

# Stock Market Briefing: Valuation Models

Yardeni Research, Inc.

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*thinking outside the box*

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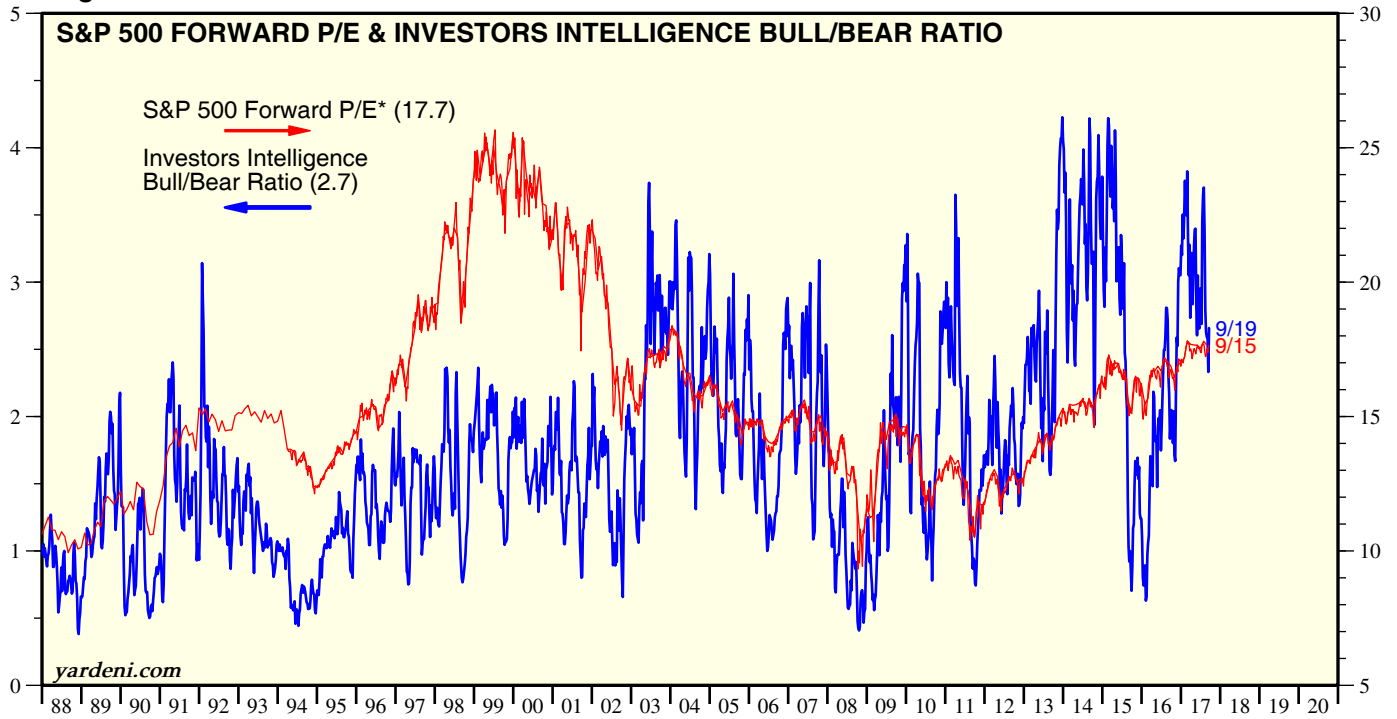
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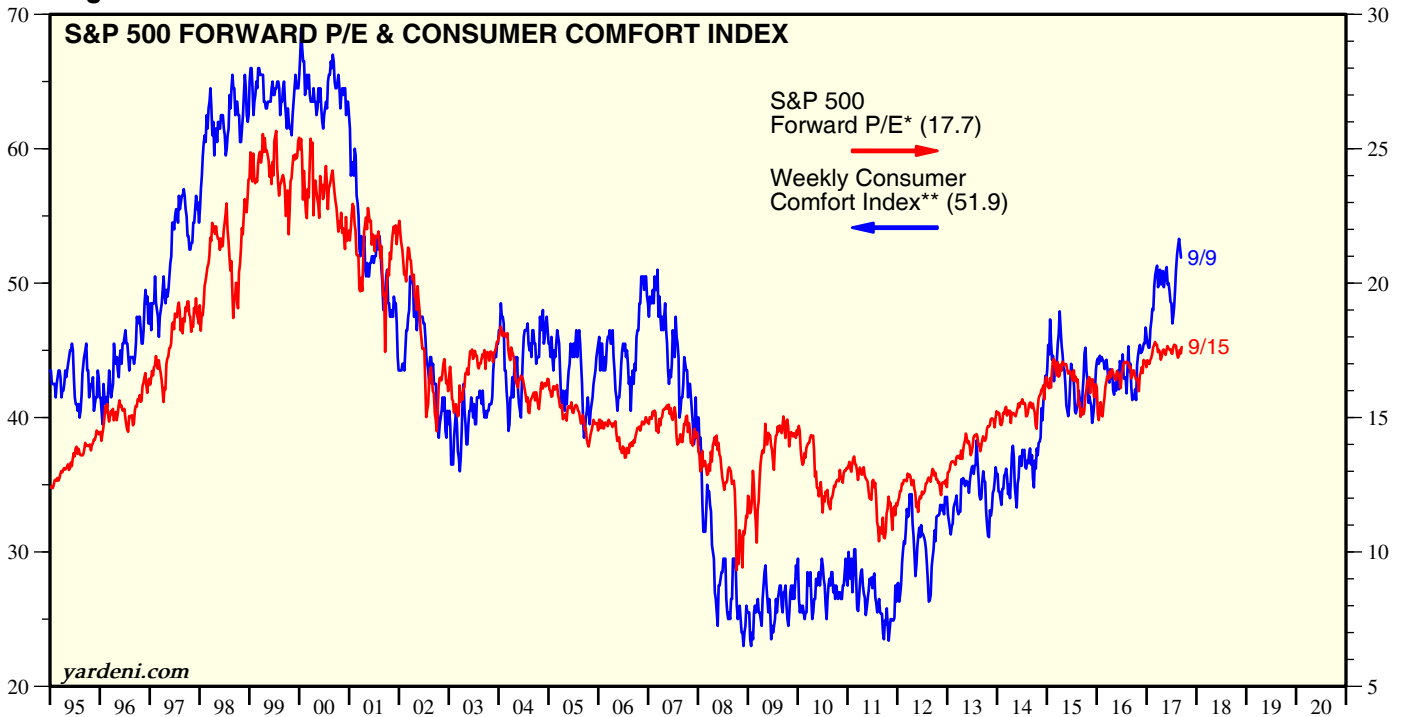
# Bulls & Bears

