

# Stock Market Briefing: Fed's Stock Valuation Model Monthly/Weekly

Yardeni Research, Inc.

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*thinking outside the box*

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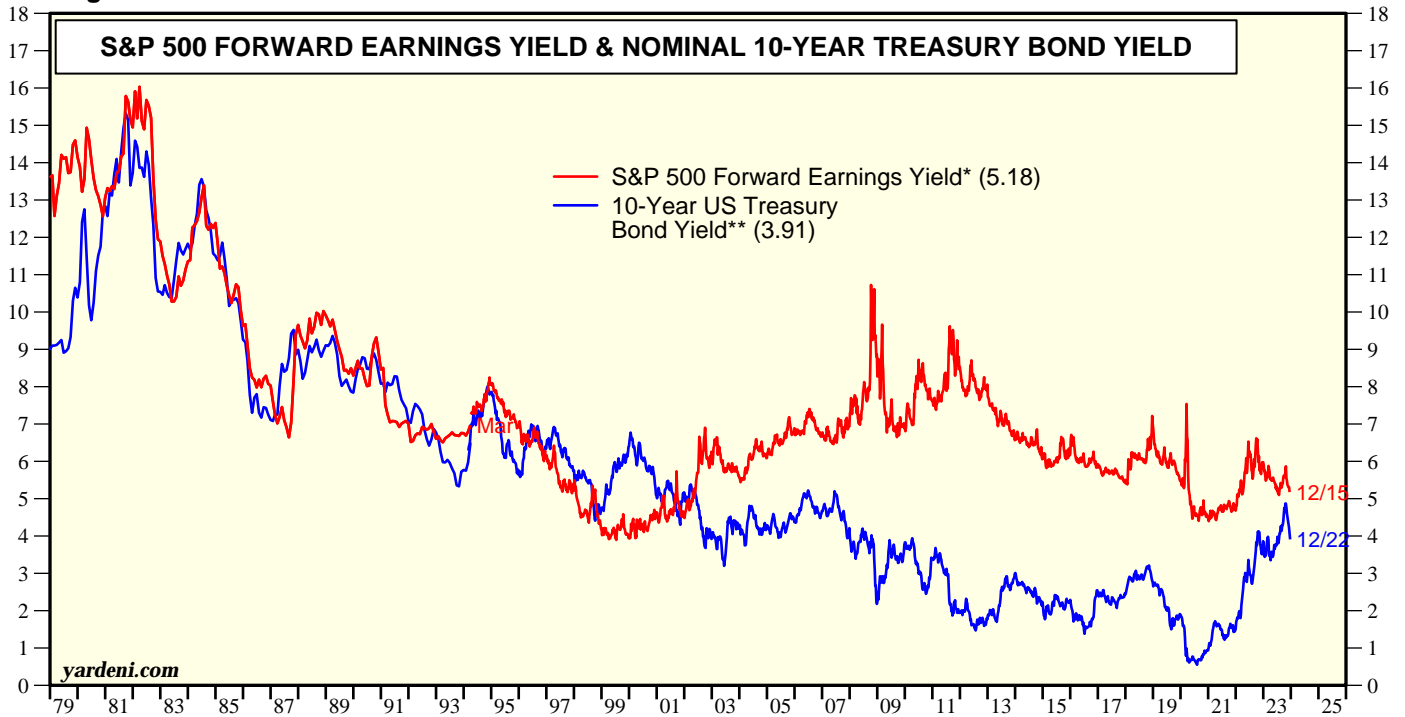
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Fed's Stock Valuation Model

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# Fed's Stock Valuation Model

Figure 1.

