

Stock Market Briefing: Valuation Models

Yardeni Research, Inc.

June 15, 2018

Dr. Edward Yardeni

516-972-7683
eyardeni@yardeni.com

Joe Abbott

732-497-5306
jabbott@yardeni.com

Mali Quintana

480-664-1333
aquintana@yardeni.com

Please visit our sites at
www.yardeni.com
blog.yardeni.com



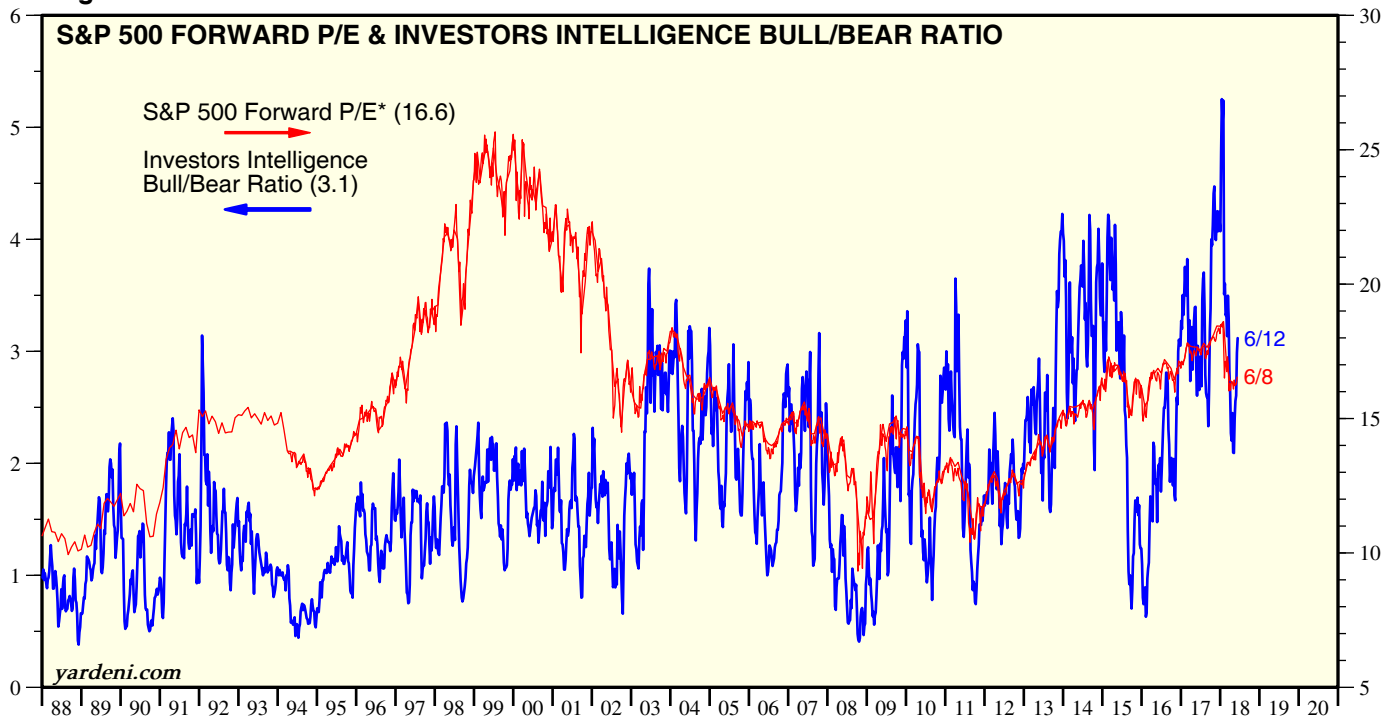
thinking outside the box

Table Of Contents

Bulls & Bears	1
Rules of 20	2
Valuation Models	3
S&P 500 Index & Forward Earnings	4-5