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.

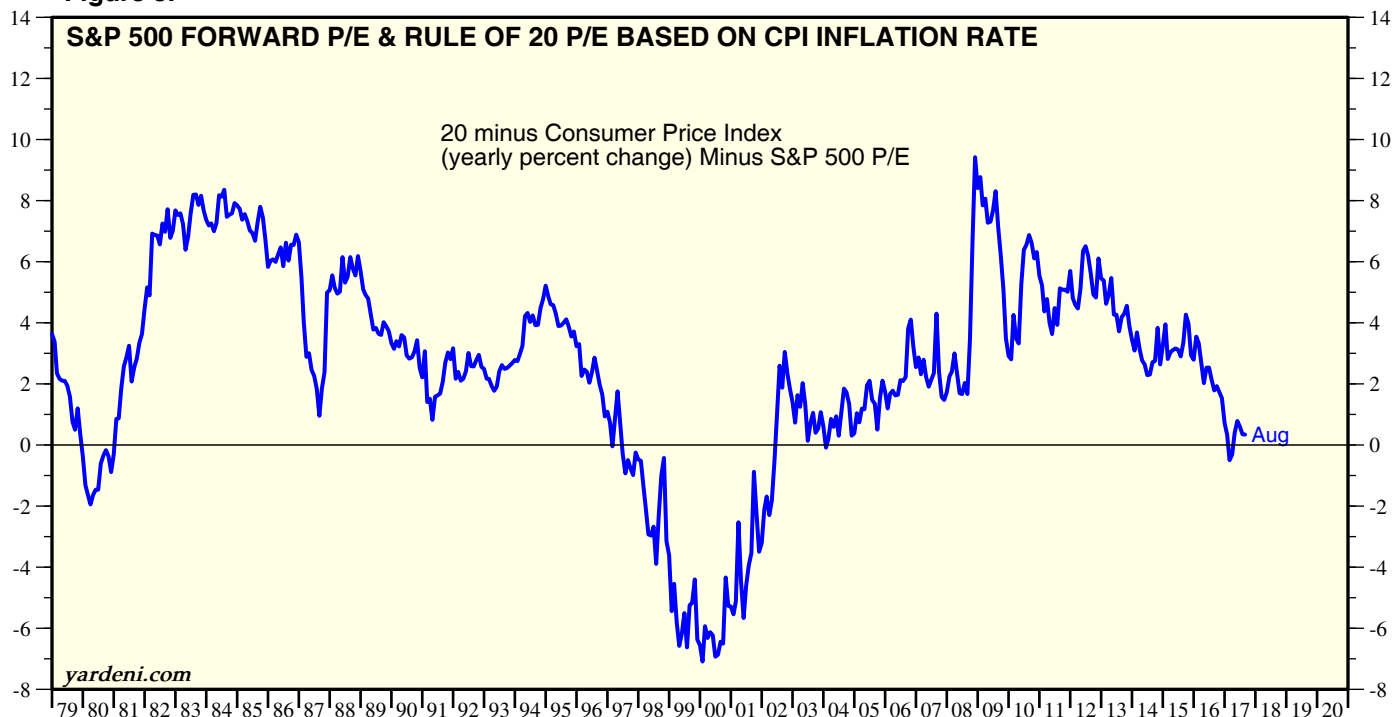
Figure 2.