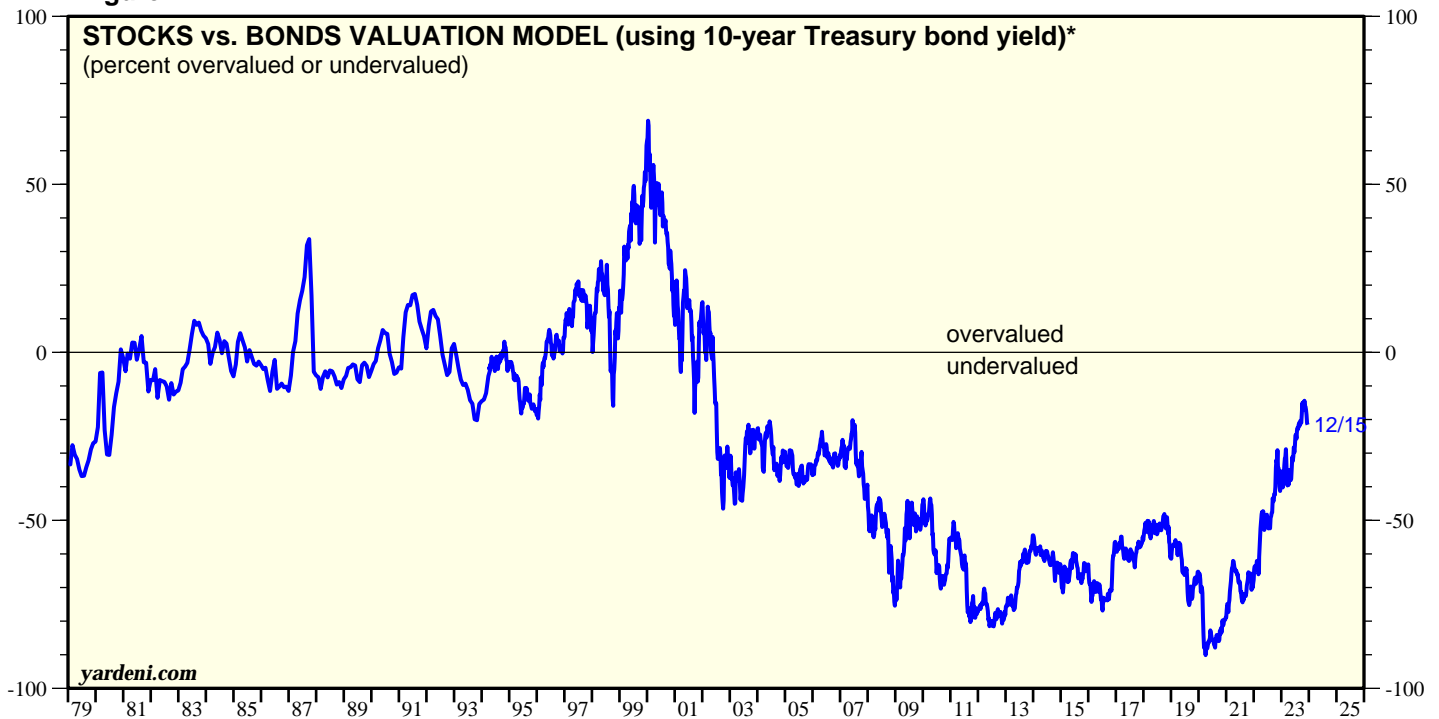


\* Year-ahead forward consensus expected earnings divided by S&P 500 stock price index. Monthly through March 1994, then weekly.

\*\* Monthly through March 1994, then weekly.

Source: I/B/E/S data by Refinitiv and Federal Reserve Board.

