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Figure 1.

S&P 500 P/E RATIO & INFLATION
(using reported earnings 1935-1978, forward earnings* 1979-present)

Consumer Price Index
(yearly percent change)

S&P 500 P/E*

* Four-quarter trailing sum of reported earnings through 1978, then time-weighted average of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year. Monthly from January 1979.

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

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

Figure 2.

S&P 500 P/E & BOND YIELD
(using reported earnings 1953-1978, forward earnings* 1979-present)

S&P 500 P/E*

10-Year
US Treasury Yield
(percent)

* Four-quarter trailing sum of reported earnings through 1978, then time-weighted average of analysts’ consensus estimates for S&P 500 operating earnings per share for current year and next year. Monthly from January 1979.

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

Source: I/B/E/S data by Refinitiv, Standard & Poor’s, and Federal Reserve Board.
Valuation Models

Figure 3.

S&P 500 INDEX

- P/E* (19.8)
- LTEG** (10.1)

S&P 500 PEG RATIO

- PEG*** (2.0)

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

Source: Flow of Funds.

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

Figure 4.

TOBIN’S q FOR NONFINANCIAL CORPORATIONS

- Actual q*
- Adjusted q**

* 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.
Source: Flow of Funds.
Figure 5.

S&P 500 COMPOSITE vs. S&P 500 BOTTOM UP FORWARD OPERATING EARNINGS EPS
(weekly data Indexed to week of March 9, 2009)

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

Figure 6.

S&P 500 COMPOSITE vs. S&P 500 BOTTOM UP FORWARD OPERATING EARNINGS EPS
(indexed to Sept 1978)

Source: Standard & Poor’s Corporation and I/B/E/S data by Refinitiv.
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S&P 500 COMPOSITE vs. S&P 500 BOTTOM UP FORWARD OPERATING EARNINGS EPS
(weekly data Indexed to month end March 1994)

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

Figure 8.
S&P 500 P/E
(using reported trailing earnings 1960-1978, forward earnings* 1979-present)

* Time-weighted average of consensus estimates of S&P 500 operating earnings per share for current year and next year. Monthly from January 1979 through April 1994, then weekly.
Note: Shaded areas are recessions according to the National Bureau of Economic Research.
Source: I/B/E/S data by Refinitiv and Standard & Poor's.