

# Stock Market Briefing: Fed's Stock Valuation Model (Monthly)

Yardeni Research, Inc.

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*thinking outside the box*

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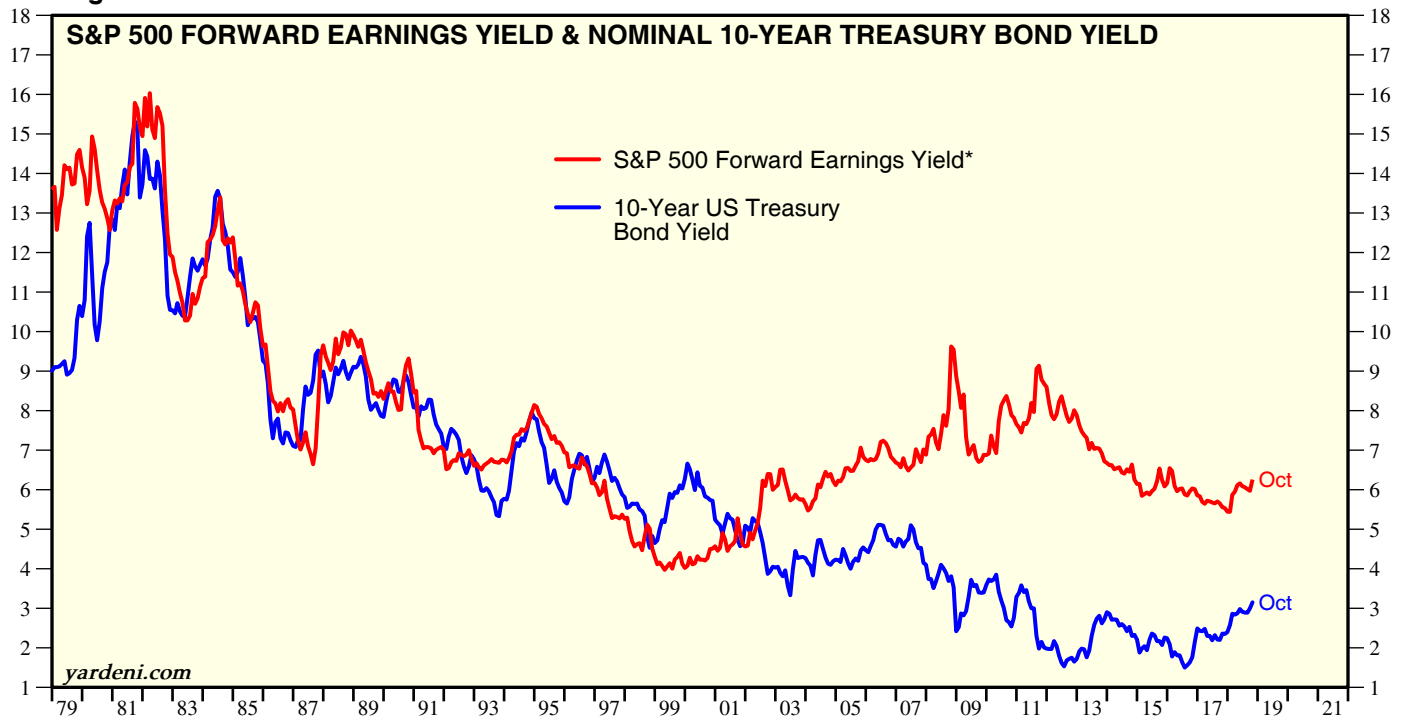
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Fed's Stock Valuation Model