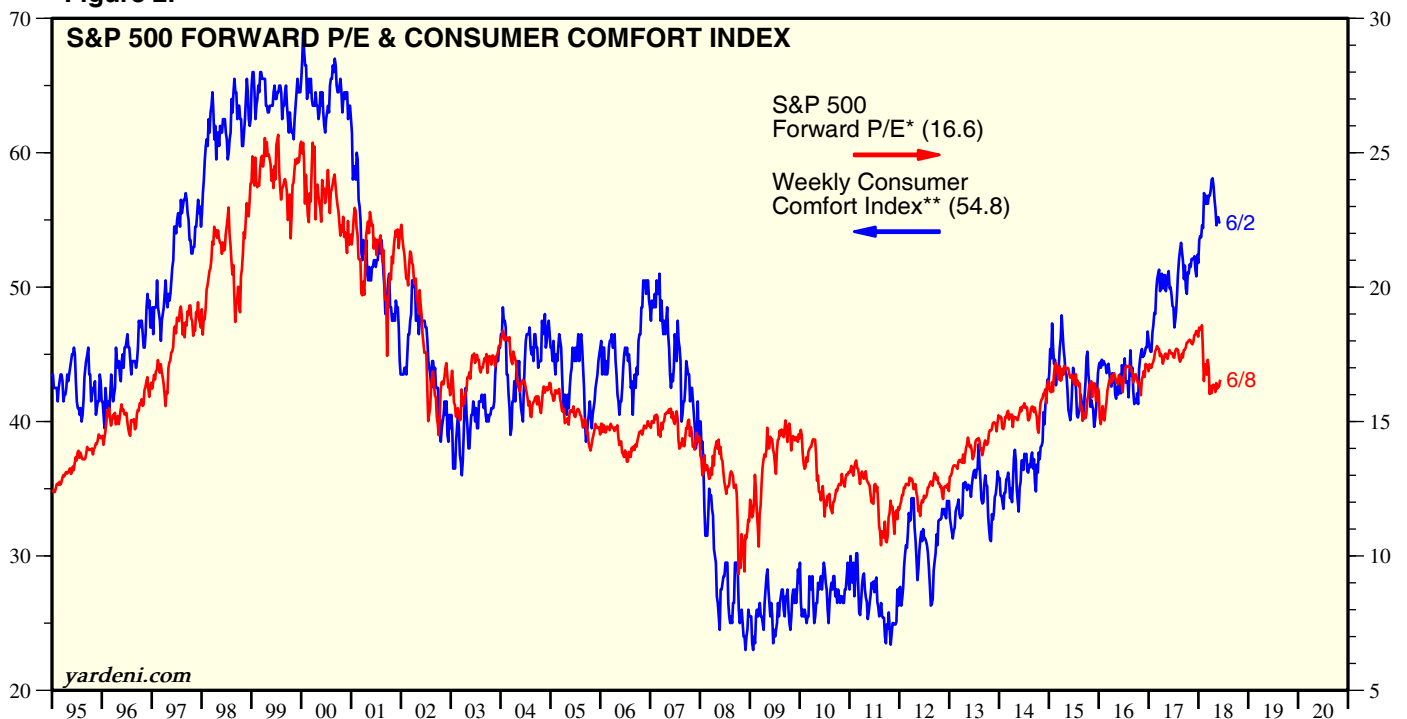
Bulls & Bears

Figure 1.



* Average weekly price divided by 52-week forward consensus expected operating earnings per share. Monthly through April 1994, then weekly.
 Source: Standard & Poor's Corporation, Thomson Reuters I/B/E/S, and Investors Intelligence.