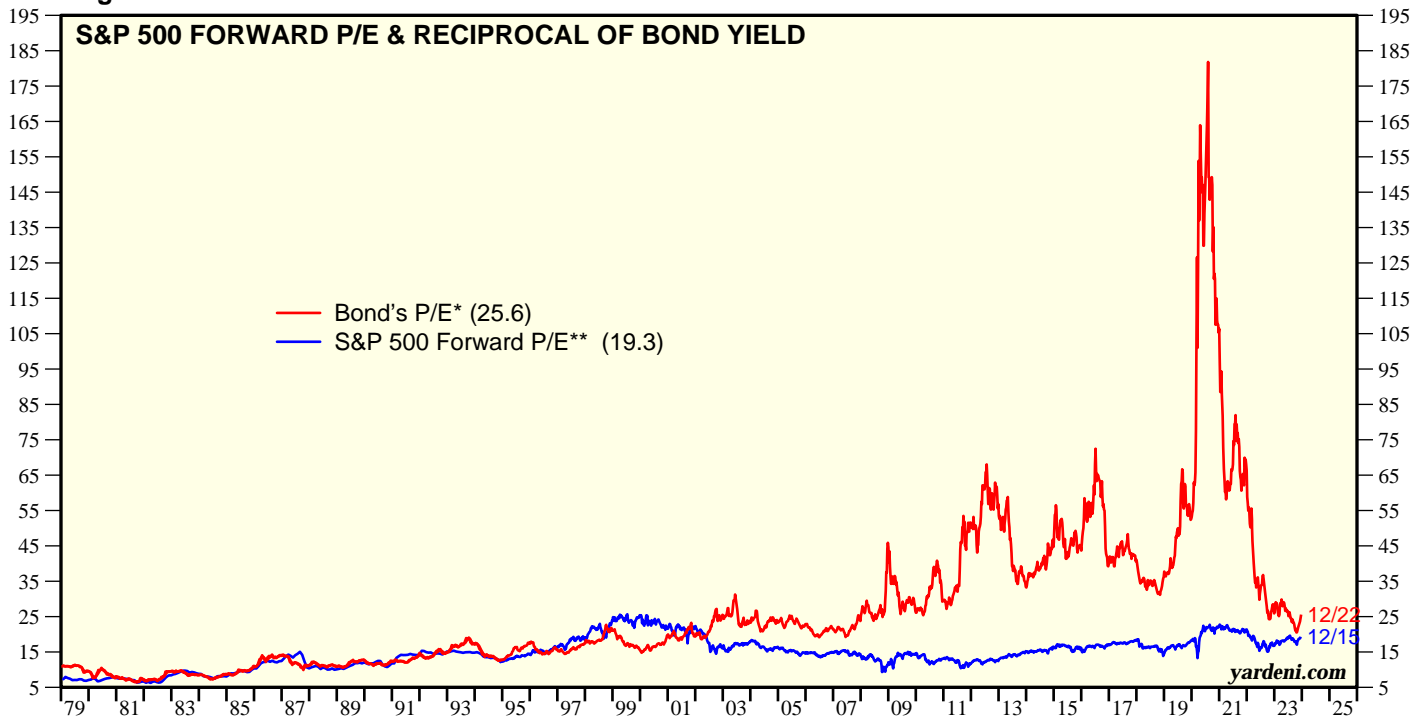
Figure 2.



\* S&P 500 stock price index divided by S&P 500 fair-value price defined as S&P 500 12-month forward consensus expected earnings divided by 10-year US Treasury bond yield converted to percentage. Monthly through April 1994, weekly after.  
Source: I/B/E/S data by Refinitiv and Federal Reserve Board.

# Fed's Stock Valuation Model

Figure 3.