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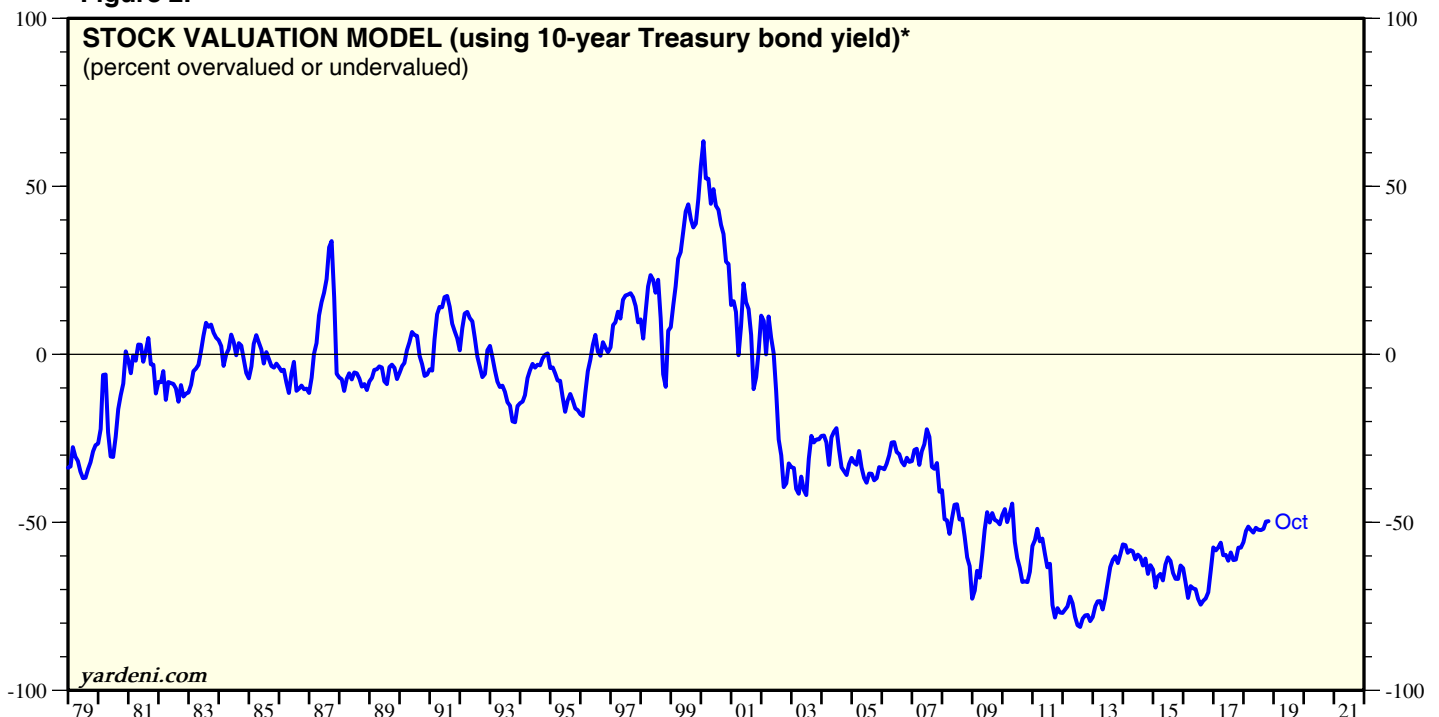
# Fed's Stock Valuation Model

Figure 1.



\* S&P 500 12-month forward consensus expected operating earnings divided by S&P 500 stock price index.  
Source: I/B/E/S data by Refinitiv and Federal Reserve Board.