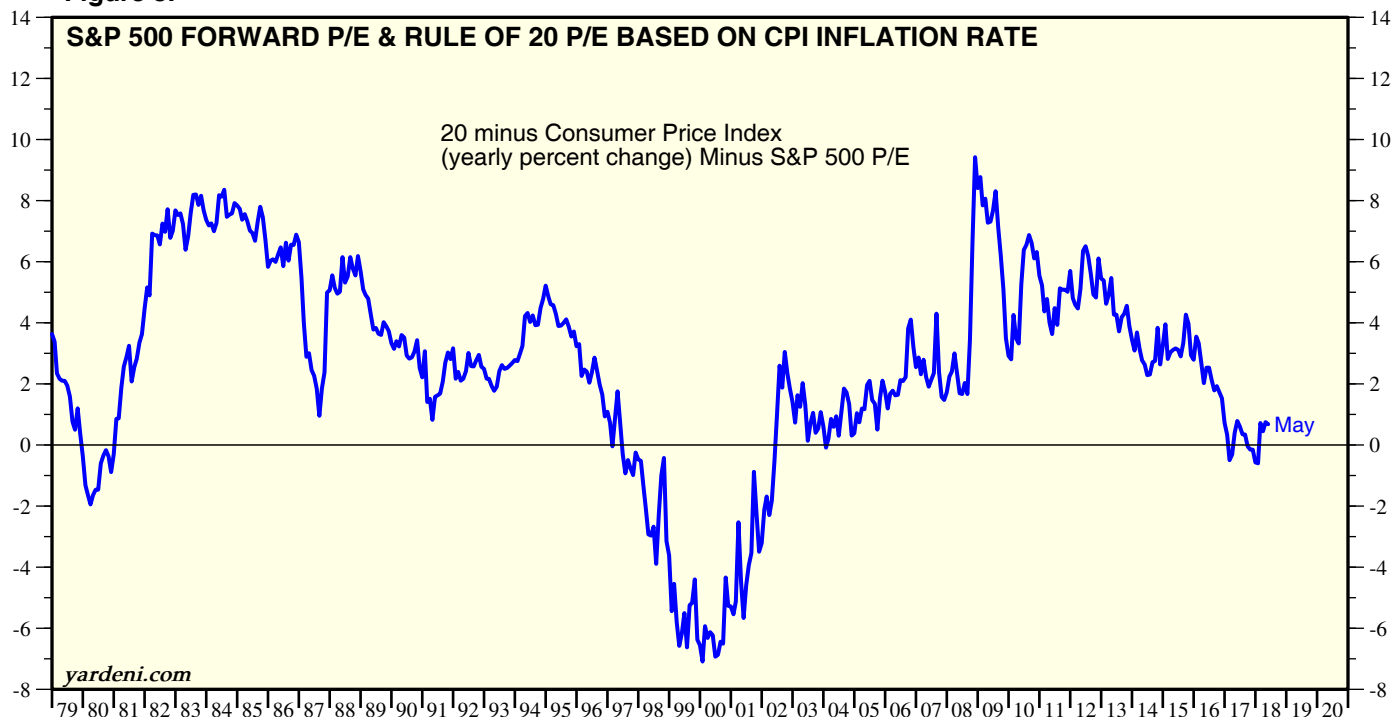
Figure 2.



* Average weekly price divided by 52-week forward consensus expected operating earnings per share.
 ** Index plus 100.
 Source: Standard & Poor's, Thomson Reuters I/B/E/S, and Bloomberg.

