



Wealth Strategies Team

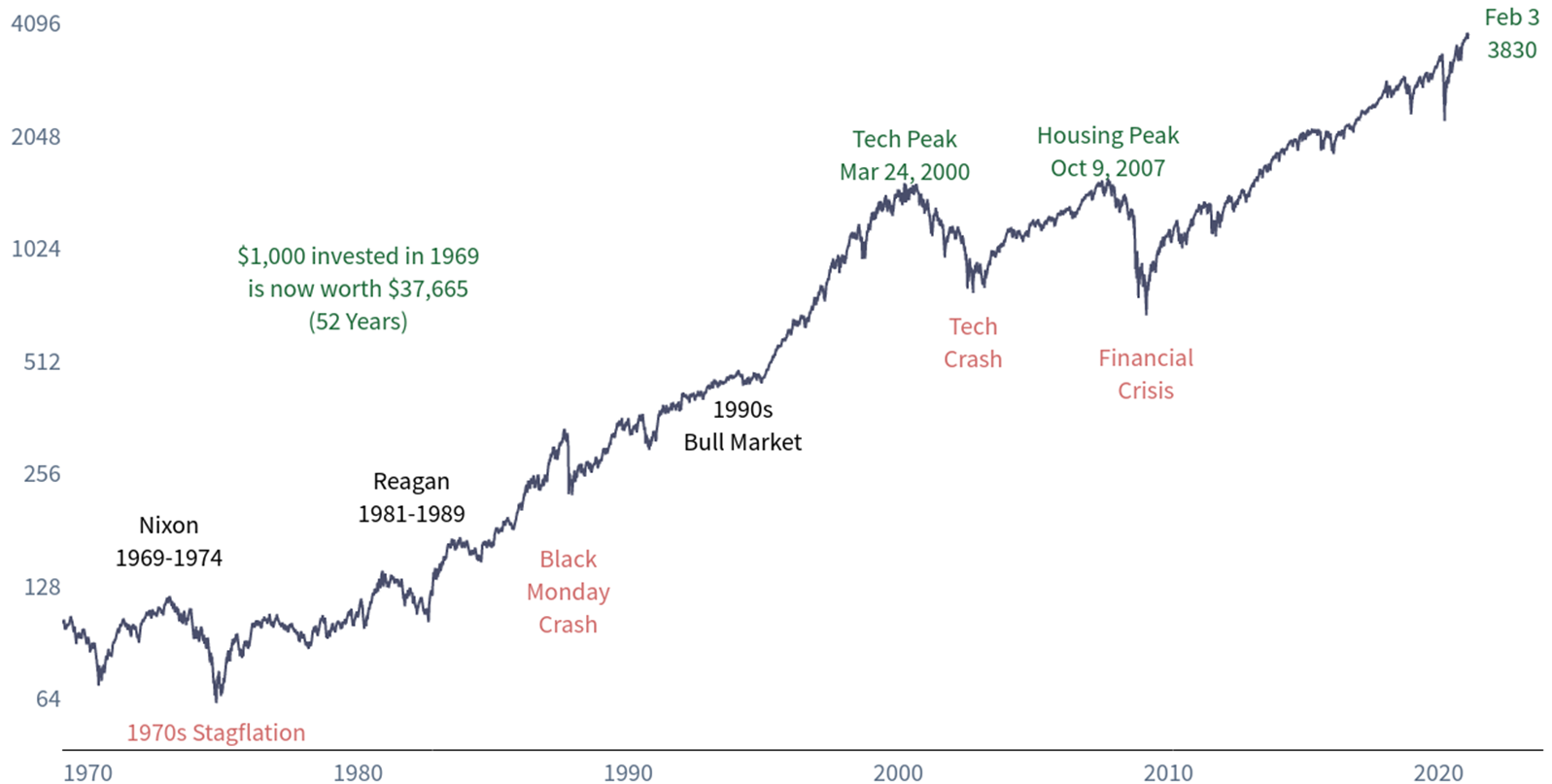
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The Long Run - Chartbook

Cliff Jarvis | Vice President - Investments | February 4, 2021

Stock Market Cycles

S&P 500 Index over the past 50 years (Log Scale)



Latest data point is Feb 3, 2021

- As this chart shows (log scale), the stock market has performed well over the past 50 years despite short-term ups and downs.
- These periods of turbulence were due to economic, political and global turmoil during those decades.
- This emphasizes the importance of staying invested, rather than focusing on days or months, especially as volatility rises.