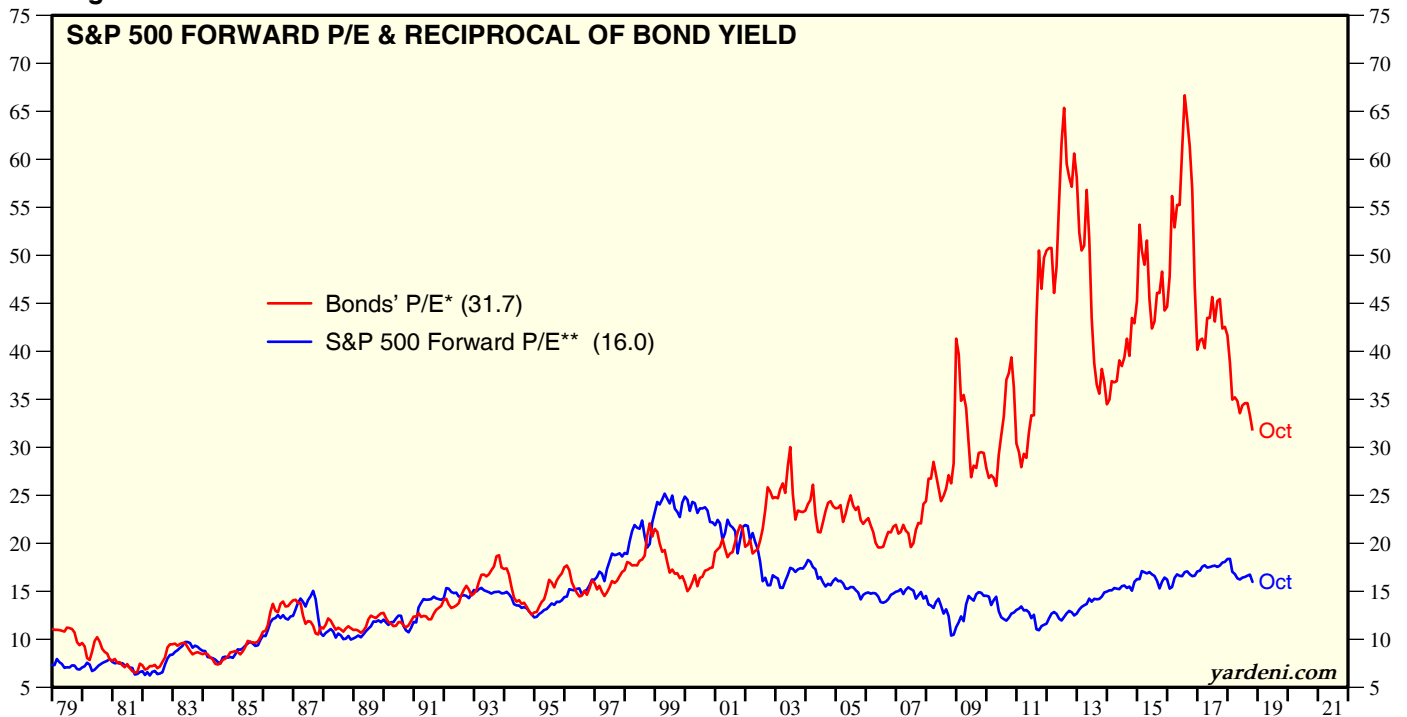
Figure 2.



\* S&P 500 stock price index divided by S&P 500 fair-value price defined as S&P 500 12-month forward consensus expected operating earnings divided by 10-year US Treasury bond yield converted to percentage.  
Source: I/B/E/S data by Refinitiv and Federal Reserve Board.

