

# **Equity Market Valuations**

## **July 2015**

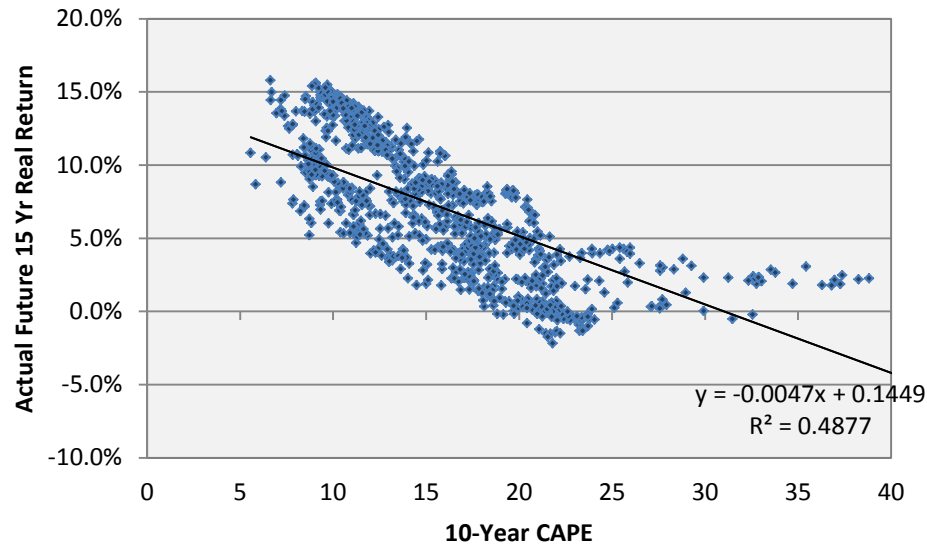
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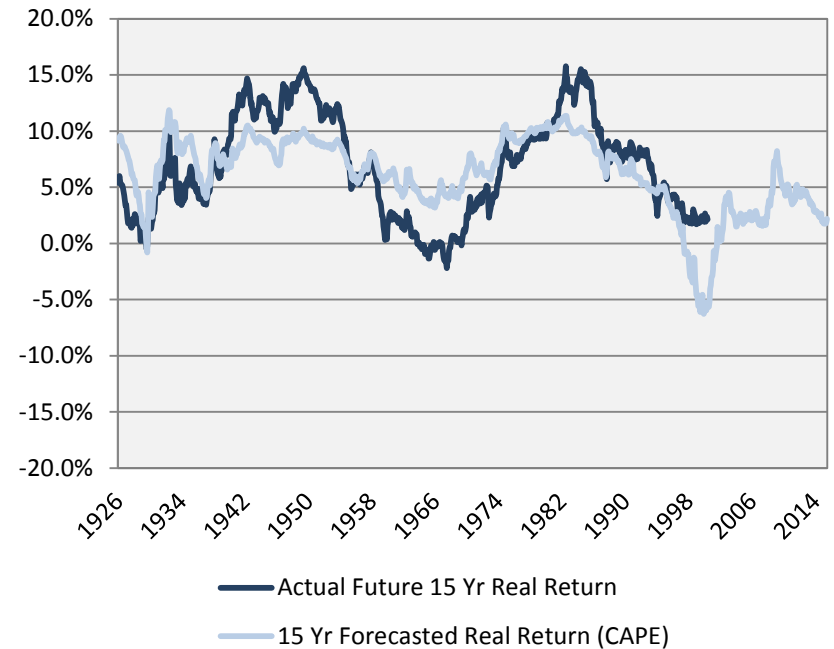
# 10 Year Cyclically Adjusted P/E (CAPE)

This valuation metric, also called the Shiller P/E, is calculated as price divided by the average of the prior ten years earnings, adjusted for inflation.

