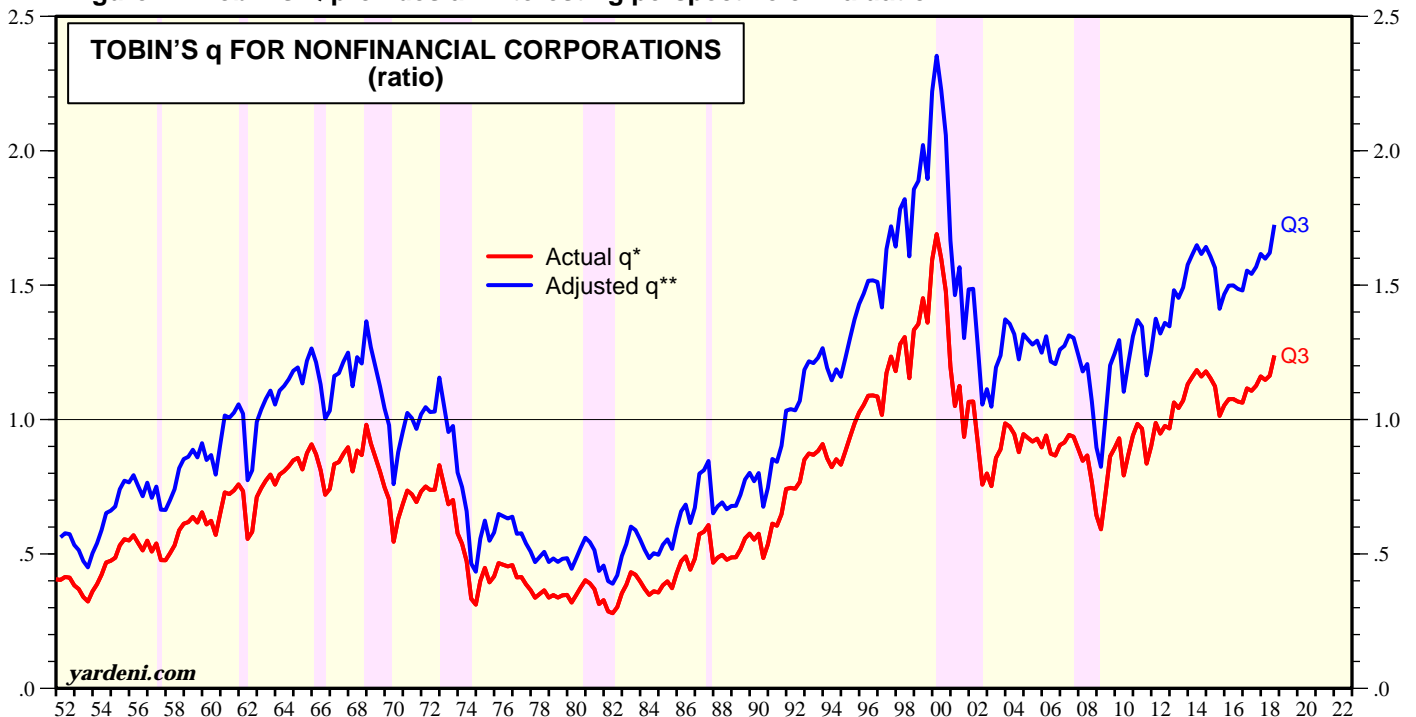
# Capitalization Ratios

Figure 3. Total market cap to GDP profits ratio doesn't add much to standard P/Es.



\* Total excluding market value of holdings of foreign corporate equities, investment fund shares, and American Depository Receipts (ADRs) by US residents.  
 \*\* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.  
 Note: Shaded red areas denote S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.  
 Source: Federal Reserve Board.