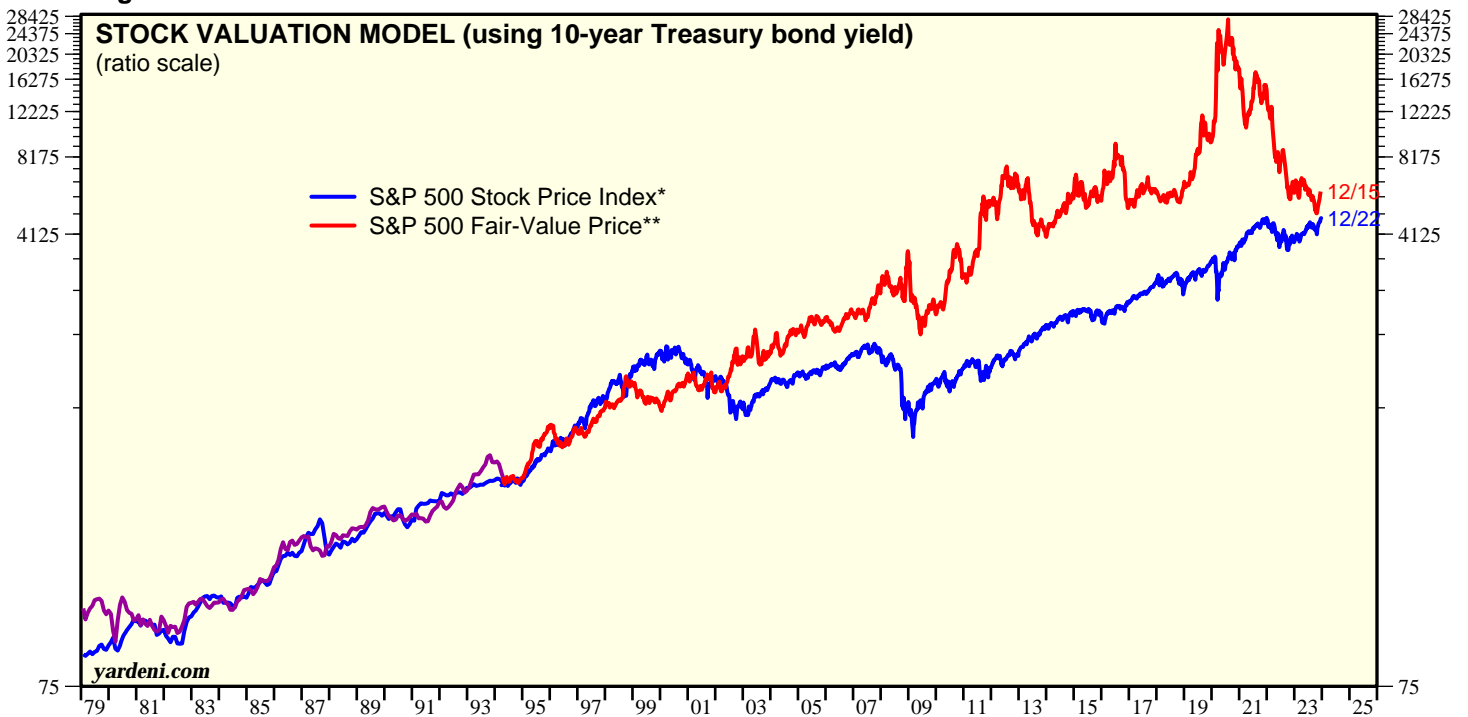


\* Reciprocal of 10-year US Treasury bond yield.

\*\* 52-week forward consensus expected S&P 500 operating earnings per share. Monthly through March 1994, weekly thereafter.

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

Figure 4.



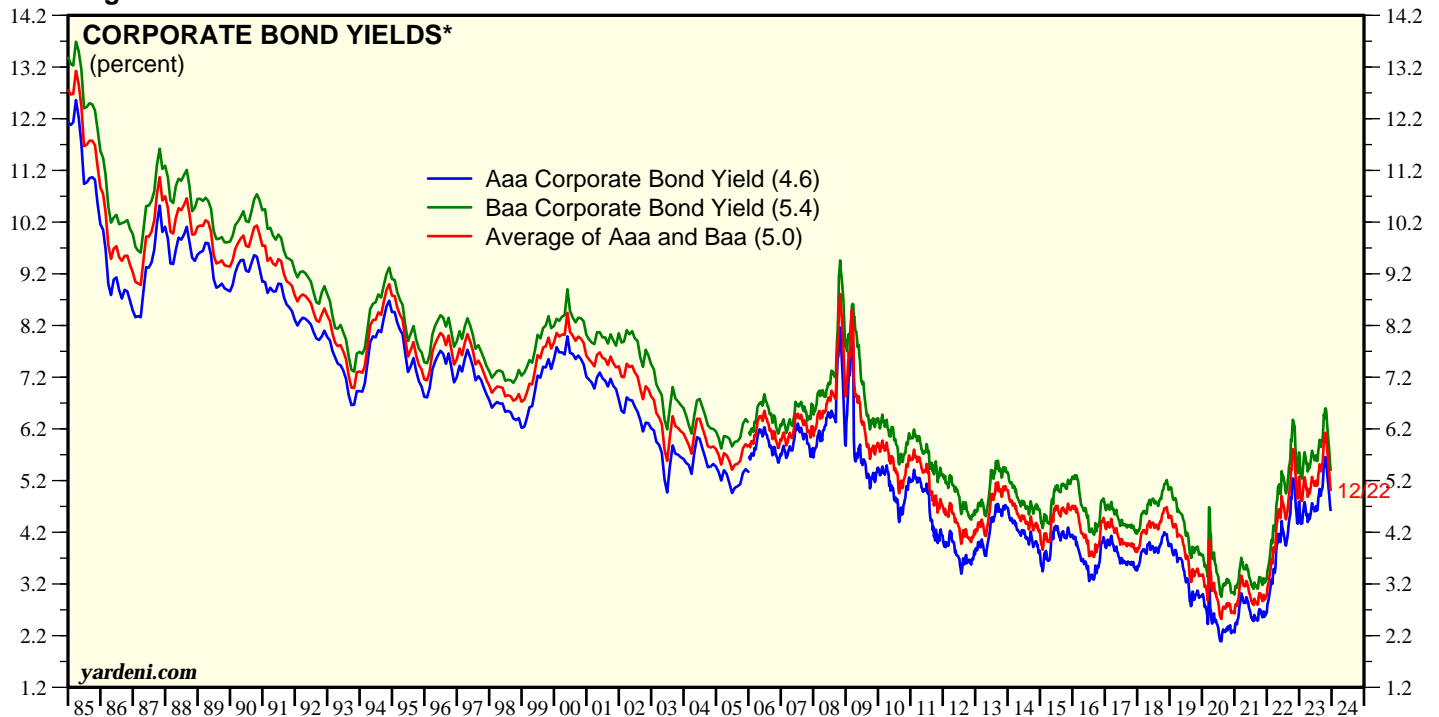
\* Monthly through April 1994, weekly after.