# Fed's Stock Valuation Model

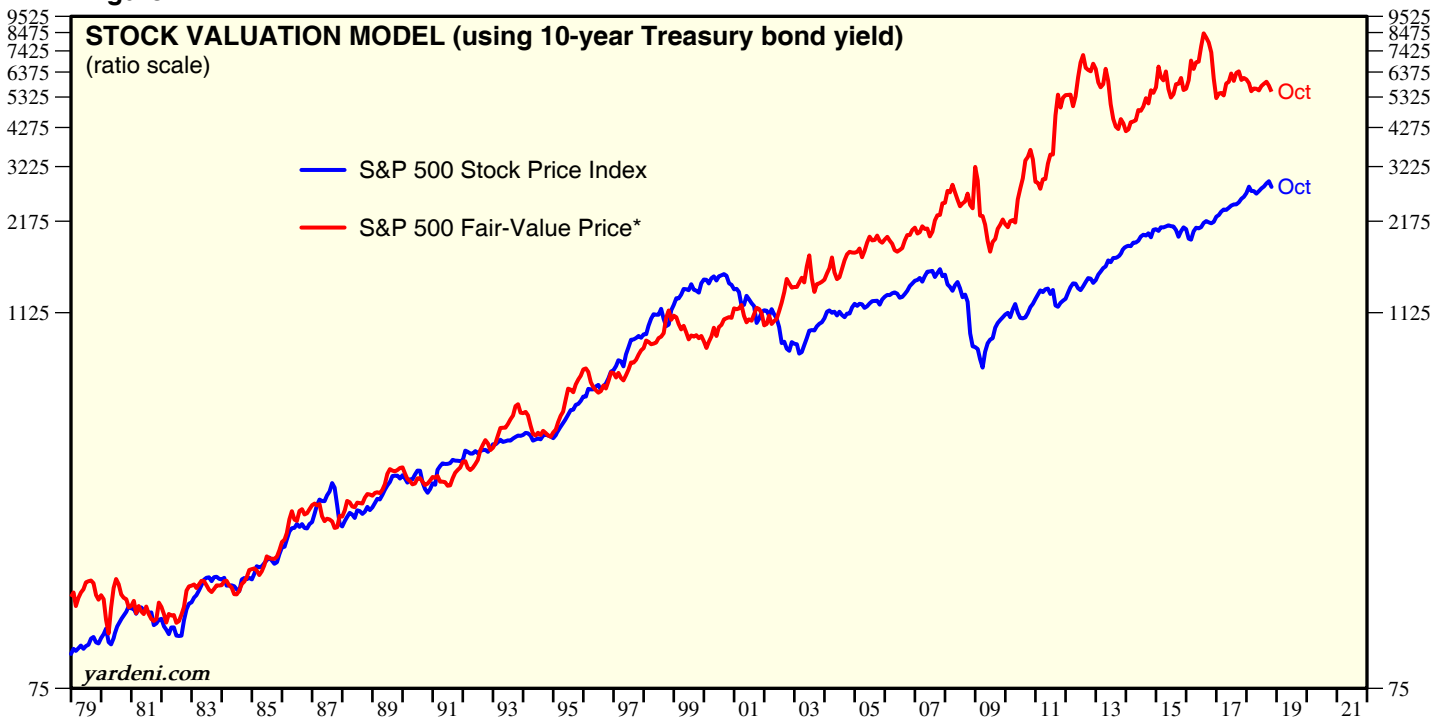
Figure 3.



\* Reciprocal of 10-year US Treasury bond yield.

\*\* S&P 500 stock price index divided by S&P 500 12-month forward consensus expected earnings.  
Source: Standard & Poor's Corporation and I/B/E/S data by Refinitiv.

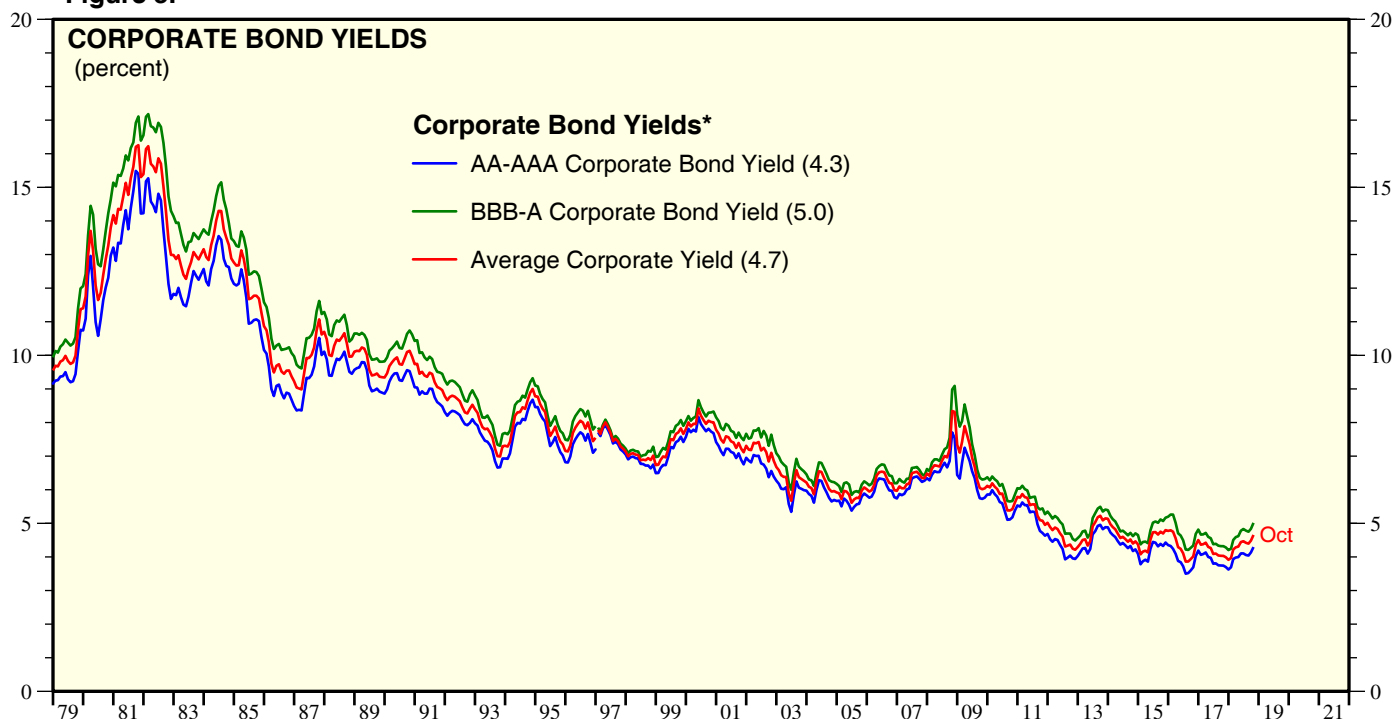
Figure 4.