Source: Standard and Poor's

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Stock Market Price-to-Earnings Ratio

S&P 500 forward P/E ratio using earnings estimates over the next twelve months



Latest data point is Feb 2, 2021

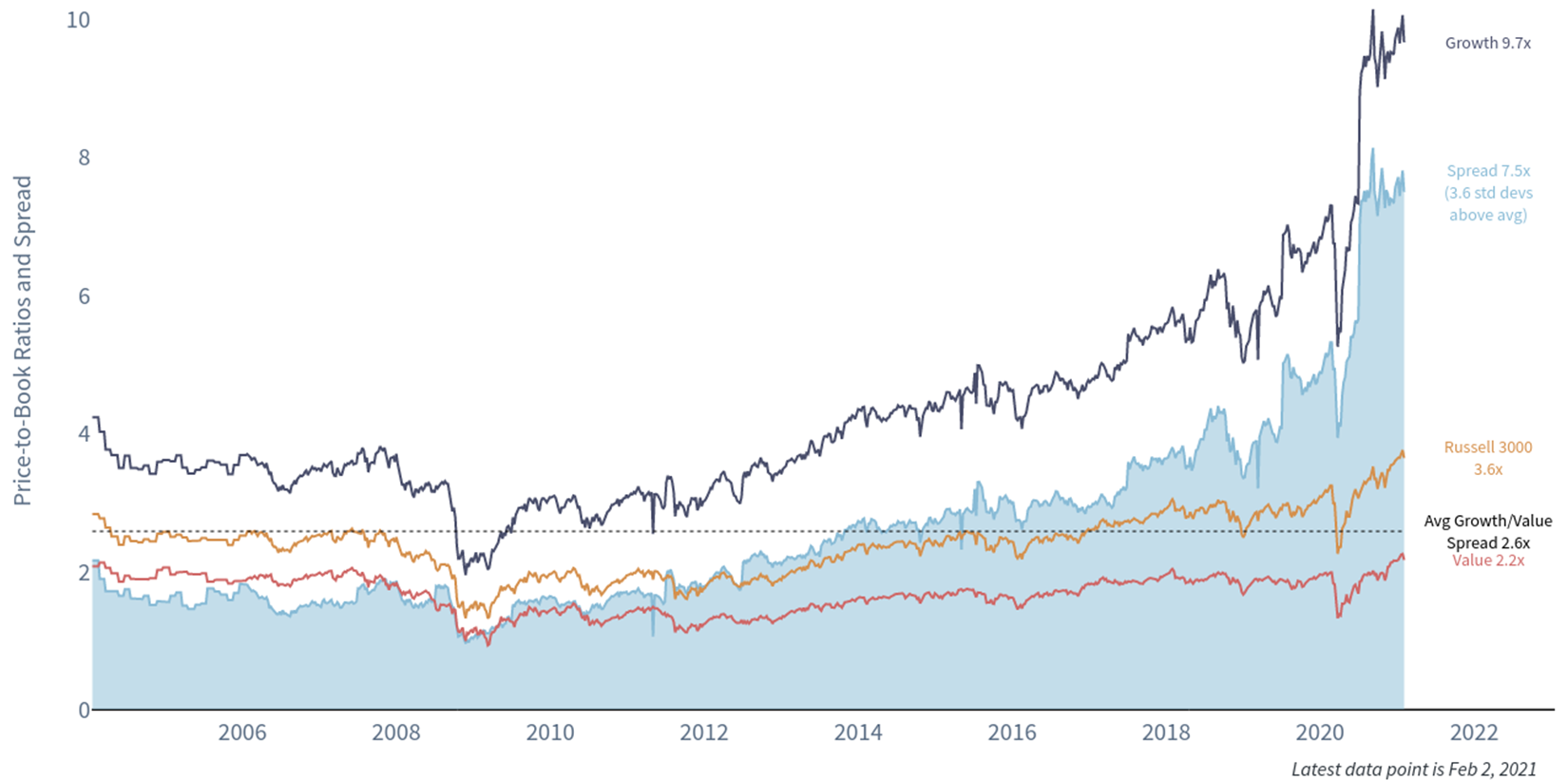
- This PE ratio uses next-twelve-month earnings estimates, an important indicator when earnings are rising.
- This valuation measure is elevated due to uncertainty from COVID-19 and the market recovery.
- Investors should exercise caution and properly diversify across asset classes, both in the U.S. and globally.