\* 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.

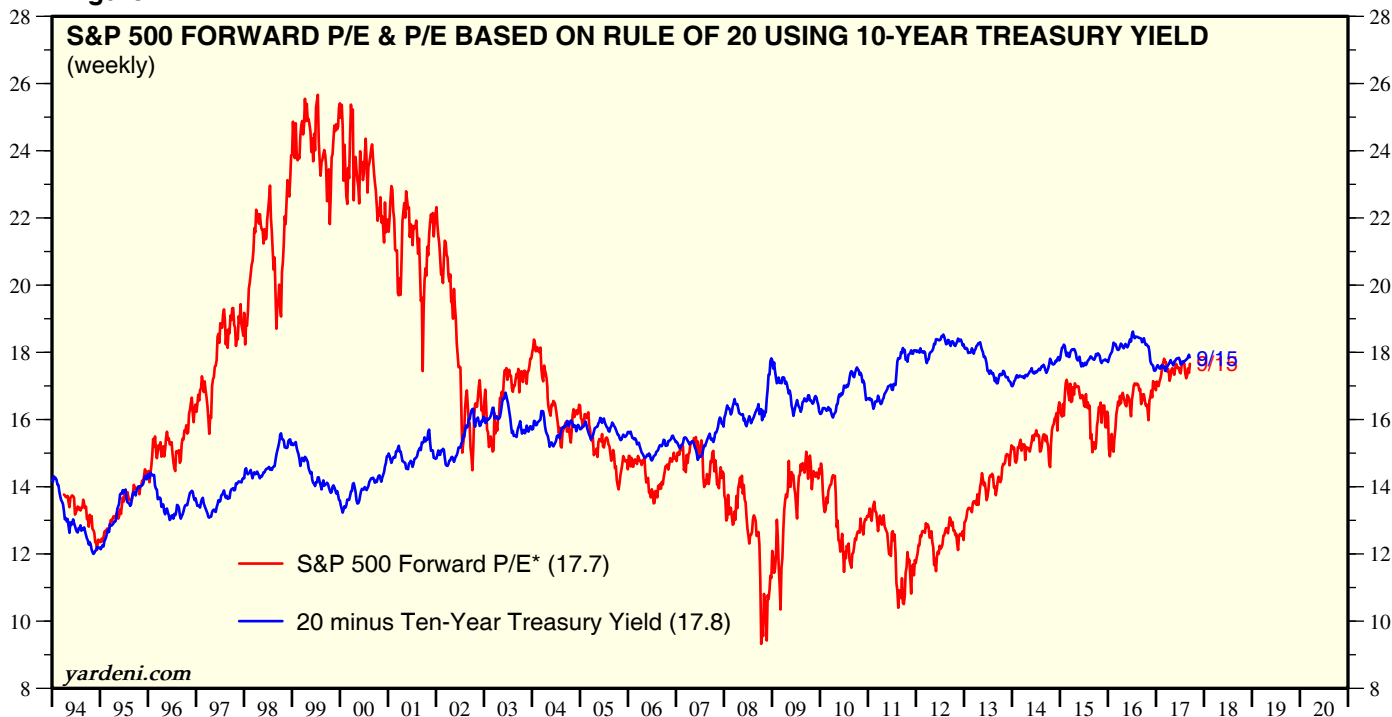
# Rules of 20

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.