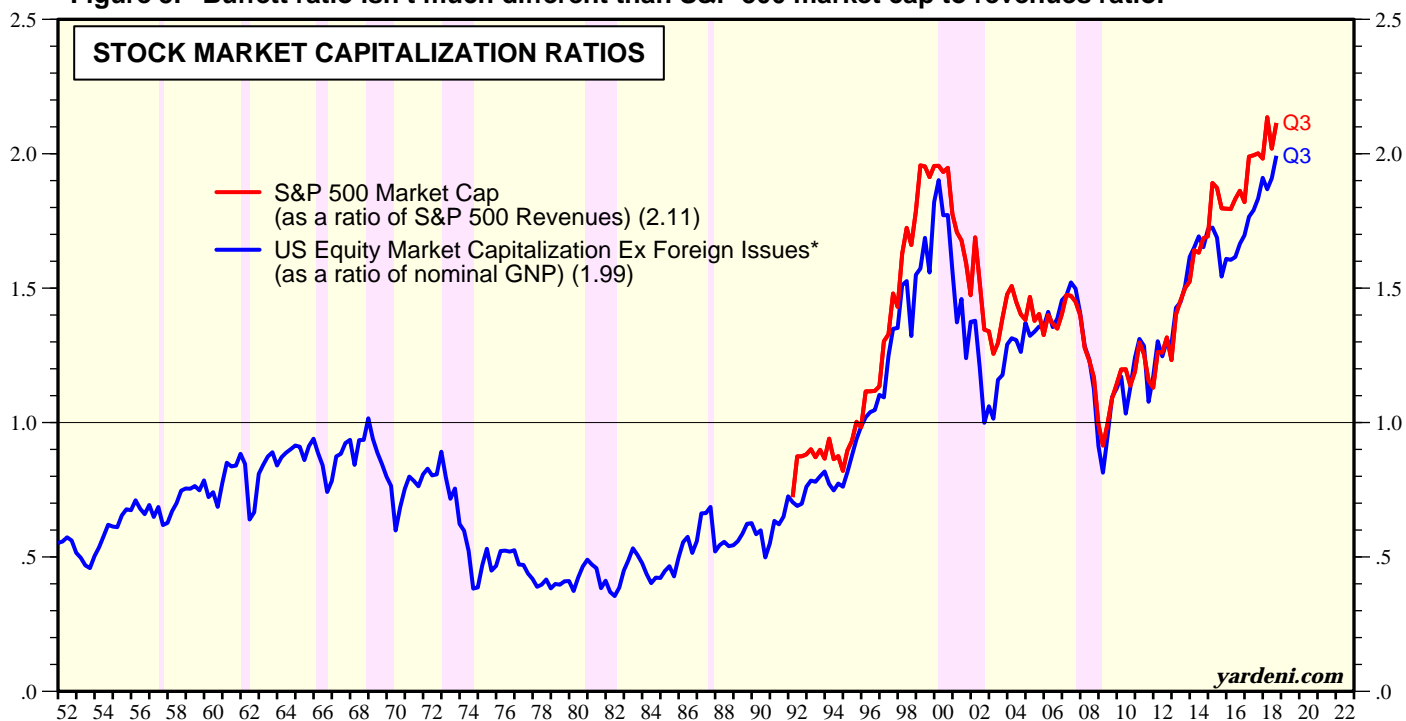
Figure 4. Tobin's Q provides an interesting perspective on valuation.



\* Ratio of the market value of equities to the net worth of corporations including real estate and structures at market value and equipment, intellectual property products, and inventories at replacement cost.  
 \*\* Actual divided by average since 1952.  
 Note: Shaded red areas denote S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.  
 Source: Flow of Funds.