Source: Refinitiv

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U.S. Growth vs Value Valuations

Russell 3000 Growth and Value price-to-book ratios and valuation spread



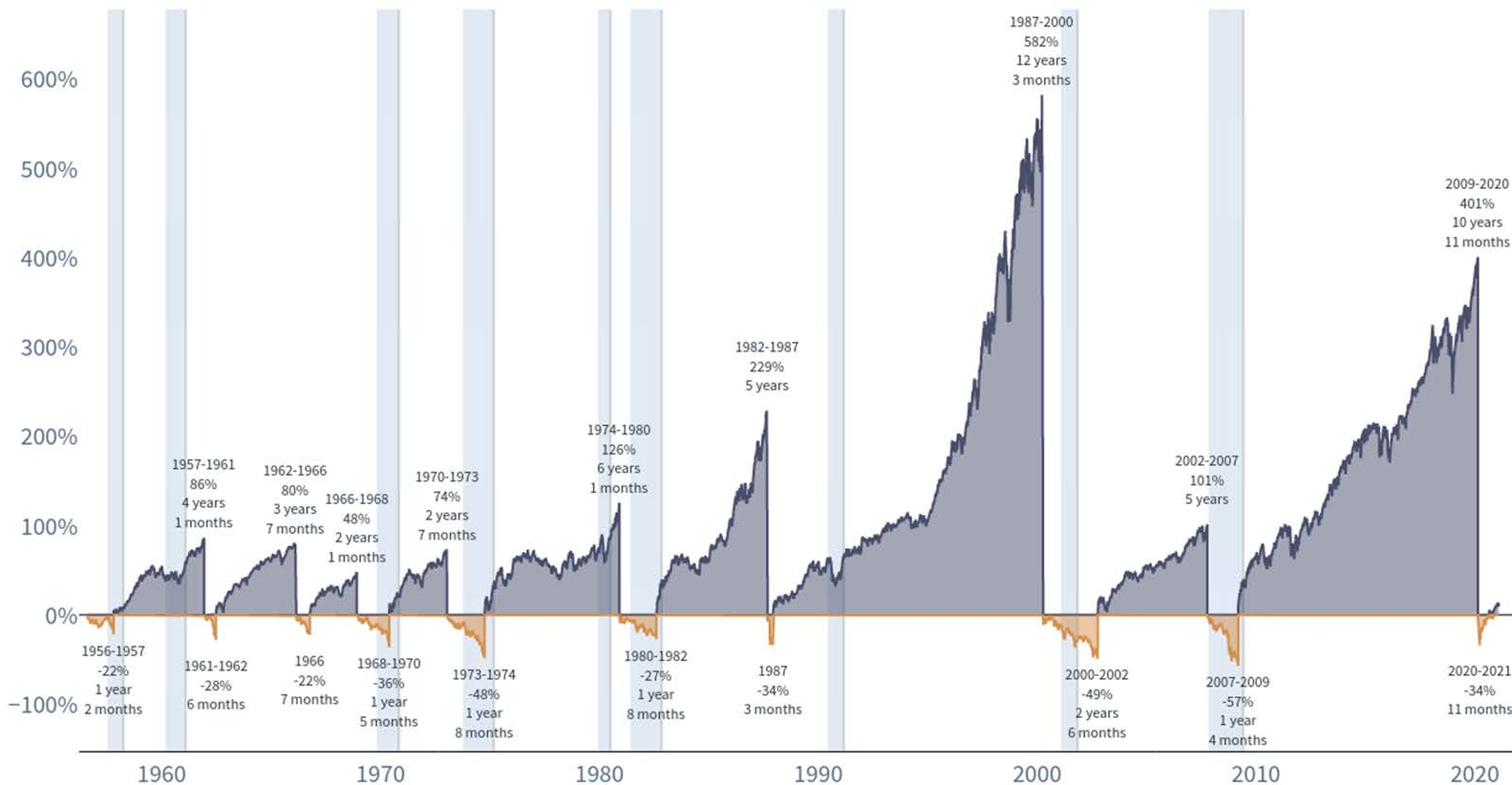
- **Growth stocks have experienced significantly higher valuations recently than Value stocks.**
- **This chart measures this using the Russell 3000 indices and price-to-book value.**