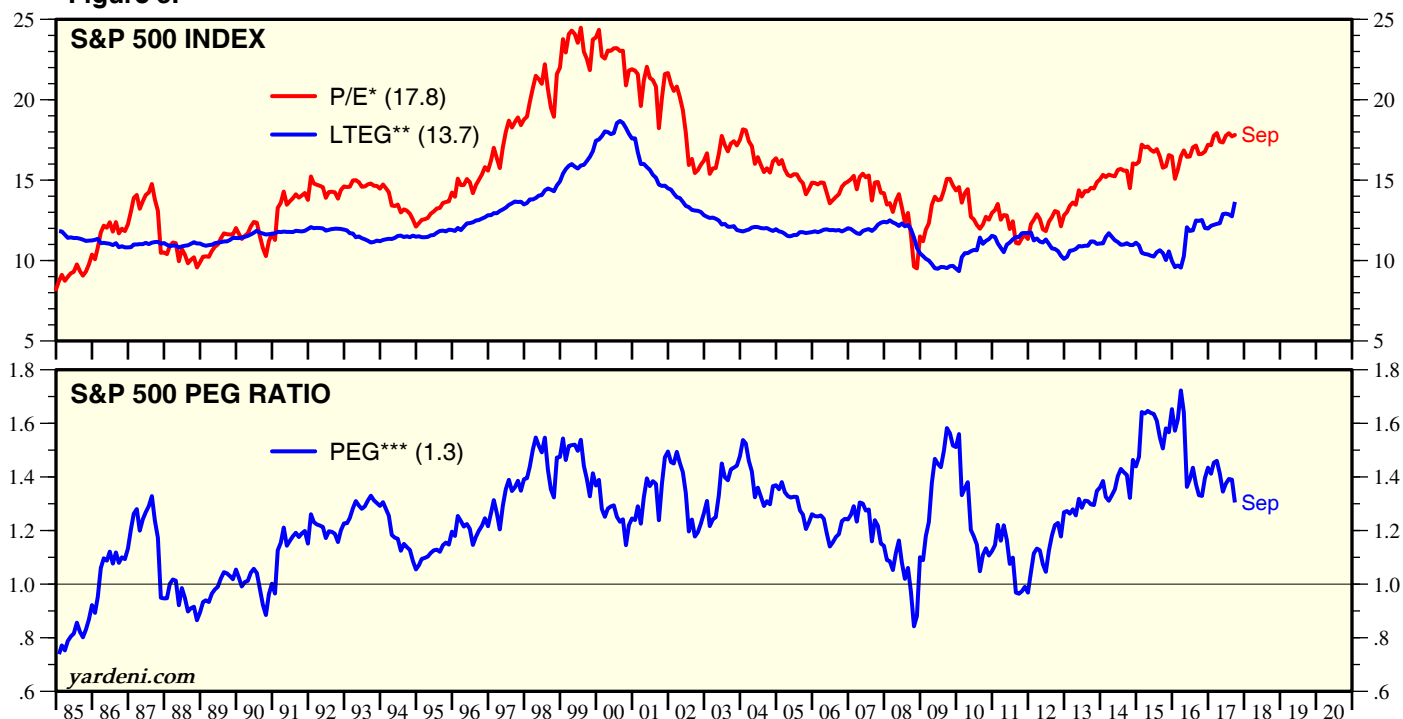
Figure 4.



\* 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.