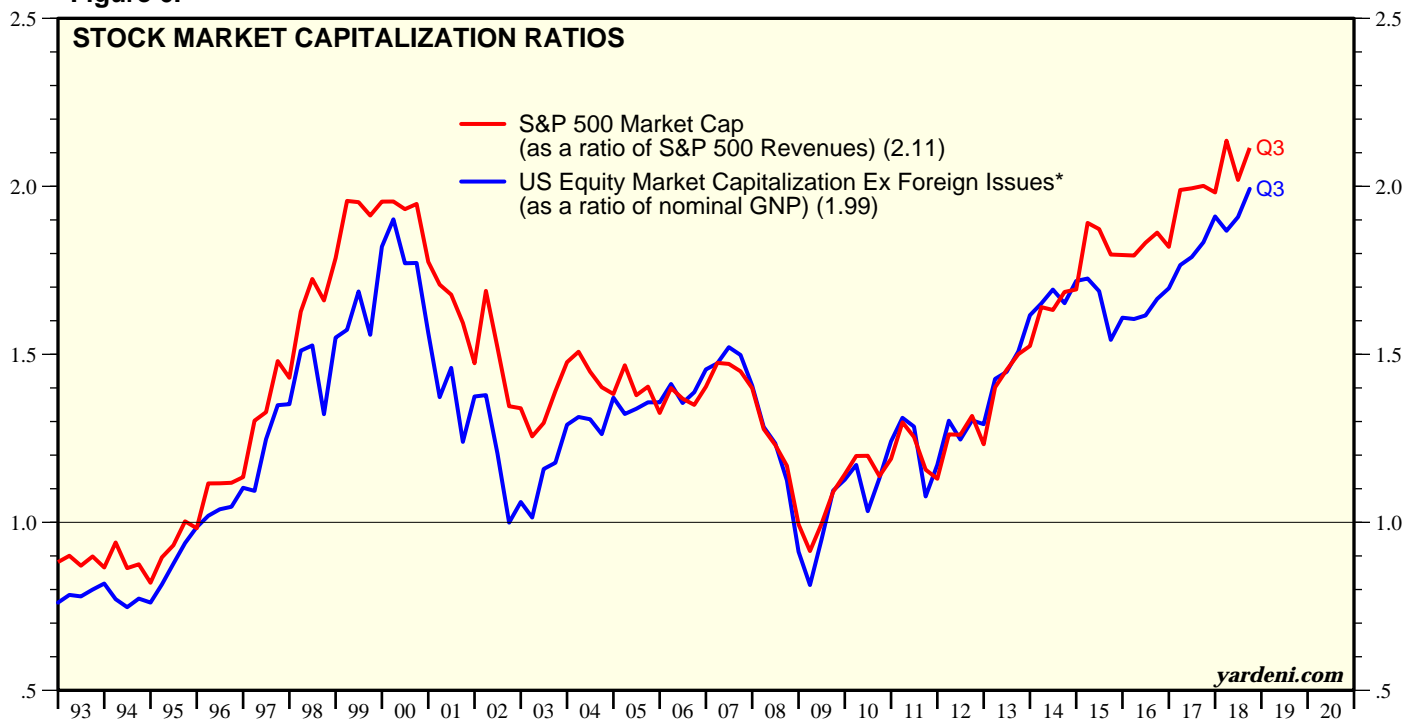
# Capitalization Ratios

Figure 5. Buffett ratio isn't much different than S&P 500 market cap to revenues ratio.



\* Total excluding market value of holdings by US residents of foreign corporate equities, investment fund shares, and ADRs. Note: Shaded red areas denote S&P 500 bear market declines of 20% or more. Yellow areas show bull markets. Source: Federal Reserve Board, Bureau of Economic Analysis, and Standard & Poor's.

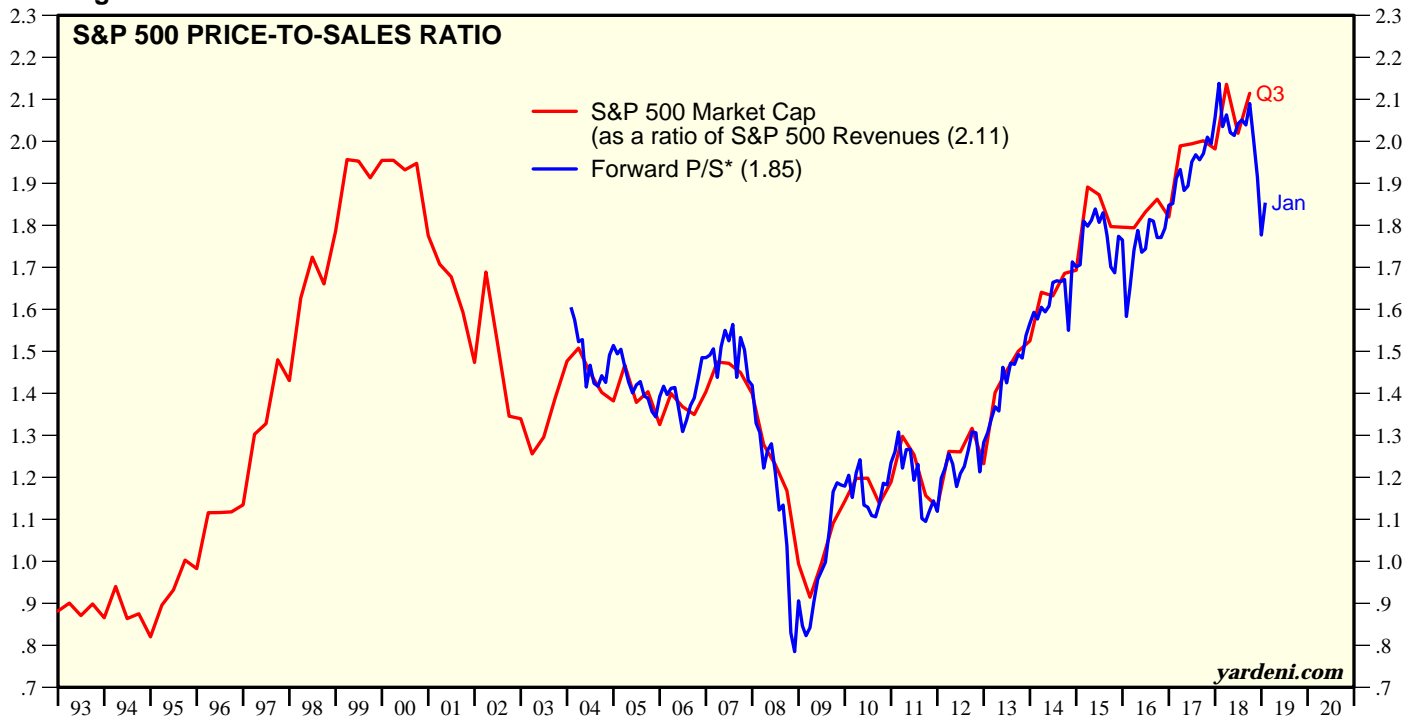
Figure 6.