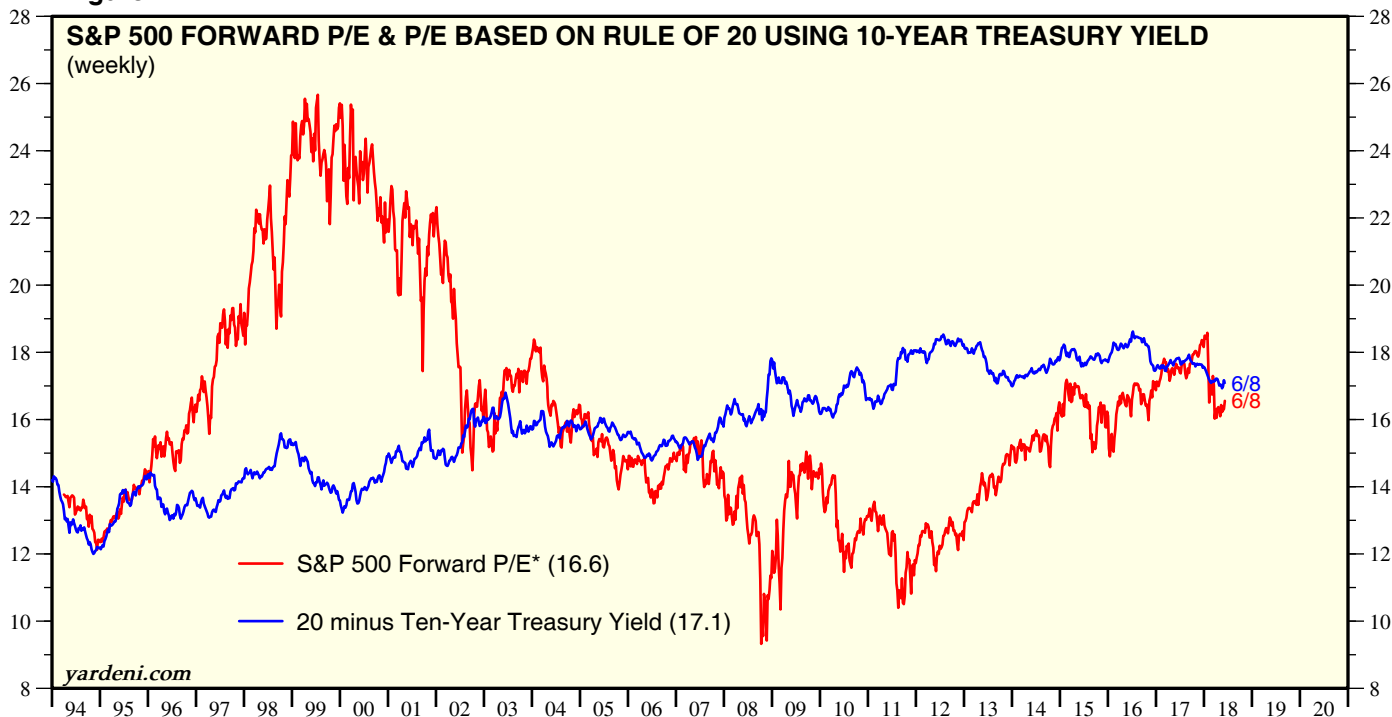
Rules of 20

Figure 3.



* P/E = price-to-earnings ratio using mid-month price and 12-month forward consensus earnings expectations.
Source: Thomson Reuters I/B/E/S and Bureau of Labor Statistics.

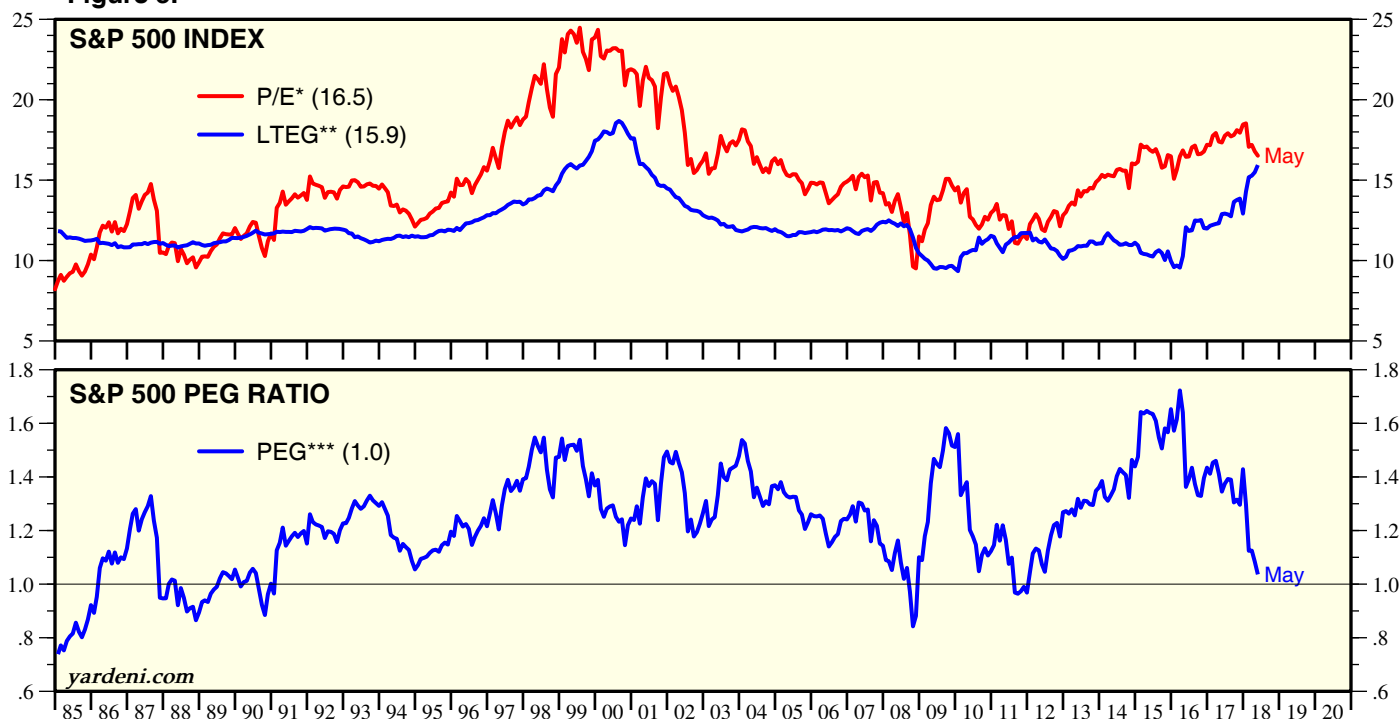
Figure 4.