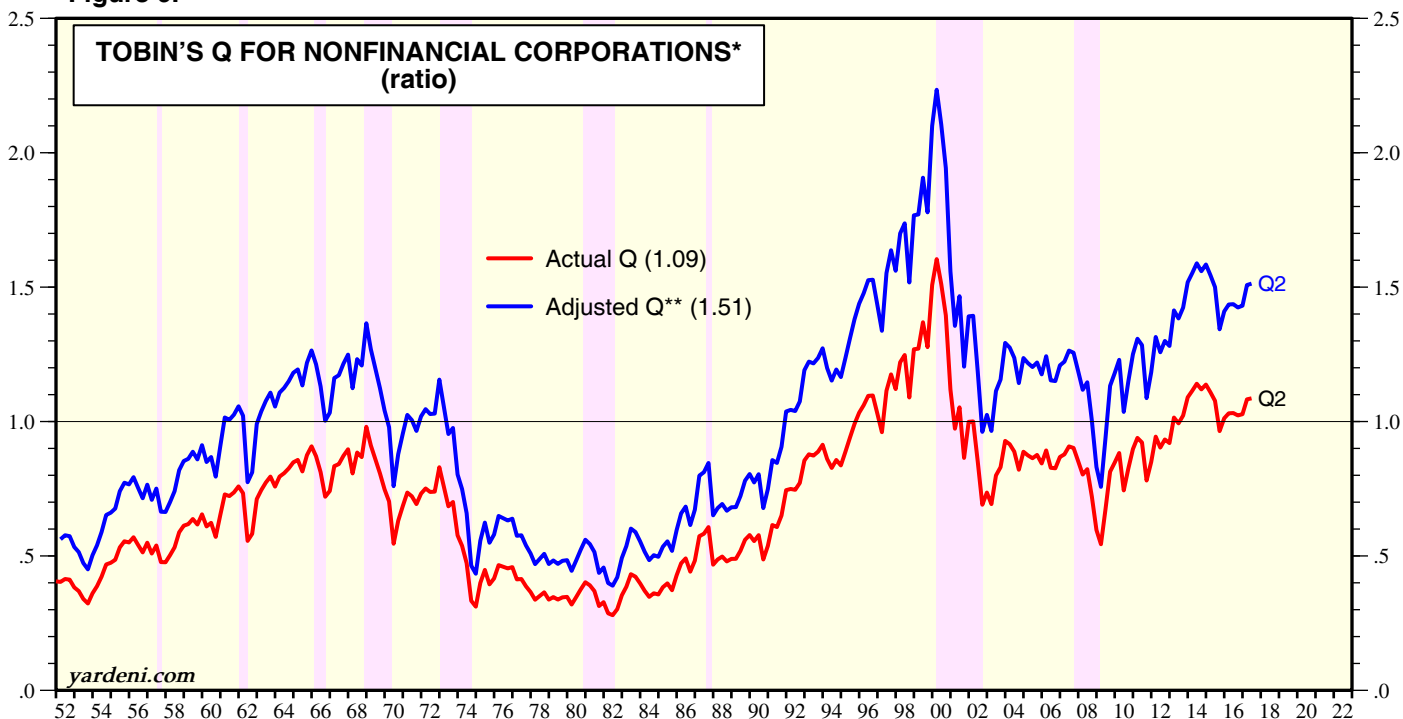
\* P/E = price-to-earnings ratio using mid-month price and 12-month forward consensus earnings expectations.

\*\* 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.