\* Total excluding market value of holdings of foreign corporate equities, investment fund shares, and American Depositary Receipts (ADRs) by US residents. Source: Federal Reserve Board, Flow of Funds Accounts, Bureau of Economic Analysis, and Standard & Poor's.

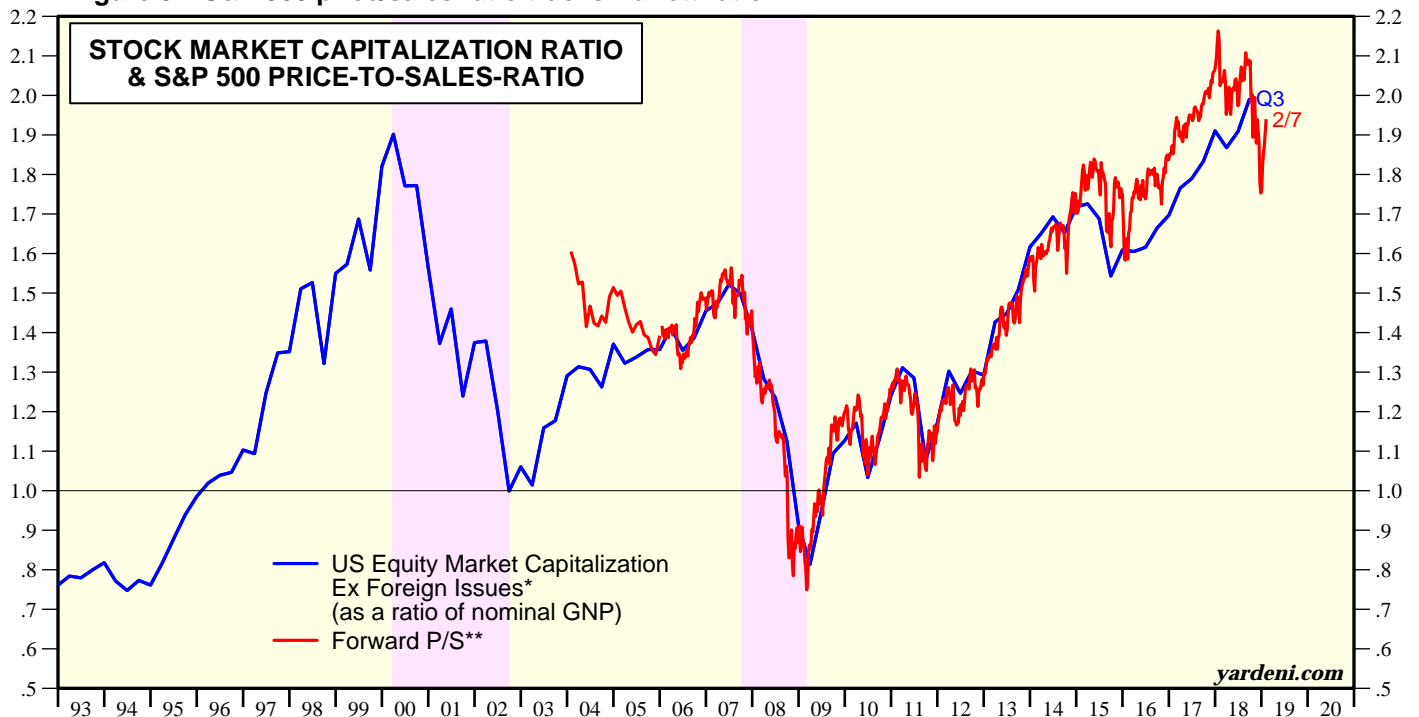
