

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

Yardeni Research, Inc.

February 1, 2023

Dr. Edward Yardeni

516-972-7683
eyardeni@yardeni.com

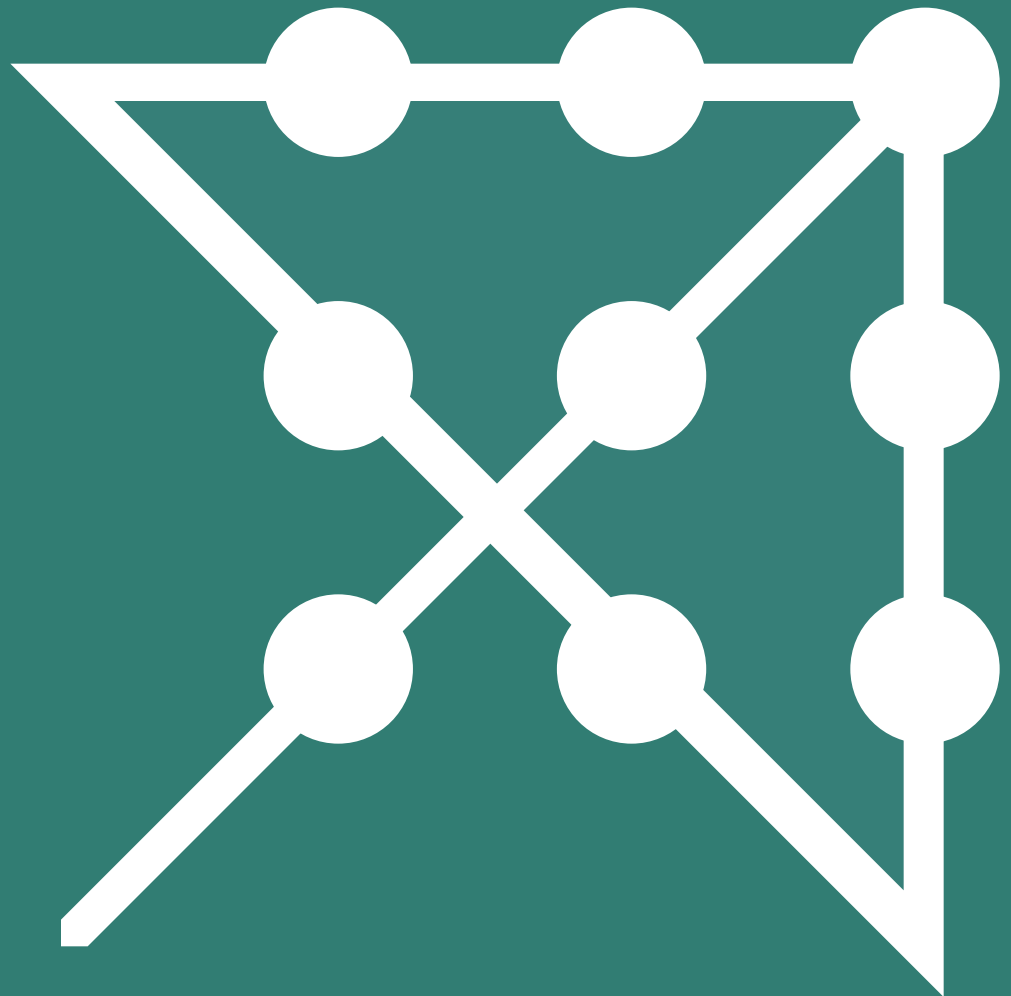
Joe Abbott

732-497-5306
jabbott@yardeni.com

Mali Quintana