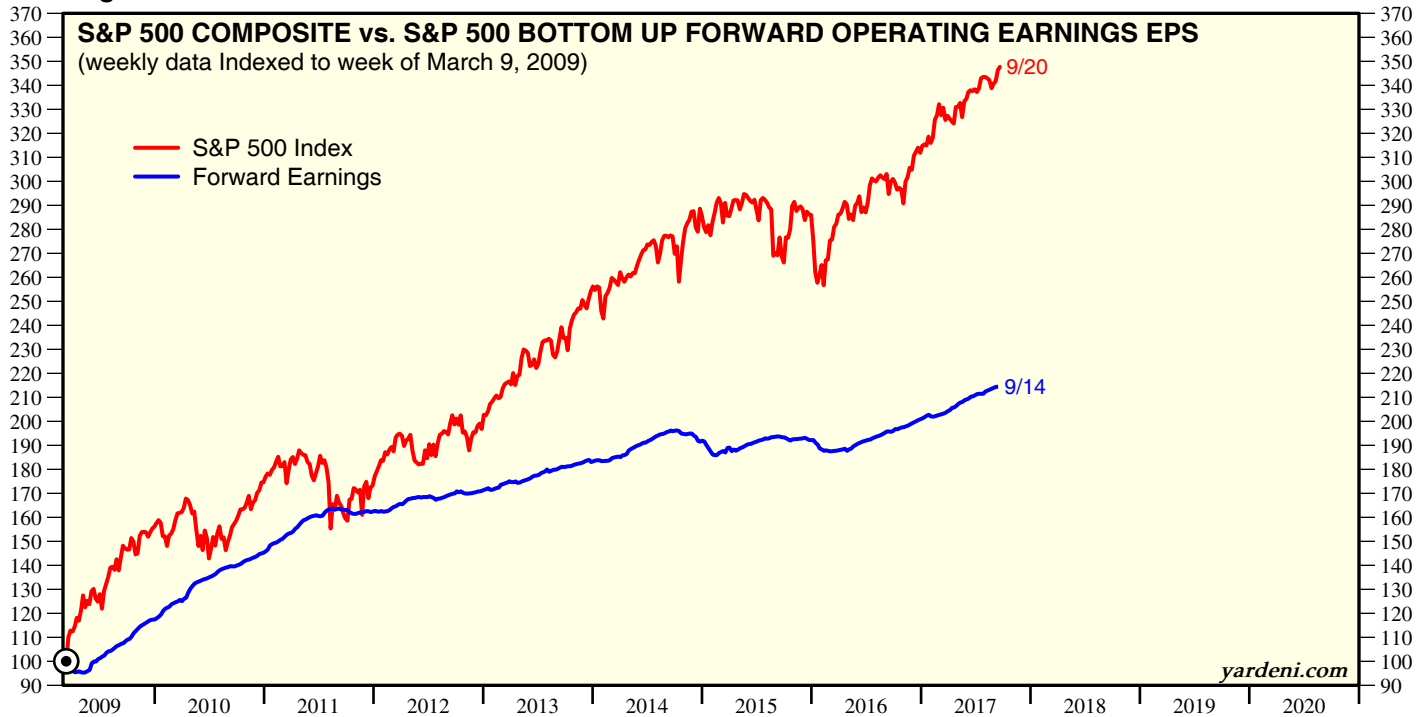
\*\* Actual divided by average since 1952.

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

Source: Federal Reserve Board Financial Accounts of the United States.