# Capitalization Ratios

Figure 7.



\* S&P 500 index divided by 12-month forward consensus expected revenues per share for S&P 500.  
 Source: I/B/E/S data by Refinitiv and Standard & Poor's.

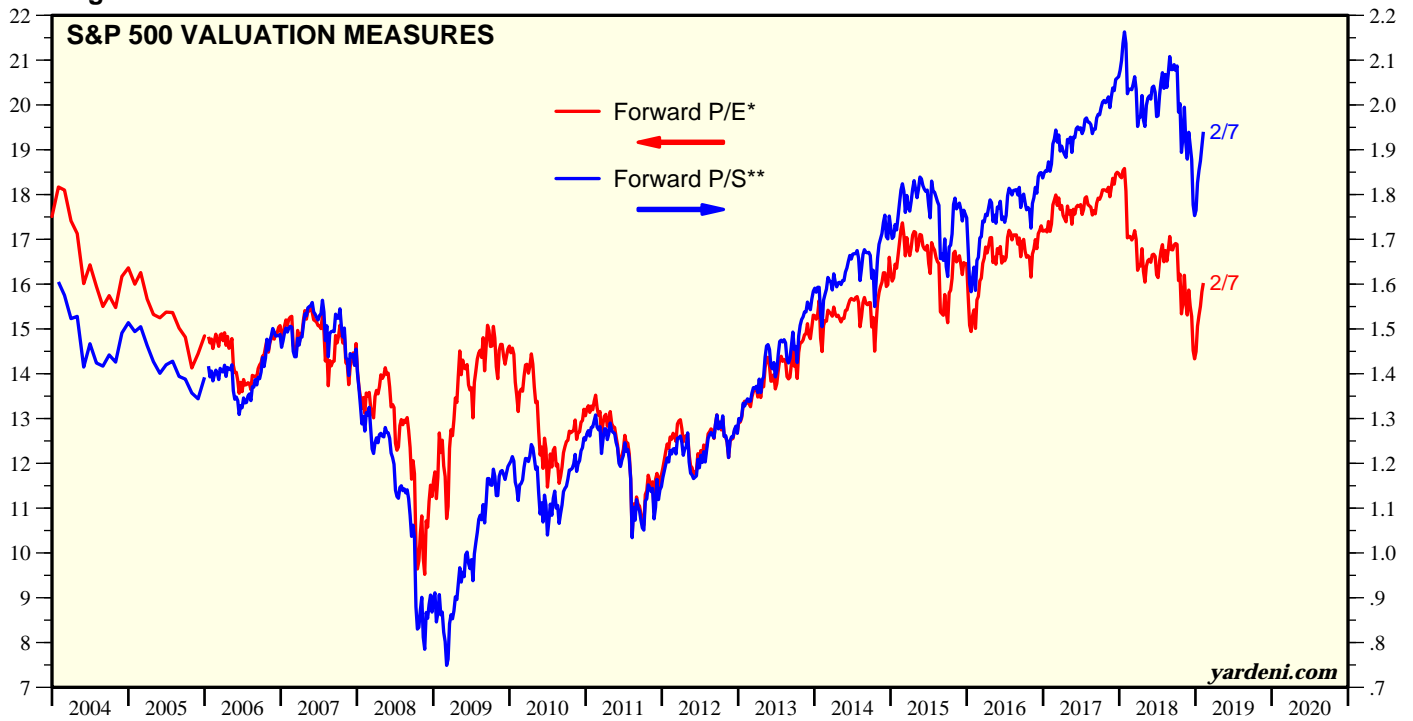
Figure 8. S&P 500 price/sales ratio tracks Buffett ratio.