15 Year S&P 500 Real Returns vs. 10 Year CAPE

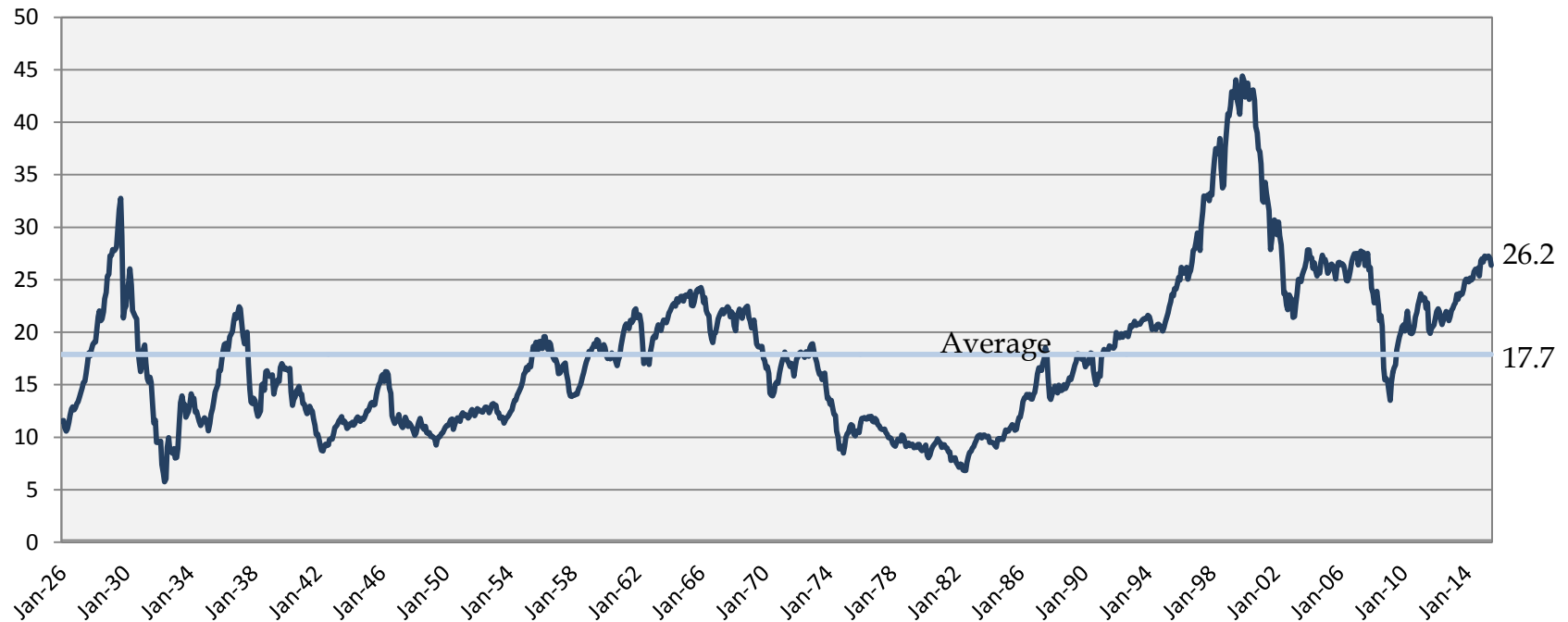


Rolling 15 Year S&P 500 Predicted vs. Actual Real Returns



# 10 Year Cyclically Adjusted P/E (CAPE)

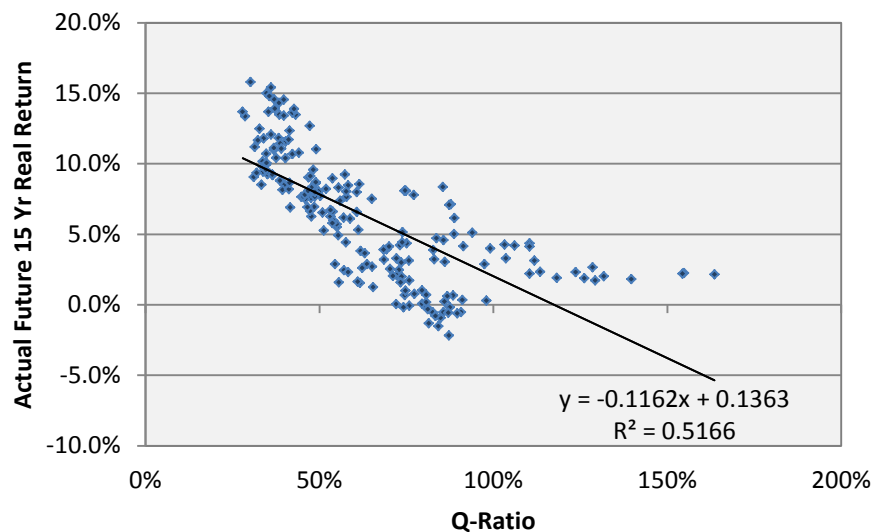