480-664-1333
aquintana@yardeni.com

Please visit our sites at
www.yardeni.com
blog.yardeni.com



thinking outside the box

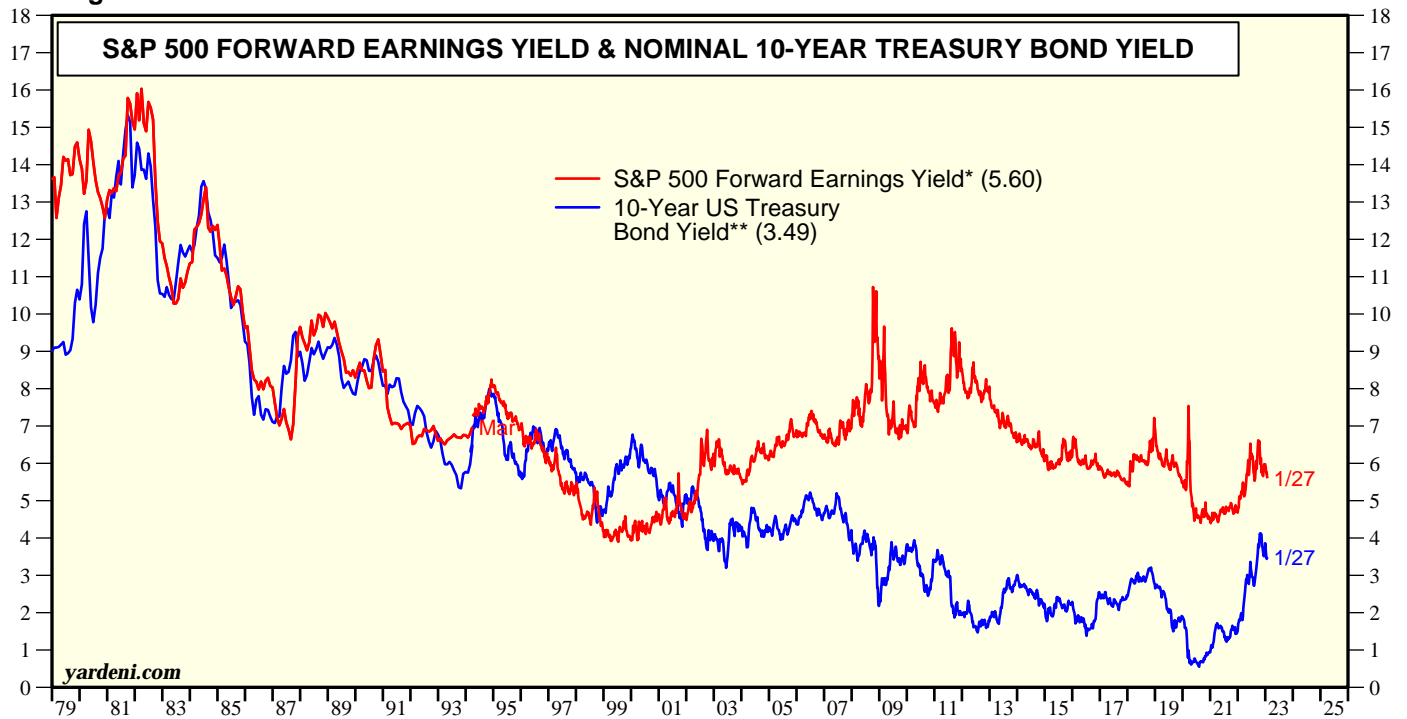
Table Of Contents

Fed's Stock Valuation Model

1-5

Fed's Stock Valuation Model

Figure 1.