\* Total excluding market value of holdings by US residents of foreign corporate equities, investment fund shares, and ADRs.  
 \*\* S&P 500 index divided by forward consensus expected revenues per share for S&P 500. Monthly through 2005, then weekly.  
 Note: Shaded red areas denote S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.  
 Source: Federal Reserve Board, Bureau of Economic Analysis, Flow of Funds, and Standard & Poor's.

# Capitalization Ratios

Figure 9.

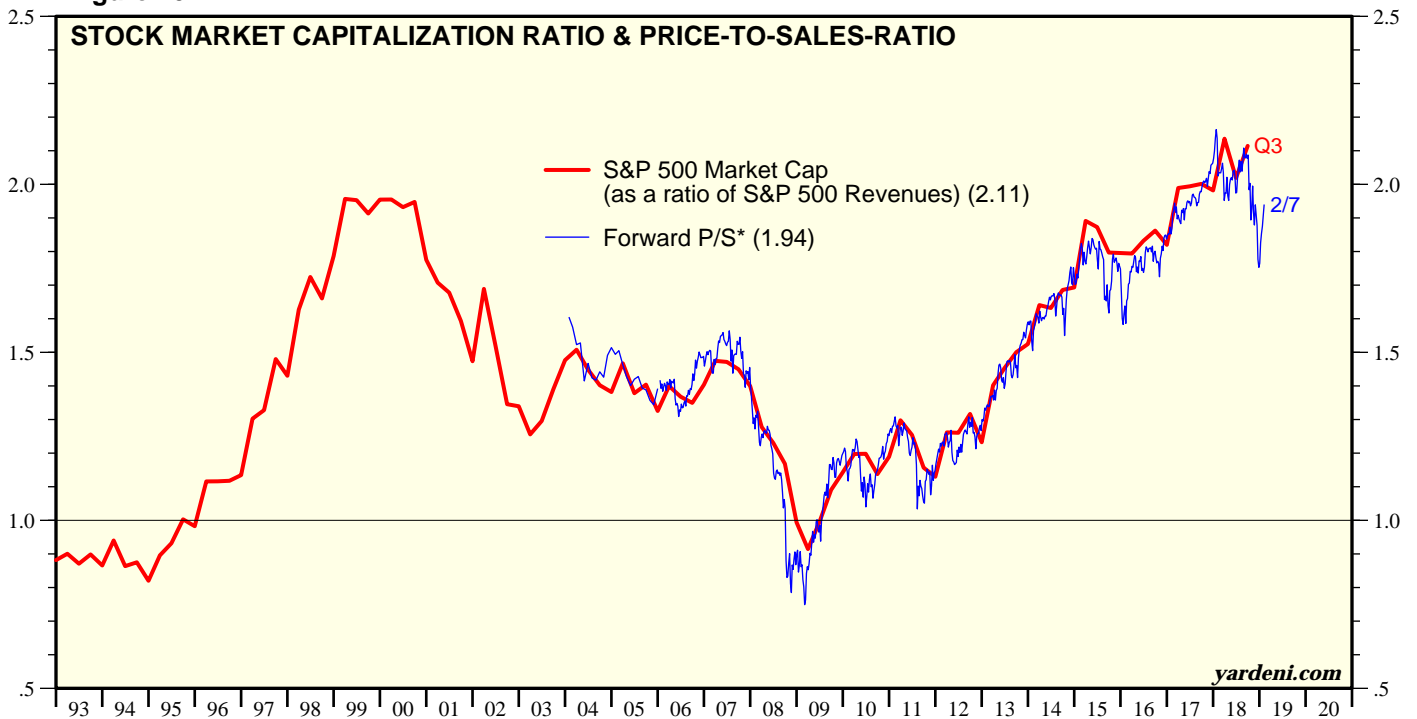


\* Price divided by forward consensus expected operating earnings per share. Monthly through 2005, then weekly.

\*\* Price divided by forward consensus expected sales per share. Monthly through 2005, then weekly.

Source: I/B/E/S data by Refinitiv.

Figure 10.



\* S&P 500 index divided by forward consensus expected revenues per share for S&P 500. Monthly through 2005, then weekly.

Source: I/B/E/S data by Refinitiv, and Standard & Poor's.

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