* Price divided by 52-week forward consensus expected operating earnings per share.
Source: Thomson Reuters I/B/E/S and Federal Reserve Board.

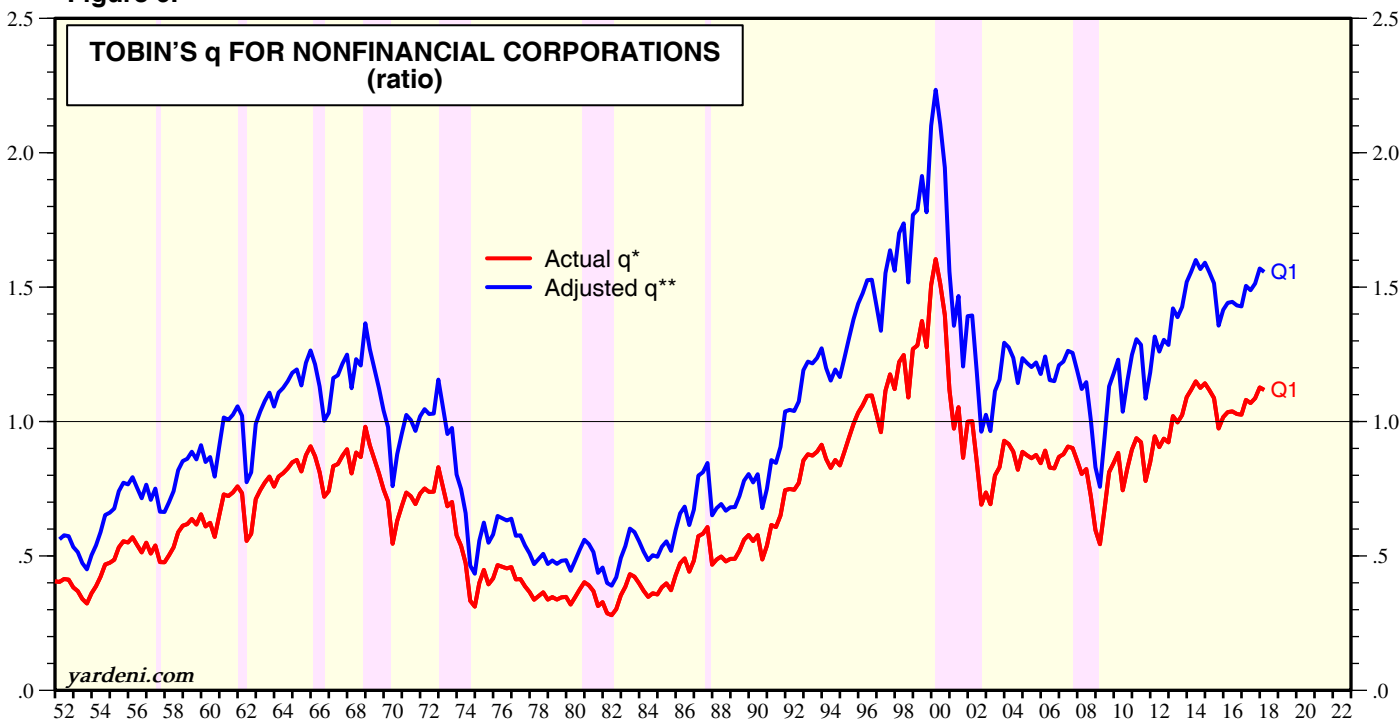
Valuation Models

Figure 5.