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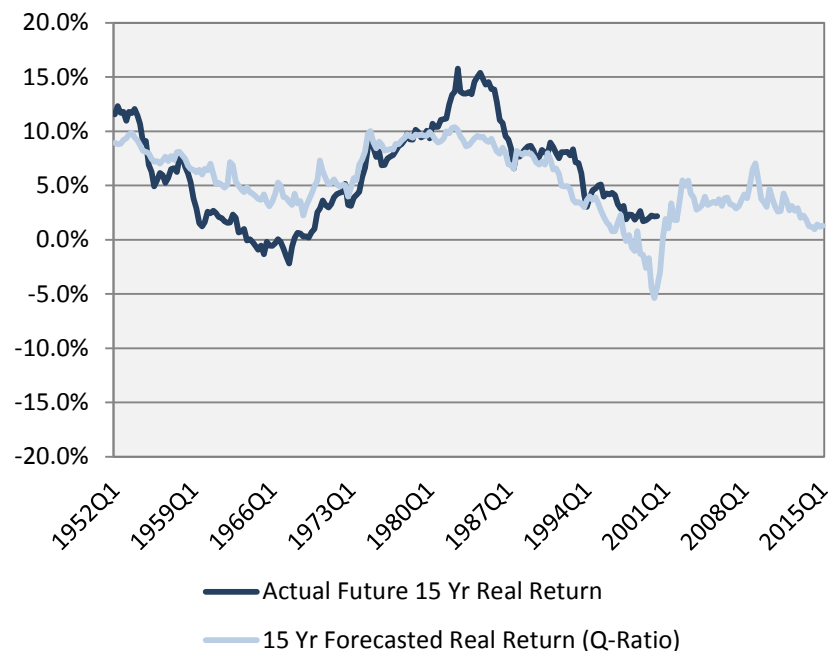
# Q-Ratio

This valuation metric was developed by Nobel Laureate James Tobin and is calculated as total price of the market divided by the replacement cost of all its companies.