\* S&P 500 12-month forward consensus expected operating earnings divided by 10-year US Treasury bond yield.  
Source: I/B/E/S data by Refinitiv and Federal Reserve Board.

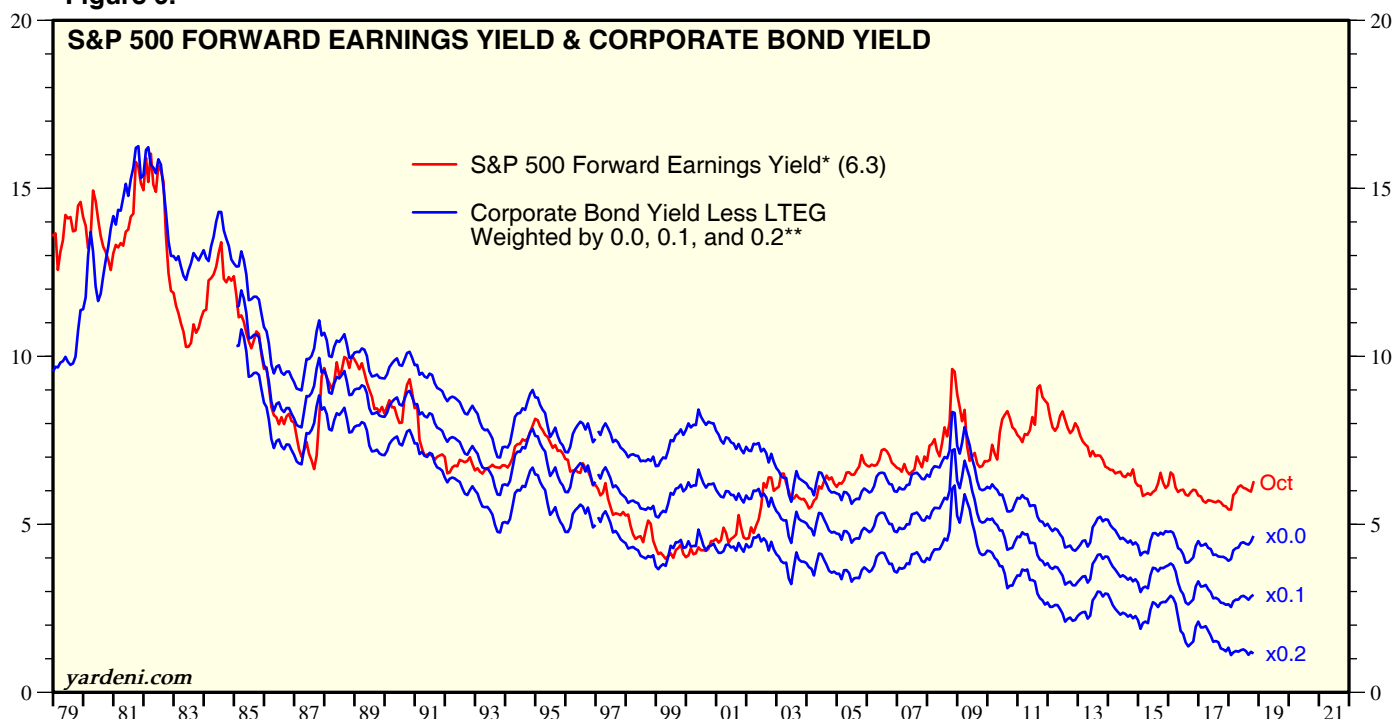
# Fed's Stock Valuation Model

Figure 5.