* P/E = price-to-earnings ratio using mid-month price and 12-month forward consensus earnings expectations.
 ** LTEG = consensus median 5-year expected earnings growth.
 *** PEG = P/E divided by LTEG.
 Source: Thomson Reuters I/B/E/S.

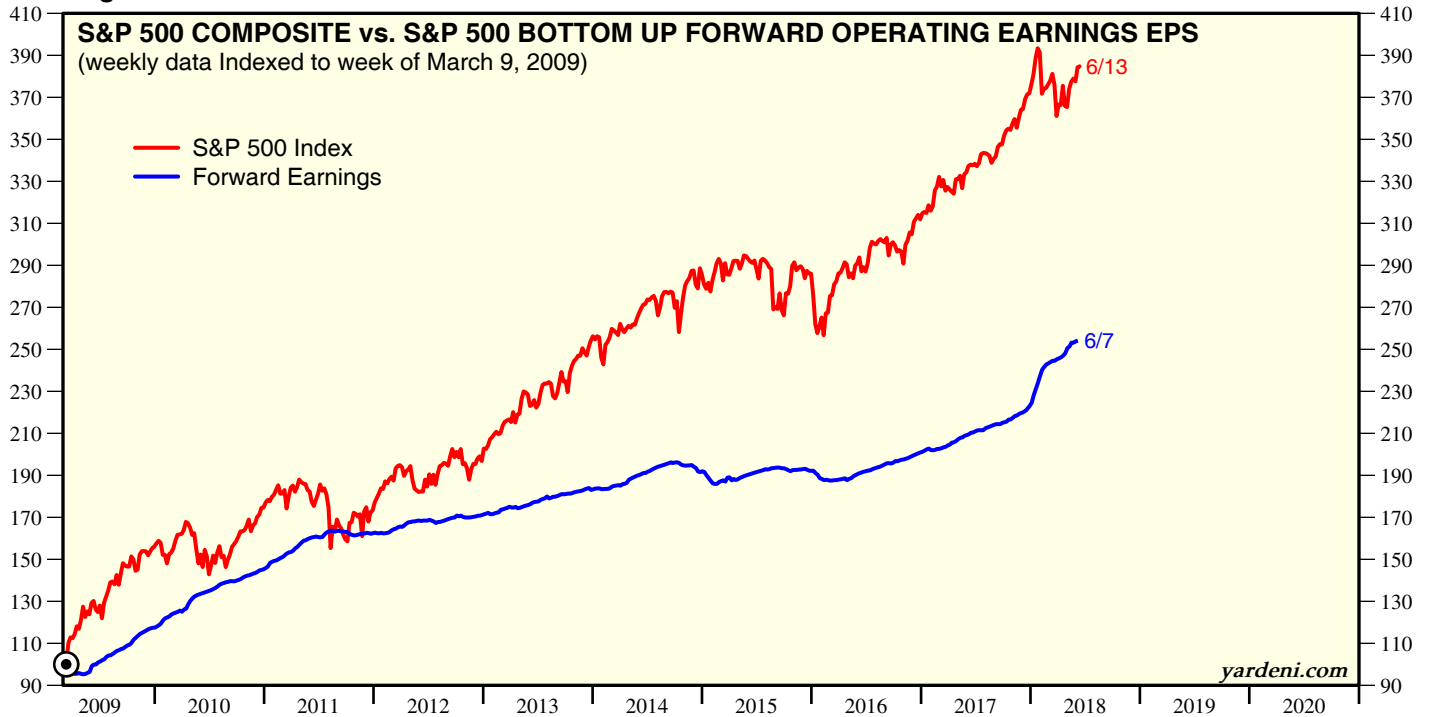
Figure 6.



* 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.