**15 Year S&P 500 Real Returns vs. Q-Ratio**

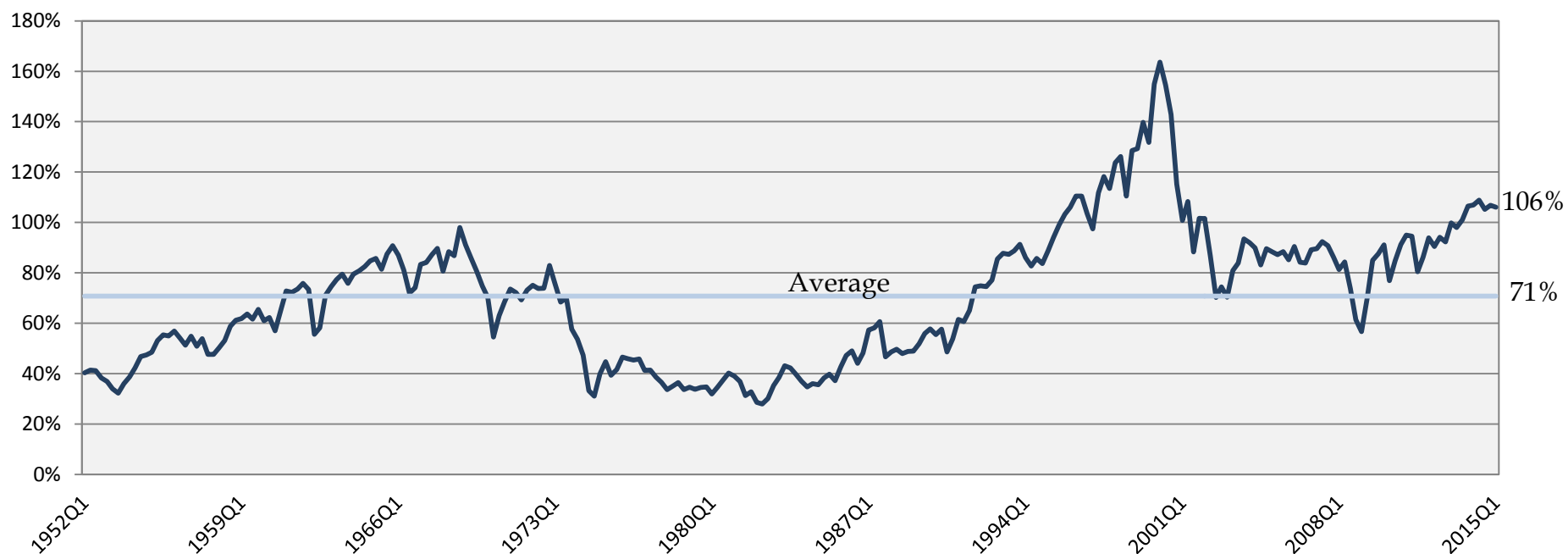


**Rolling 15 Year S&P 500 Predicted vs. Actual Real Returns**



# Q-Ratio

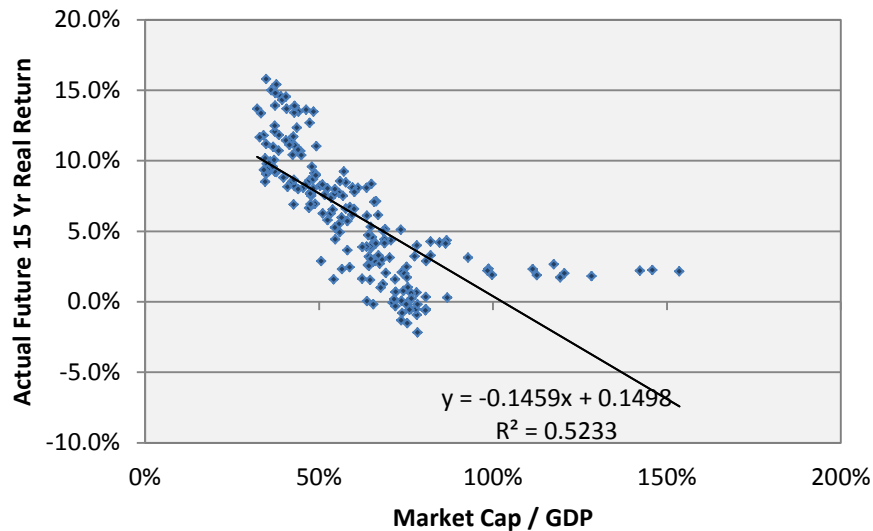
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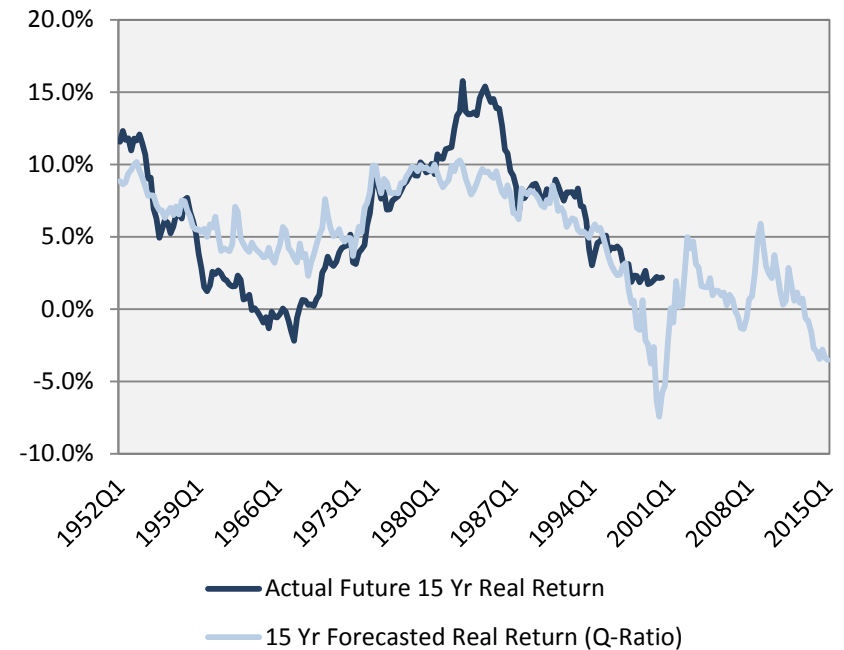
# Corporate Market Value / GDP

This metric, made popular as Warren Buffett's favorite market valuation tool, compares the total price of the market to national GDP.

**15 Year S&P 500 Real Returns vs. Mkt Cap/GDP Ratio**



**Rolling 15 Year S&P 500 Predicted vs. Actual Real Returns**



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