Stock Market Bull and Bear Cycles

S&P 500 price index since 1956 bear market with recessions shaded.

For the purposes of this chart, bear markets are 20% declines in price from prior peaks.

Bull markets begin at each market bottom.



Latest data point is Feb 3, 2021

- While bear markets are unavoidable, bull markets are much longer with larger returns.
- Since 1956, the average bear market has lasted one year two months with a decline of 36%.

Source: Clearnomics, Standard and Poor's

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Definitions and Methodology

The **S&P 500** is a market capitalization-weighted index of large cap U.S. stocks. U.S. **mid cap** and **small cap** are the S&P 400 and S&P 600, respectively. **Value** and **growth** are the corresponding Standard and Poor's value and growth indices.

MSCI EME is an index of emerging market stocks. **MSCI EAFE** is an index of developed market stocks. **MSCI ACWI** is an index of global stocks.

The **forward P/E** is a ratio of the current market price of an index divided by an estimate of earnings over the next twelve months. The **Shiller P/E** is based on Robert Shiller's cyclically adjusted price-to-earnings ratio.

The **AAll Investor Sentiment** index is based on a weekly survey conducted by AAll.

Unless stated otherwise, **earnings** and **valuations** data are from Refinitiv indices.

The **LEI**, or Leading Economic Index, is produced monthly by the Conference Board.

Consumer sentiment indices are based on surveys conducted by the University of Michigan Surveys of Consumers.

Asset Class Performance and Asset Classes Relative to U.S.

Stocks charts: The EM, EAFE, Small Cap, Fixed Income and Commodities are these indices, respectively: MSCI EM, MSCI EAFE, Russell 2000, iShares Core U.S. Bond Aggregate, Bloomberg Commodity Index.

The Balanced Portfolio is a hypothetical 60/40 portfolio consisting of 40% U.S. Large Cap, 5% Small Cap, 10% International Developed Equities, 5% Emerging Market Equities, 35% U.S. Bonds, and 5% Commodities.

The **Bloomberg Commodity Index** is a broadly diversified basket of physical commodities futures contracts.

The **DXY** is a U.S. dollar index based on a basket of currencies, including the Euro, Yen, Pound, Canadian Dollar, Swedish Krona and Swiss Franc.

Portfolio Risk/Reward and Portfolio Drift Since 2009

charts: stocks and bonds are the S&P 500 and iShares Core U.S. Bond Aggregate, respectively. Each portfolio represents a hypothetical stock/bond asset allocation.

The **MSCI Factor** indices are created and maintained by MSCI to capture factor returns. They cover various factors including Quality, Size, Momentum, Volatility, Value and Yield. The Multi-Factor index tracks the performance of Value, Momentum, Quality and Size.

The **MSCI USA** index tracks large and mid cap U.S. stocks.

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