\*\* Year-ahead forward consensus expected earnings divided by 10-year US Treasury bond yield. Monthly through April 1994, weekly after.

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

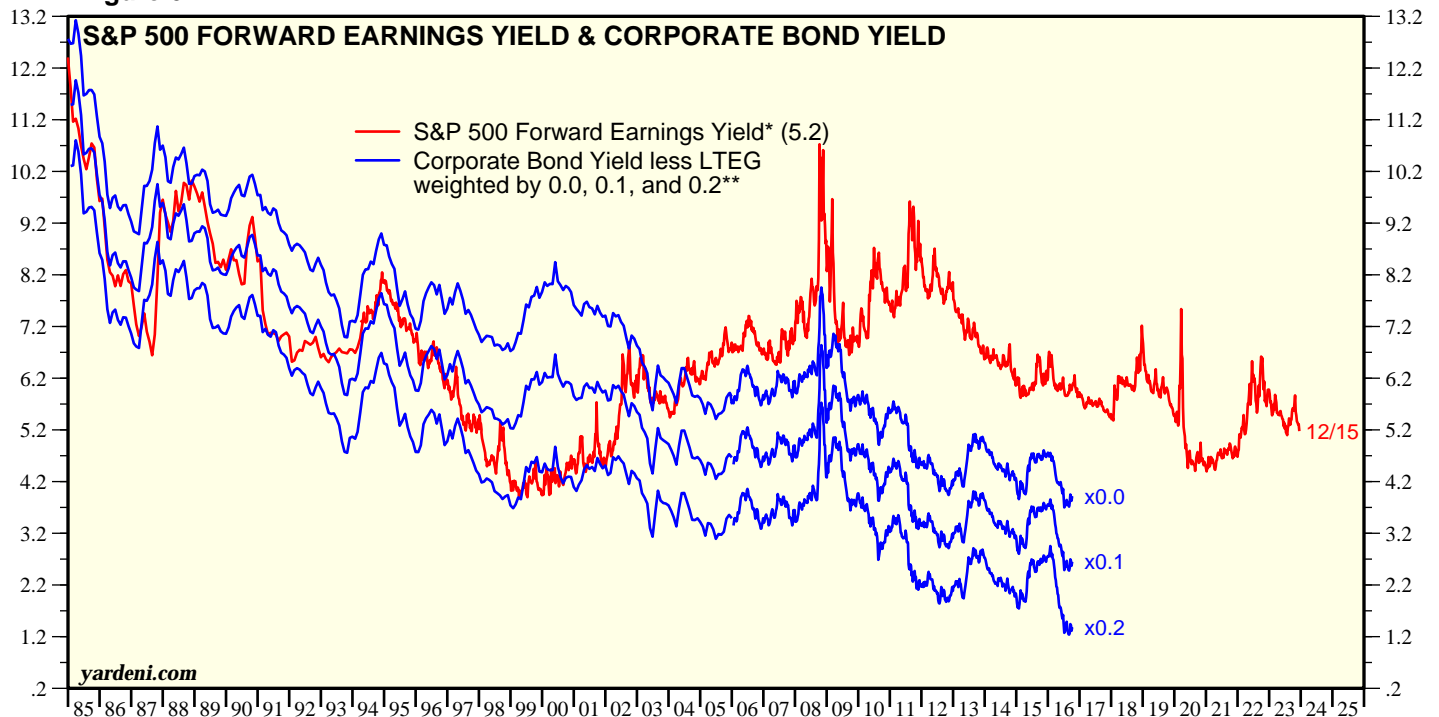
# Fed's Stock Valuation Model

Figure 5.