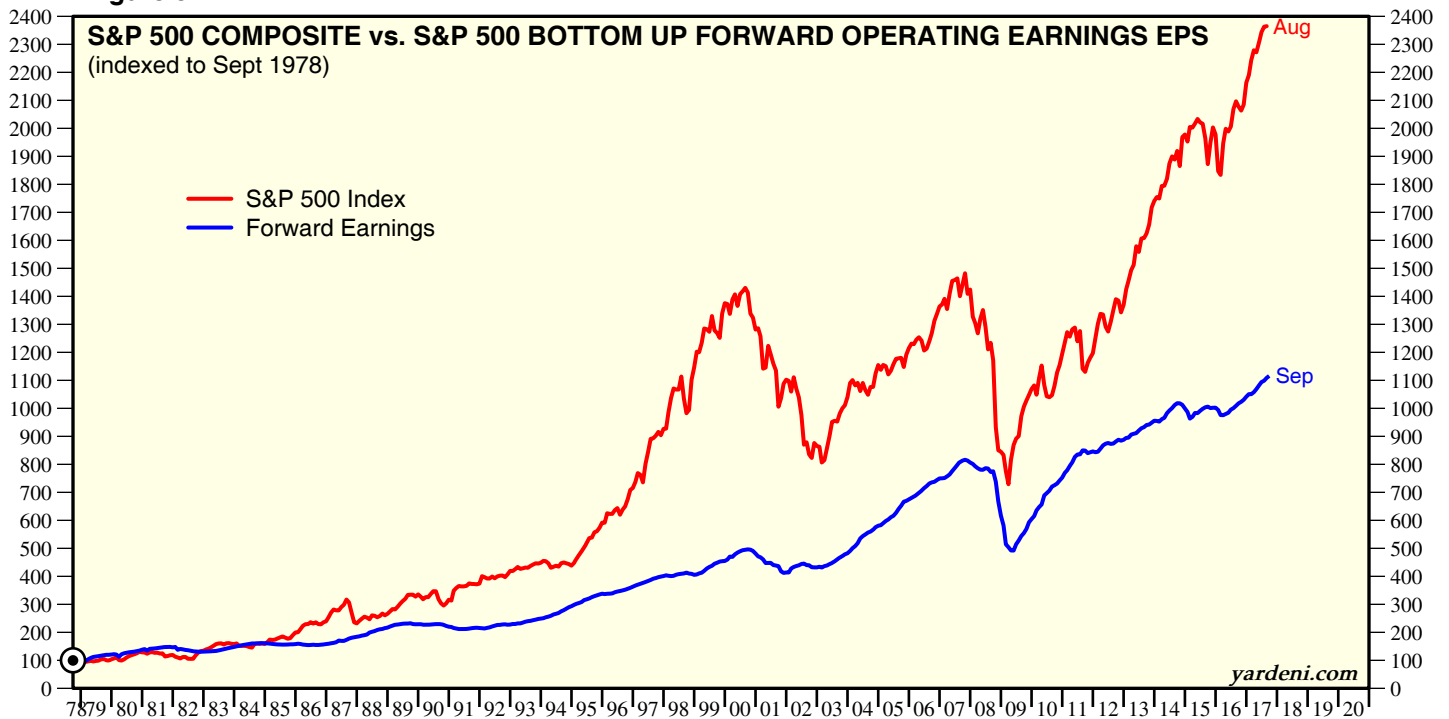
# S&P 500 Index & Forward Earnings

Figure 7.



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

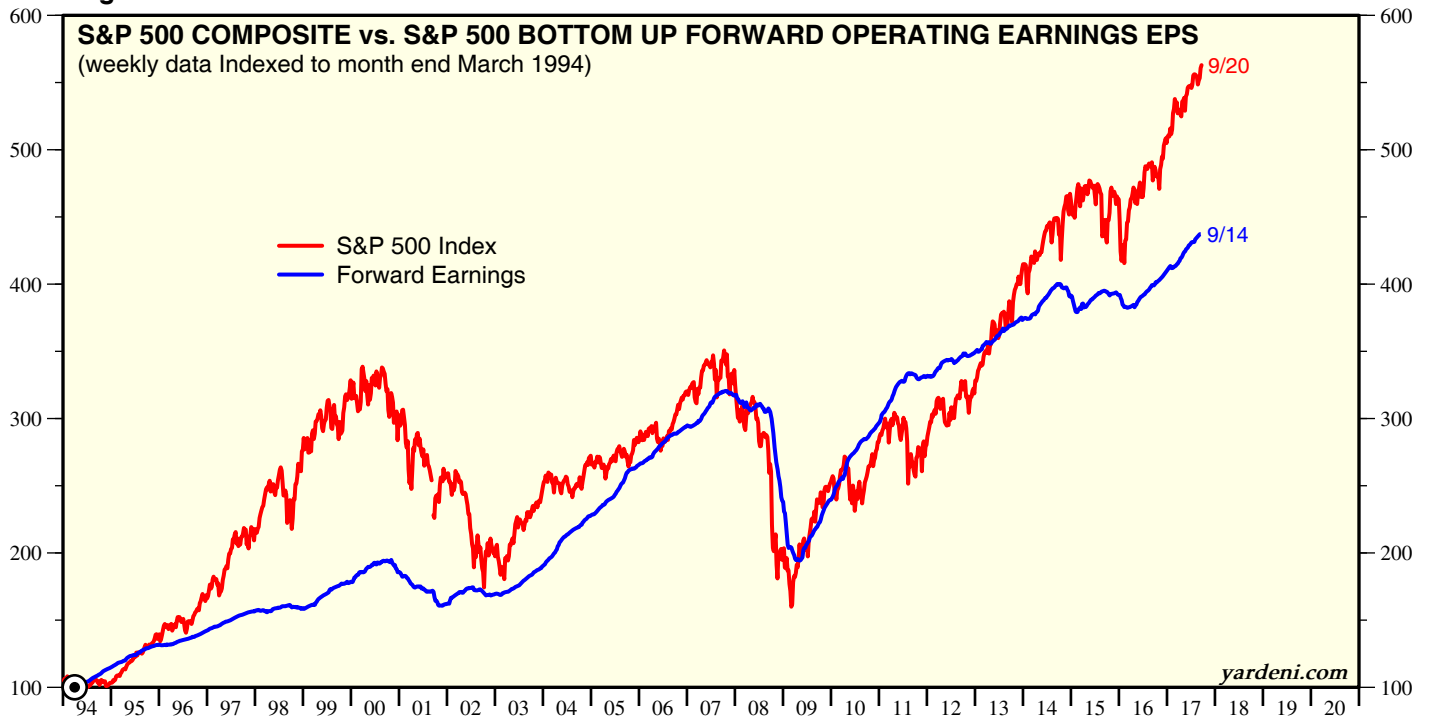
Figure 8.



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.

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