



# Wealth Strategies Team

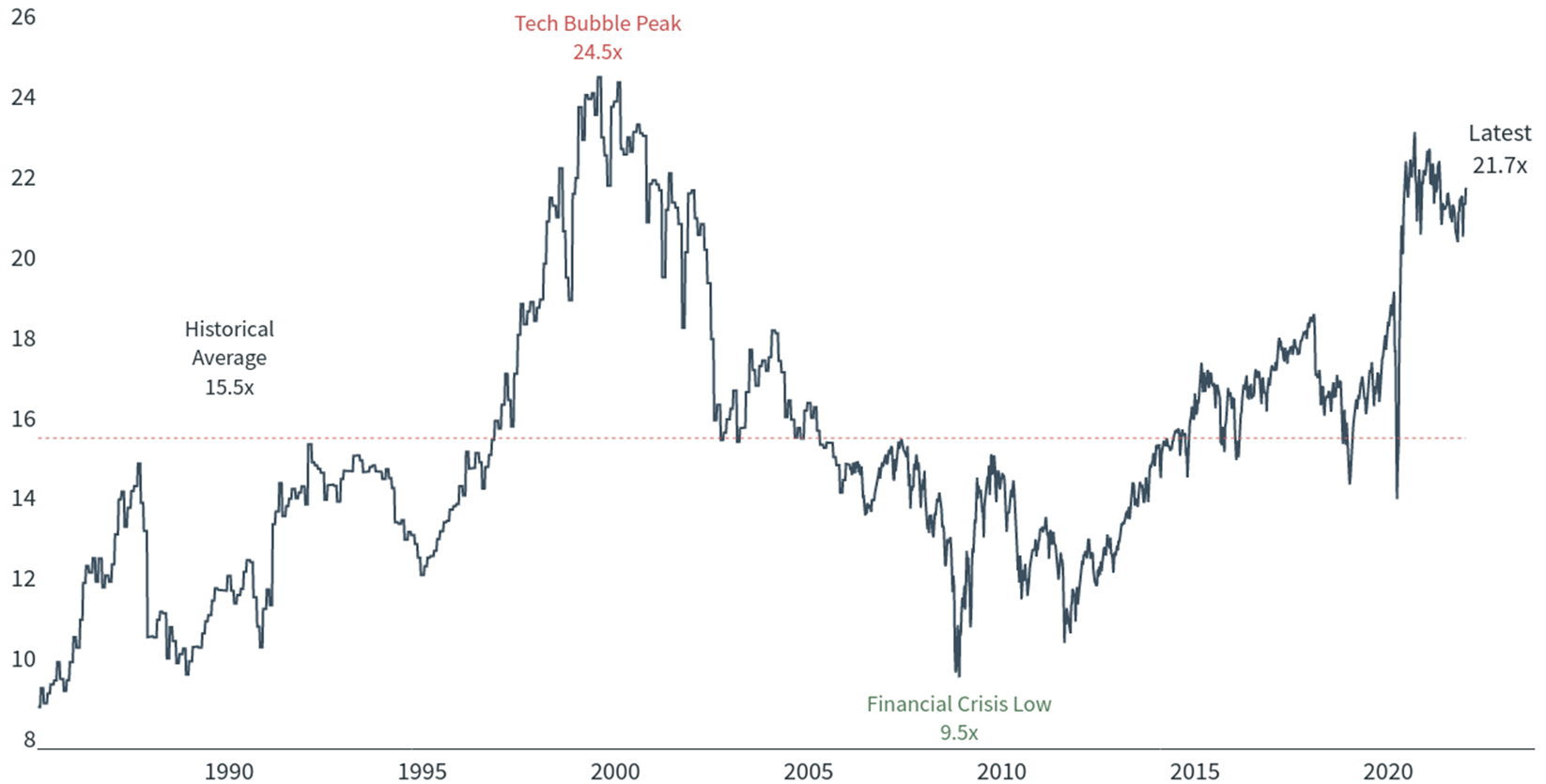
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**Does It Continue?- Chartbook**

Cliff Jarvis | Investment Advisor | January 9, 2022

# Stock Market Price-to-Earnings Ratio

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



- This PE ratio uses next-twelve-month earnings estimates.
- This valuation measure is still near its dot-com era peak, but has stabilized as earnings have increased.
- Investors should exercise caution and properly diversify across asset classes, both in the U.S. and globally.

*Latest data point is Jan 4, 2022*

Source: Refinitiv

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# European Equity Valuations

## MSCI Europe Index Forward P/E Ratio



Latest data point is Jan 5, 2022

- While U.S. stock valuations have exceeded their historical averages, European stocks are as elevated.