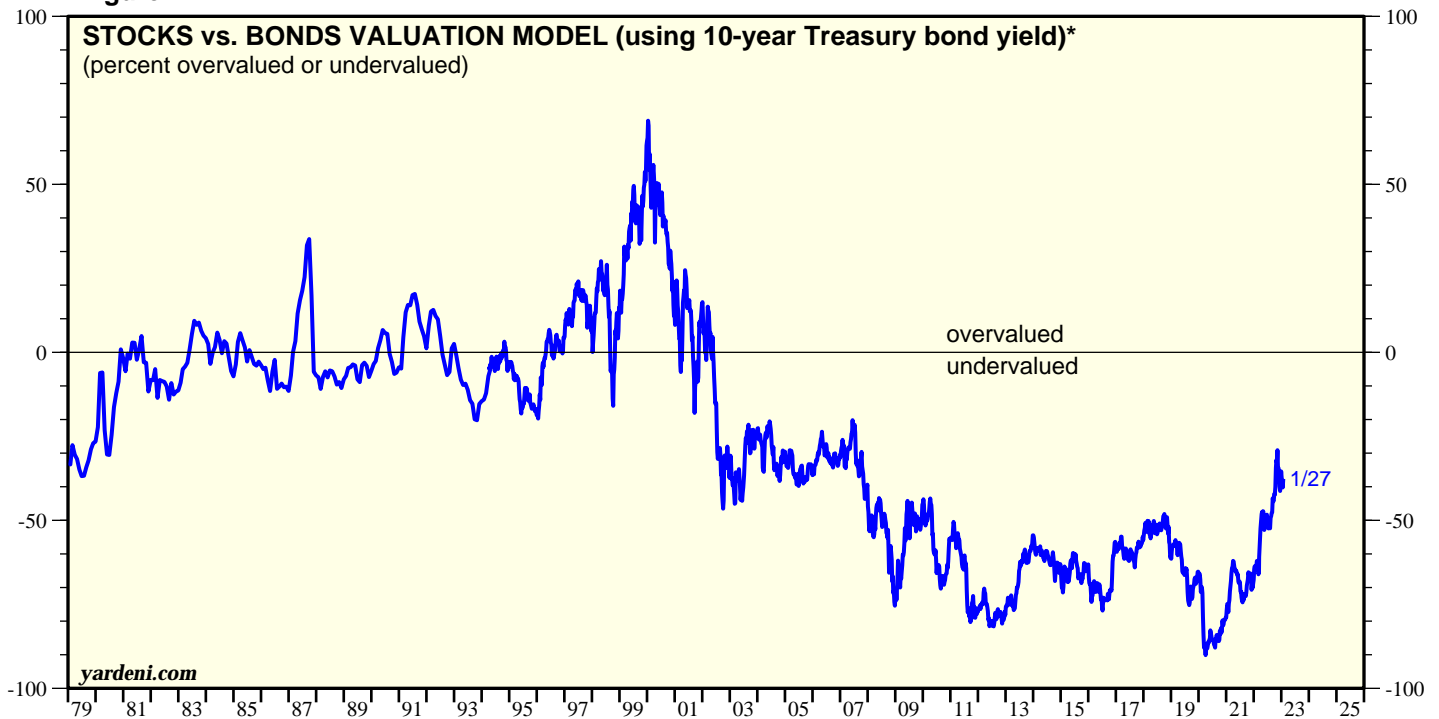


* Year-ahead forward consensus expected earnings divided by S&P 500 stock price index. Monthly through March 1994, then weekly.

** Monthly through March 1994, then weekly.

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

Figure 2.