\* Moody's data for Aaa and Baa yields through 1996, then BoA Merrill Lynch data for AA-AAA and BBB-A yields.  
Source: Federal Reserve Board and Haver Analytics.

Figure 6.

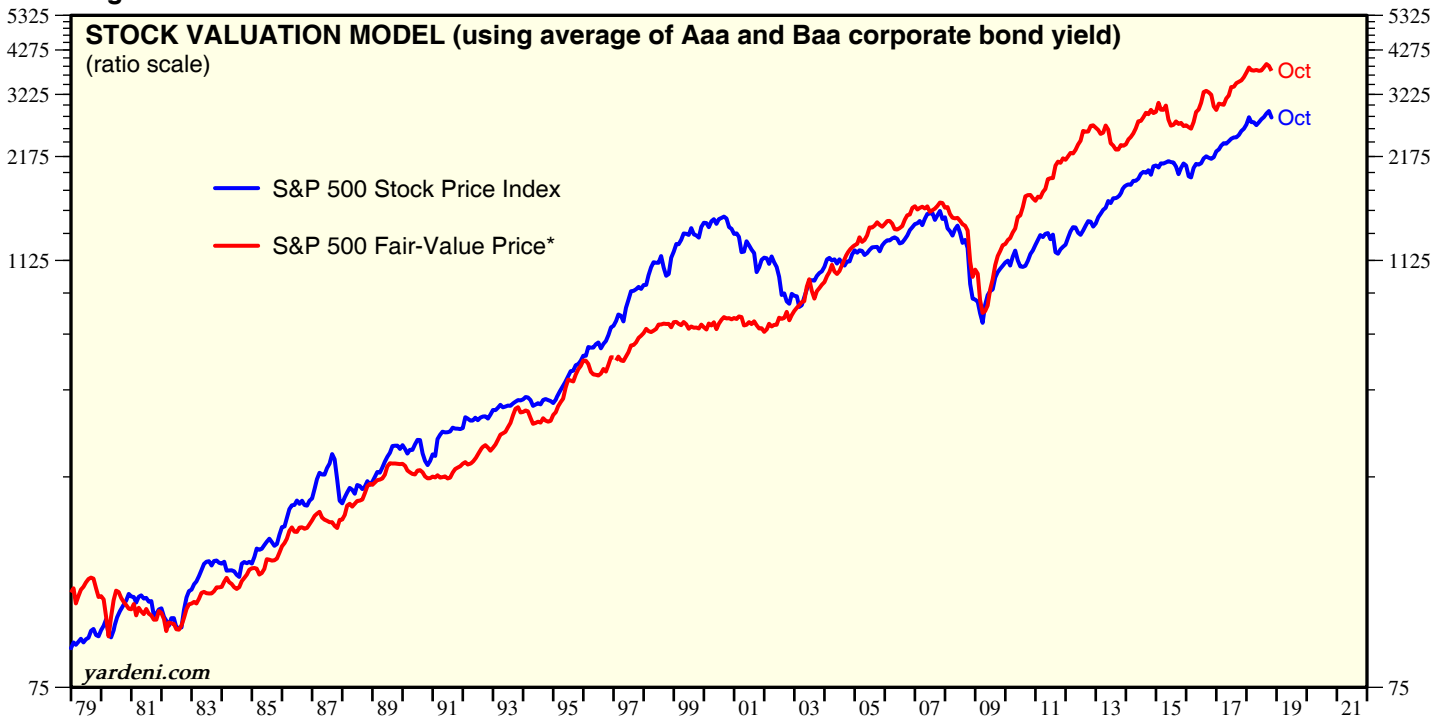


\* S&P 500 12-month forward consensus expected operating earnings divided by S&P 500 stock price index.