Source: MSCI, Thomson Reuters

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# Emerging Market Valuations

## MSCI EM Index Forward P/E Ratio



Latest data point is Jan 5, 2022

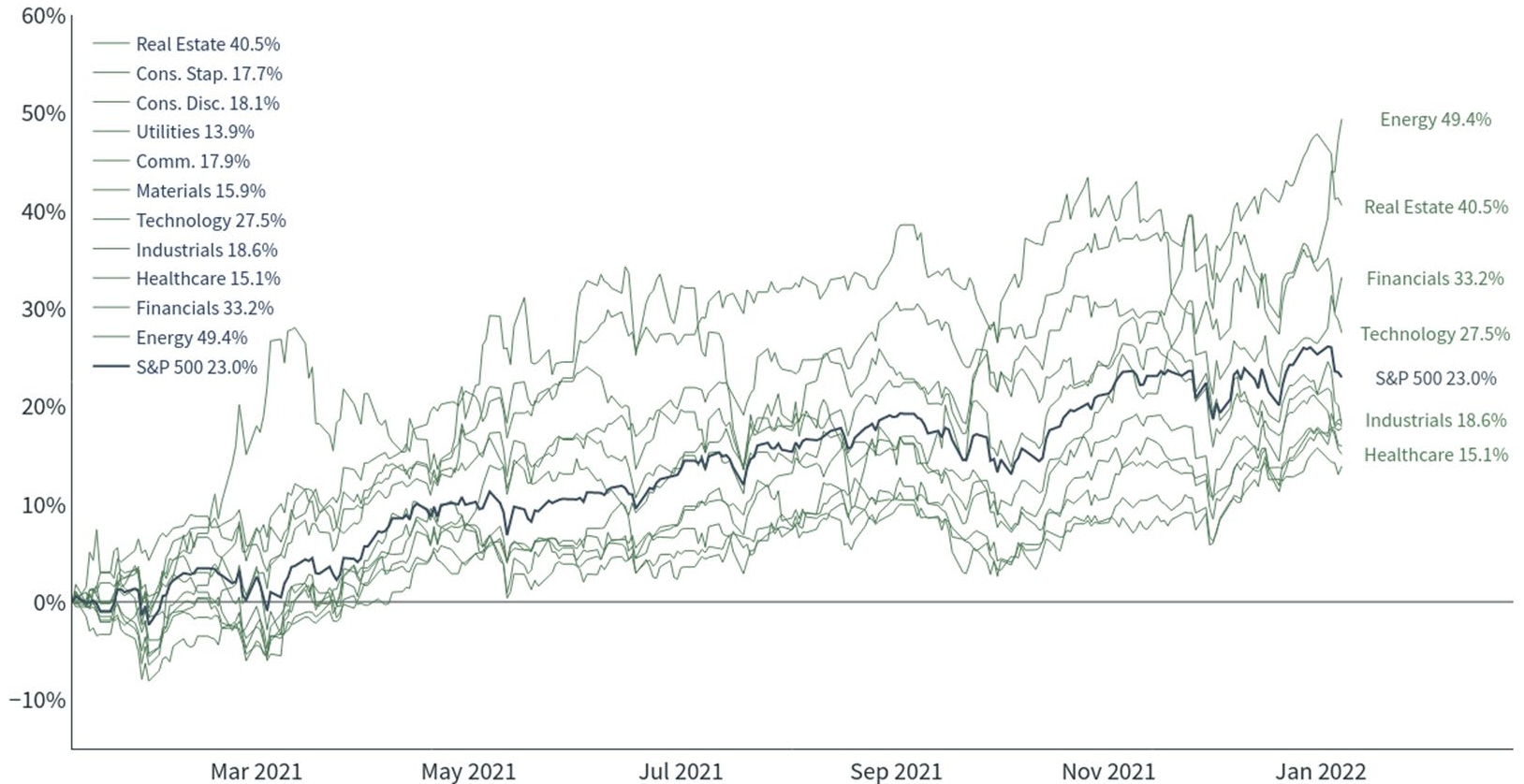
- Although they face significant risks, emerging market stocks are still the cheapest of the major regions by many measures.

Source: MSCI, Refinitiv

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# Sector Returns – Year Over Year

*S&P 500 Sectors, Daily*



- Stock market sectors have seen divergent performance due to the pandemic and rising interest rates.
- Technology sectors have led the pack but rotations to commodity-sensitive, consumer and rate-sensitive have occurred since.
- Most investors should continue to benefit from broad diversification across sectors and industries as the world heals.

*Latest data point is Jan 7, 2022*

Source: Standard & 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 EM** 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.

**Fixed Income Performance:** All sectors are represented by the Bloomberg Barclays bond indices except for EMD USD and Local which are the JPMorgan EMBIG Diversified Index and JPMorgan GBI-EM Core Index, respectively.

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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