\* Moody's Aaa and Baa yields through 2005, then BoA Merrill Lynch data for AAA and A-BBB yields.  
Source: Bank of America Merrill Lynch and Haver Analytics.

Figure 6.

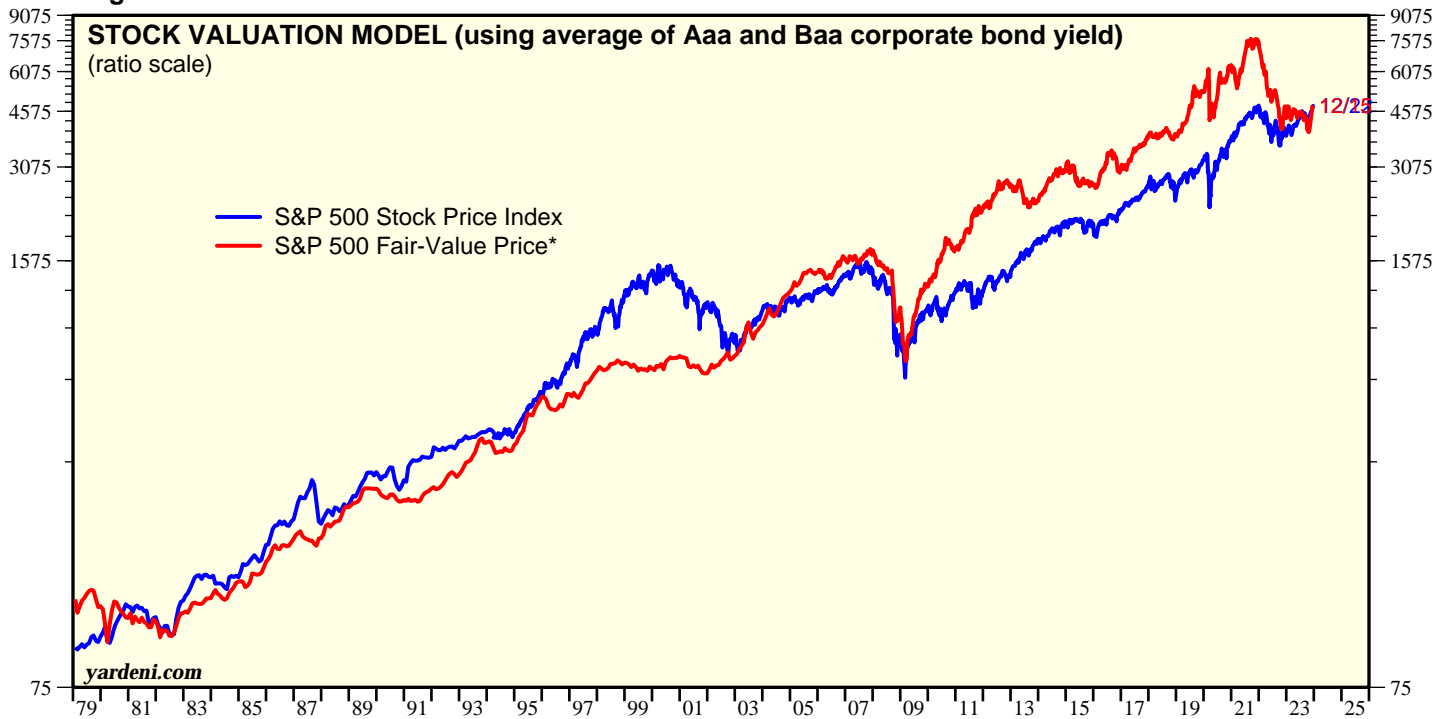


\* Year-ahead forward consensus expected earnings divided by S&P 500 stock price index. Monthly through 2005, then weekly.