\*\* Corporate bond yield (average of Moody's Aaa and Baa yields through 1996, then average of BoA Merrill Lynch data for AA-AAA and BBB-A yields) less analysts' consensus of S&P 500 long-term earnings growth.  
Source: I/B/E/S data by Refinitiv, Federal Reserve Board, and Haver Analytics.

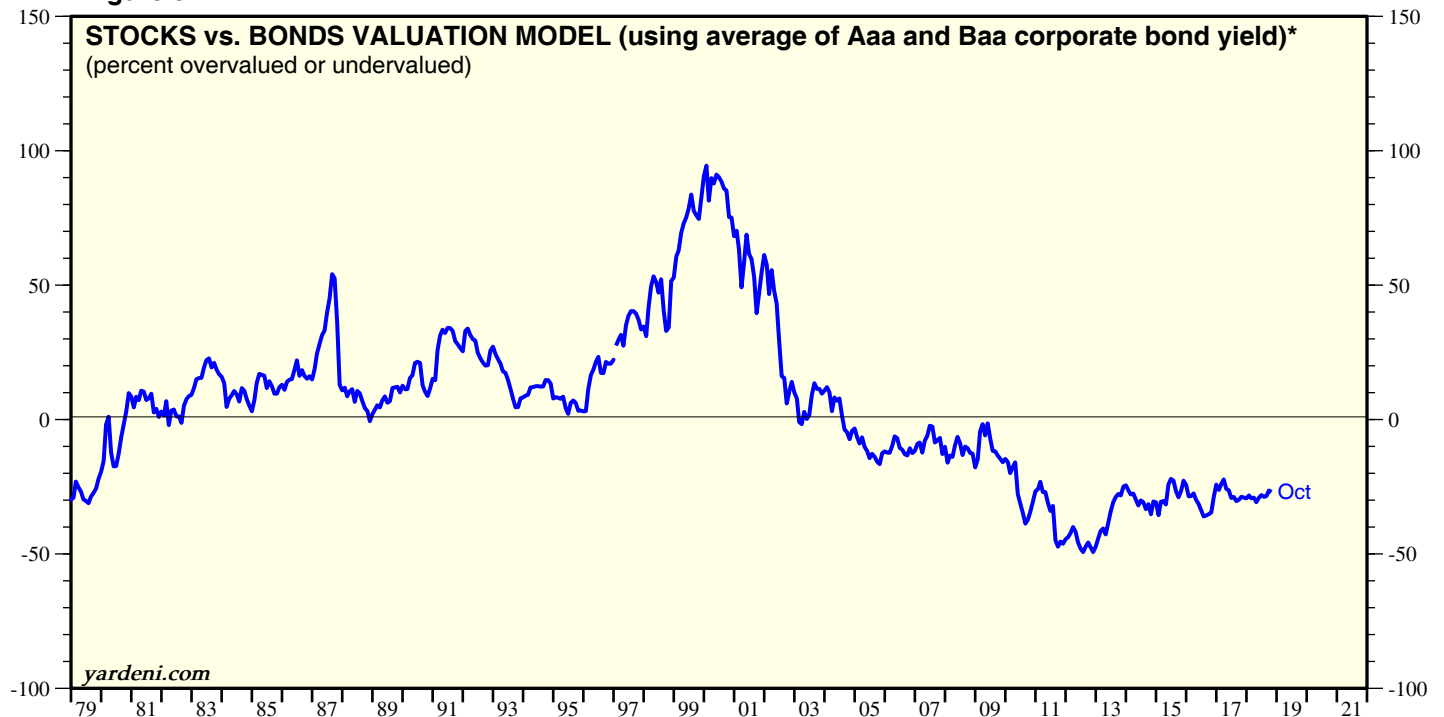
# Fed's Stock Valuation Model

Figure 7.



\* S&P 500 forward consensus expected operating earnings divided by corporate bond yield (average of Moody's Aaa and Baa yields through 1996, then average of BoA Merrill Lynch data for AA-AAA and BBB-A yields).  
Source: I/B/E/S data by Refinitiv, Federal Reserve Board, and Haver Analytics.