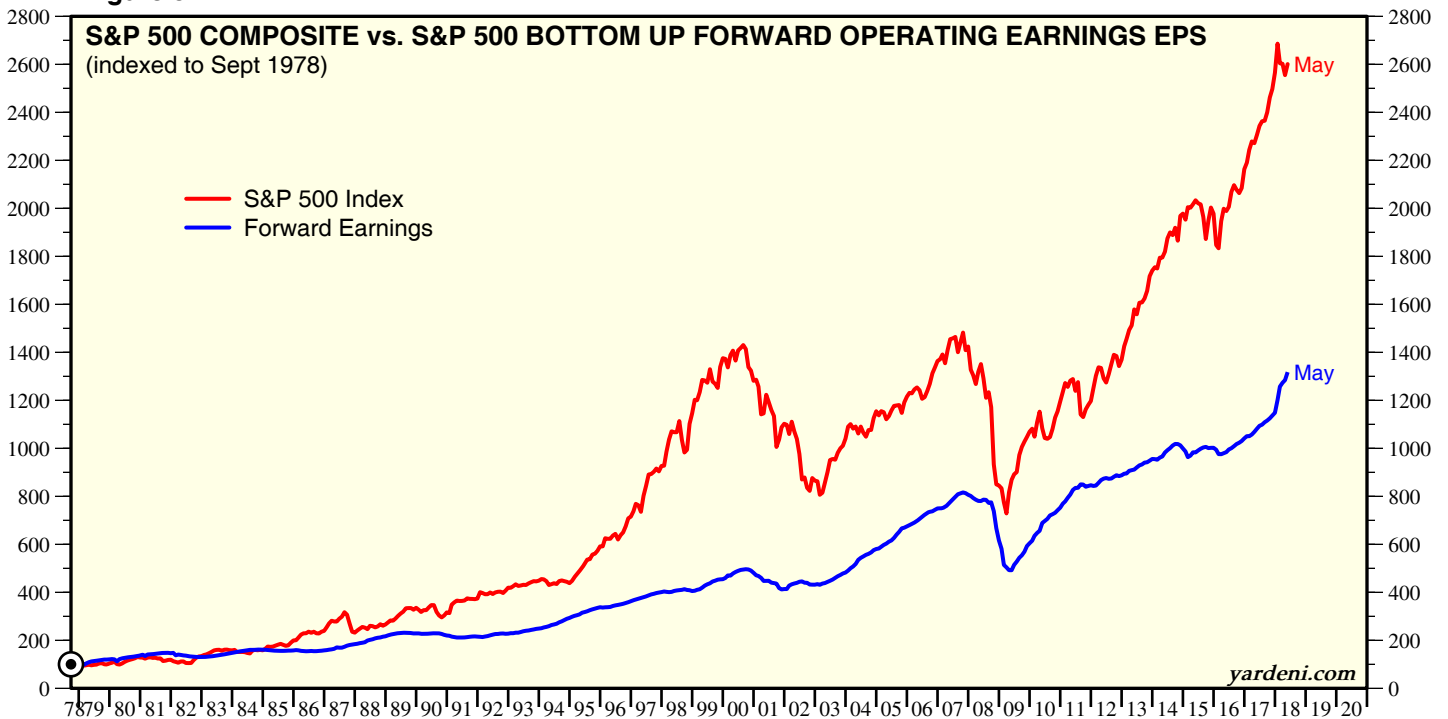
S&P 500 Index & Forward Earnings

Figure 7.



Source: Standard & Poor's Corporation and Thomson Reuters I/B/E/S.