\*\* Corporate bond yield (average of Moody's Aaa-rated and Baa-rated corporate bond yields) less analysts' consensus of long-term earnings growth. Monthly through April 1994, weekly after.  
Source: I/B/E/S data by Refinitiv, Standard & Poor's, and Federal Reserve Board.

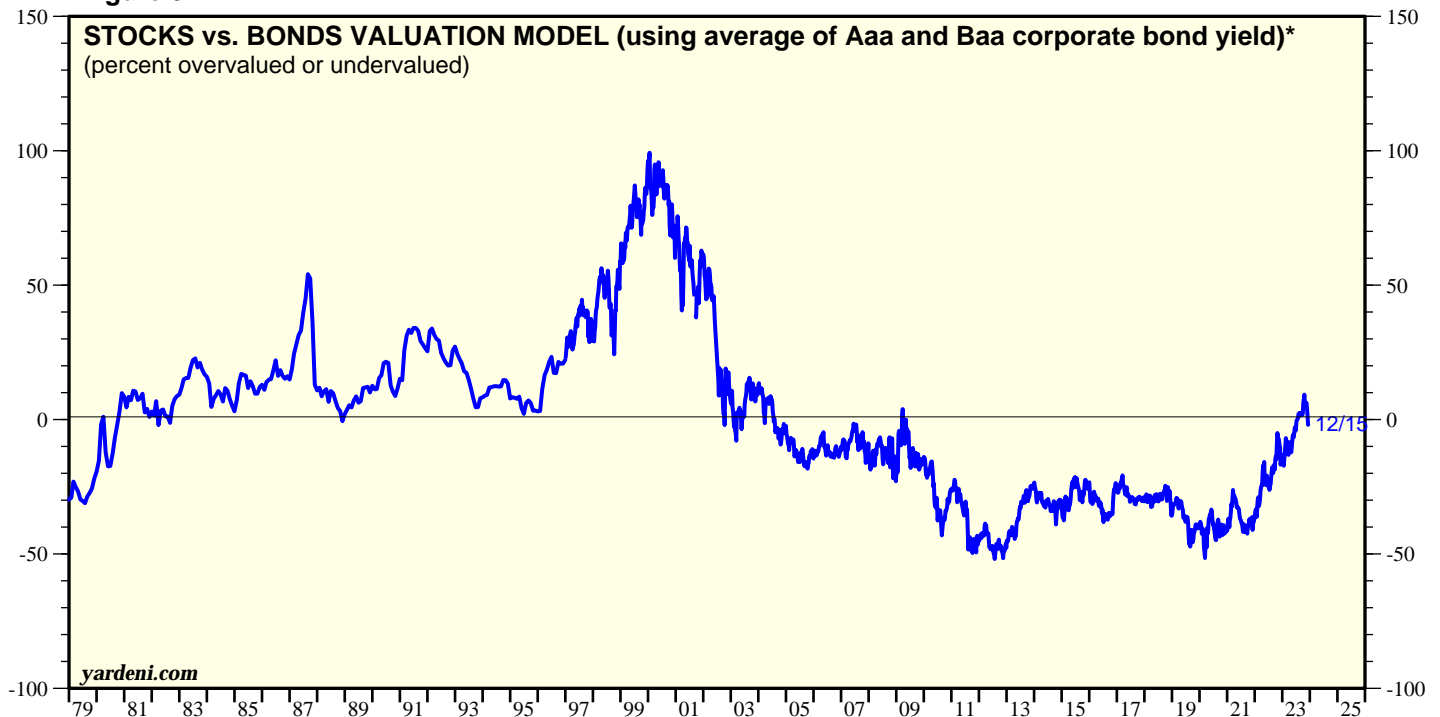
# Fed's Stock Valuation Model

Figure 7.



\* Year-ahead forward consensus expected earnings divided by average of Moody's Aaa and Baa yields through 2005, then weekly BoA Merrill Lynch data for AAA and A-BBB yields.  
Source: I/B/E/S data by Refinitiv, Standard & Poor's, Bank of America Merrill Lynch, and Federal Reserve Board.