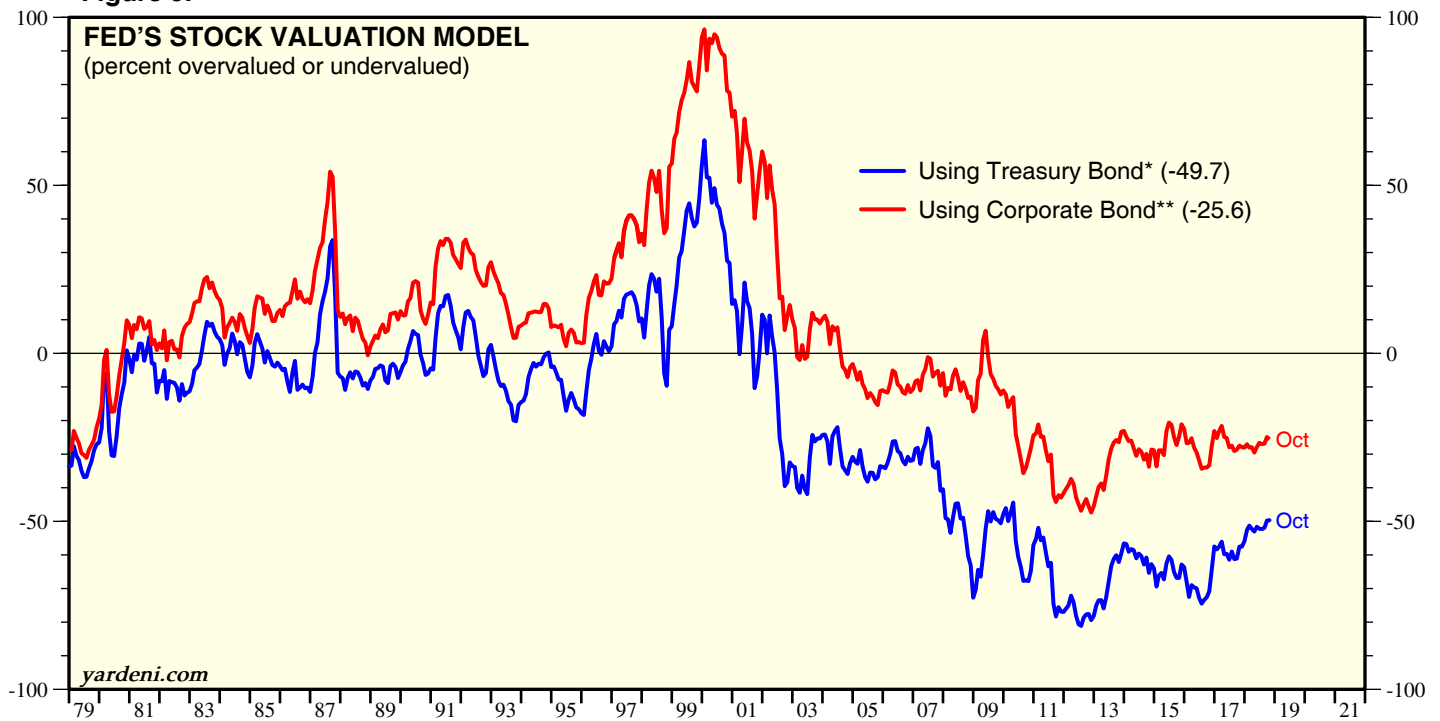
Figure 8.



\* S&P 500 stock price index divided by S&P 500 fair-value price defined as S&P 500 52-week forward consensus expected earnings divided by average of Moody's Aaa and Baa yields through 2005, then weekly BoA Merrill Lynch data for AAA and A-BBB yields, converted to percentage.  
Source: I/B/E/S data by Refinitiv, Standard & Poor's, Bank of America Merrill Lynch, and Federal Reserve Board.

# Fed's Stock Valuation Model

Figure 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: I/B/E/S data by Refinitiv, Federal Reserve Board, and Haver Analytics.

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