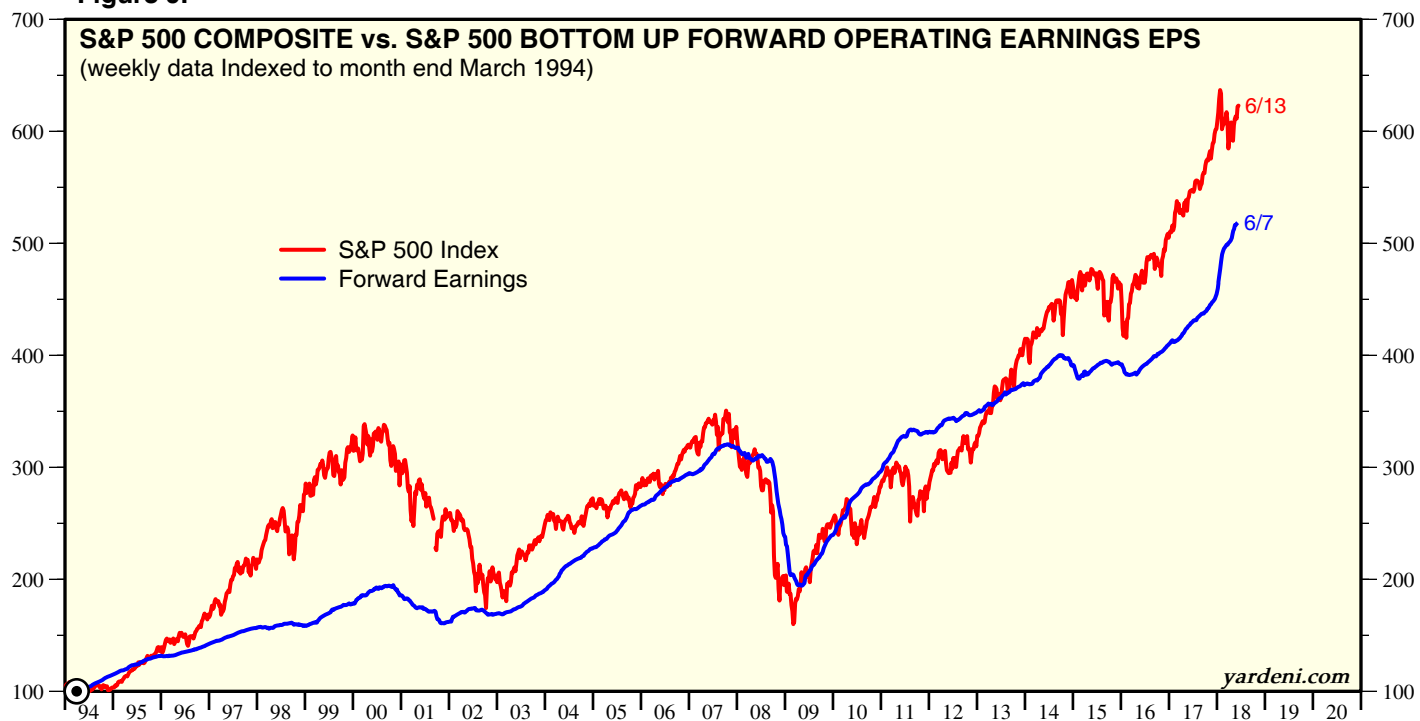
Figure 8.



Source: Standard & Poor's Corporation and Thomson Reuters I/B/E/S.

S&P 500 Index & Forward Earnings

Figure 9.



Source: Thomson Reuters I/B/E/S.

Copyright (c) Yardeni Research, Inc. 2018. All rights reserved. The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, or correctness of the information and opinions contained herein. The views and the other information provided are subject to change without notice. All reports posted on www.yardeni.com, blog.yardeni.com, and YRI's Apps for iPads and iPhones are issued without regard to the specific investment objectives, financial situation, or particular needs of any specific recipient and are not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not necessarily a guide to future results. Company fundamentals and earnings may be mentioned occasionally, but should not be construed as a recommendation to buy, sell, or hold the company's stock. Predictions, forecasts, and estimates for any and all markets should not be construed as recommendations to buy, sell, or hold any security--including mutual funds, futures contracts, and exchange traded funds, or any similar instruments.

The text, images, and other materials contained or displayed on any Yardeni Research, Inc. product, service, report, email or website are proprietary to Yardeni Research, Inc. and constitute valuable intellectual property. No material from any part of www.yardeni.com, blog.yardeni.com, and YRI's Apps for iPads and iPhones may be downloaded, transmitted, broadcast, transferred, assigned, reproduced or in any other way used or otherwise disseminated in any form to any person or entity, without the explicit written consent of Yardeni Research, Inc. All unauthorized reproduction or other use of material from Yardeni Research, Inc. shall be deemed willful infringement(s) of this copyright and other proprietary and intellectual property rights, including but not limited to, rights of privacy. Yardeni Research, Inc. expressly reserves all rights in connection with its intellectual property, including without limitation the right to block the transfer of its products and services and/or to track usage thereof, through electronic tracking technology, and all other lawful means, now known or hereafter devised. Yardeni Research, Inc. reserves the right, without further notice, to pursue to the fullest extent allowed by the law any and all criminal and civil remedies for the violation of its rights.

The recipient should check any email and any attachments for the presence of viruses. Yardeni Research, Inc. accepts no liability for any damage caused by any virus transmitted by this company's emails, website, blog and Apps. Additional information available on [request](#).