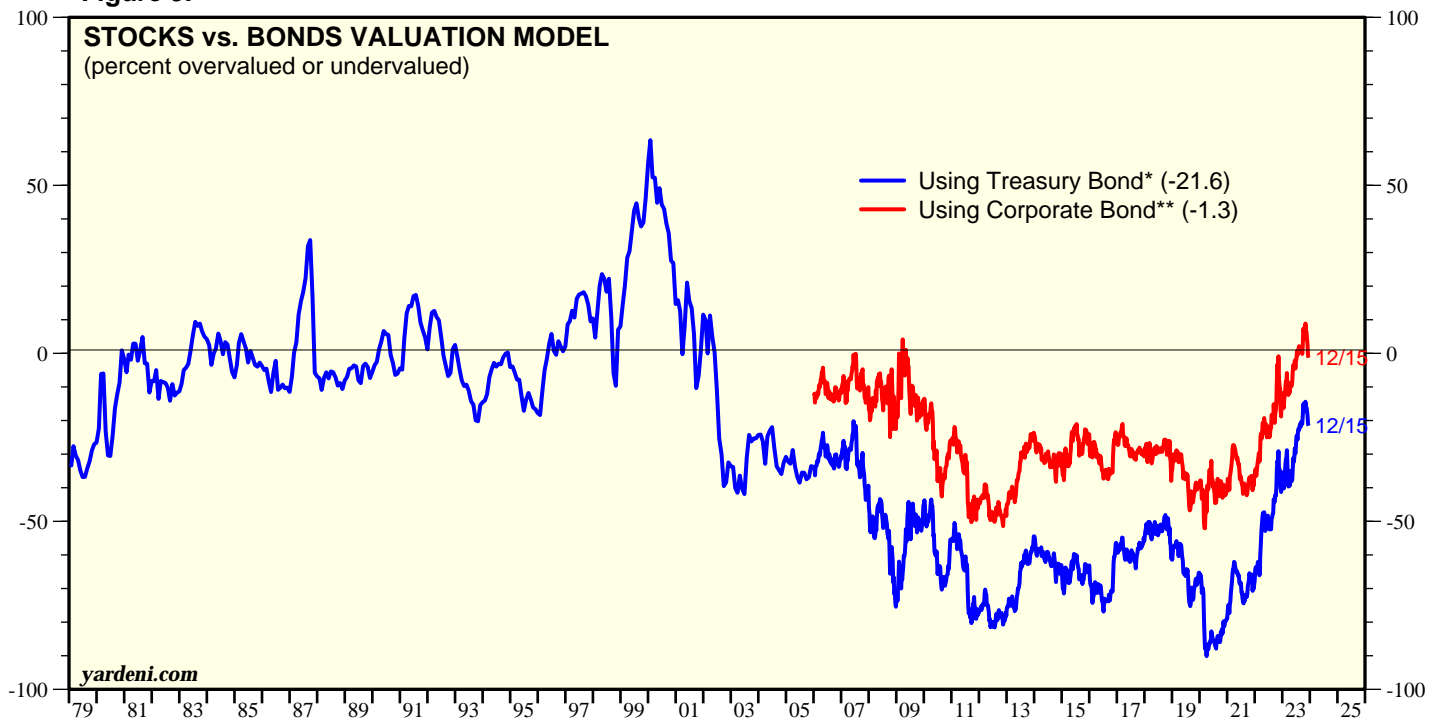
Figure 8.



\* S&P 500 stock price index divided by S&P 500 fair-value price defined as S&P 500 52-week forward consensus expected earnings divided by average of Moody's Aaa and Baa yields through 1996, then weekly BoA Merrill Lynch data for AAA and A-BBB yields, converted to percentage.  
Source: I/B/E/S data by Refinitiv, Standard & Poor's, Bank of America Merrill Lynch, and Federal Reserve Board.

# Fed's Stock Valuation Model

Figure 9.



\* S&P 500 52-week forward consensus expected earnings divided by 10-year US Treasury bond yield converted to percentage. Monthly through 2005, weekly after.

\*\* S&P 500 52-week forward consensus expected earnings divided by average of Moody's Aaa and Baa yields through 2005, then BoA Merrill Lynch data for AAA and A-BBB yields, converted to percentage..

Source: I/B/E/S data by Refinitiv, Bank of America Merrill Lynch, and Federal Reserve Board.

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