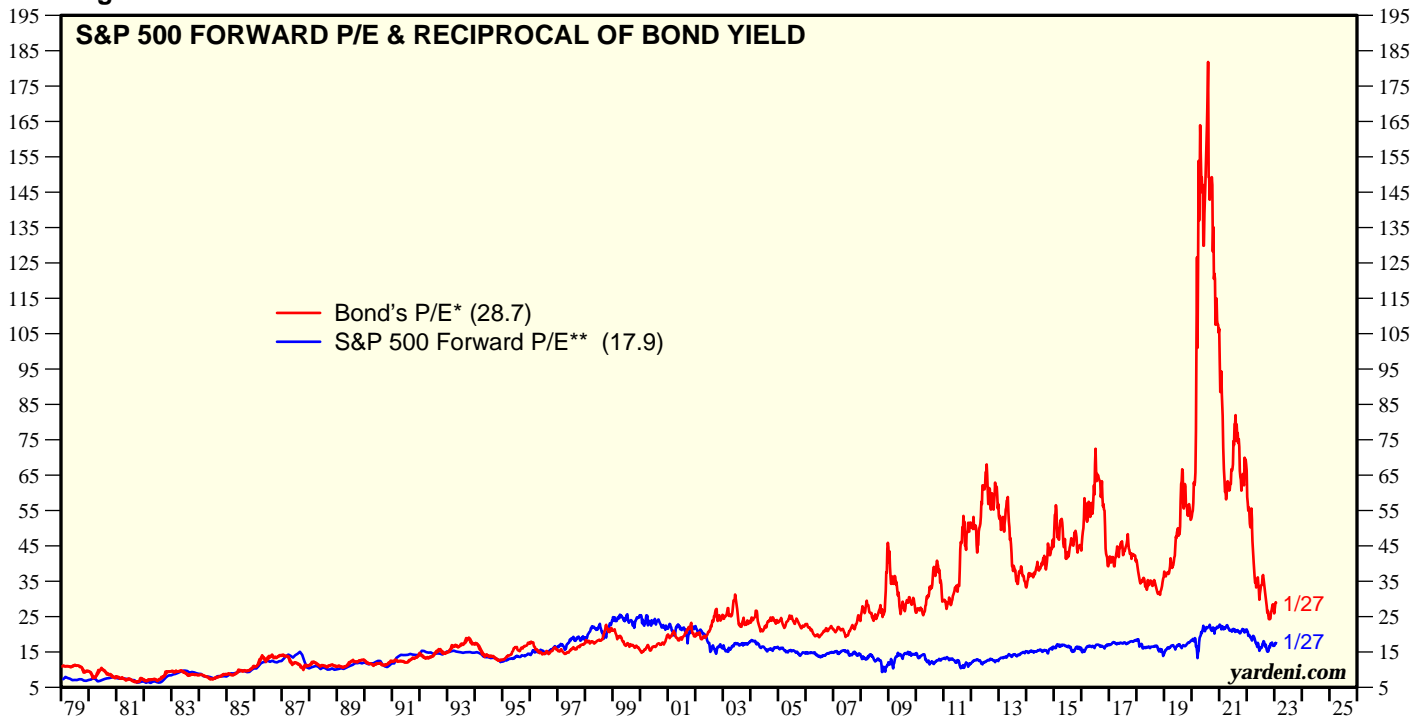


* S&P 500 stock price index divided by S&P 500 fair-value price defined as S&P 500 12-month forward consensus expected earnings divided by 10-year US Treasury bond yield converted to percentage. Monthly through April 1994, weekly after.

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

Fed's Stock Valuation Model

Figure 3.

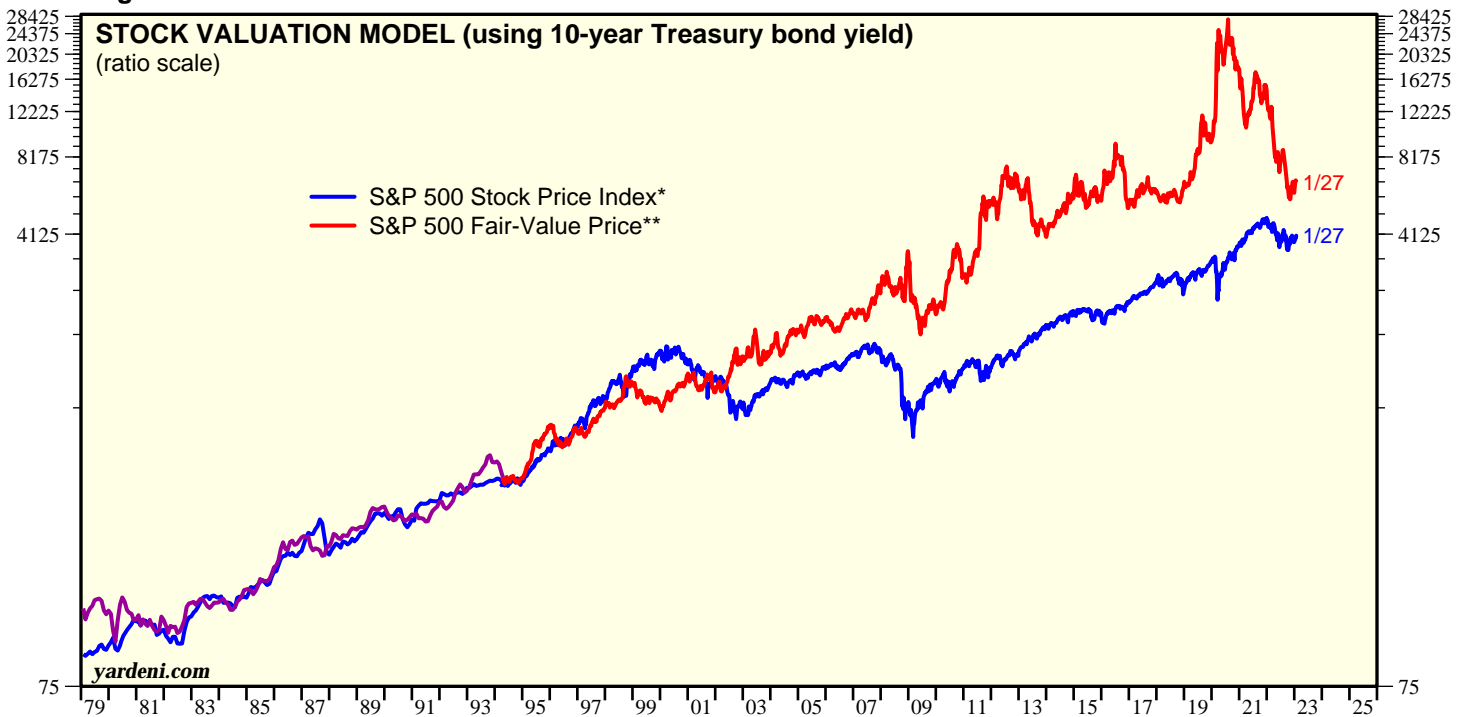


* Reciprocal of 10-year US Treasury bond yield.

** 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.



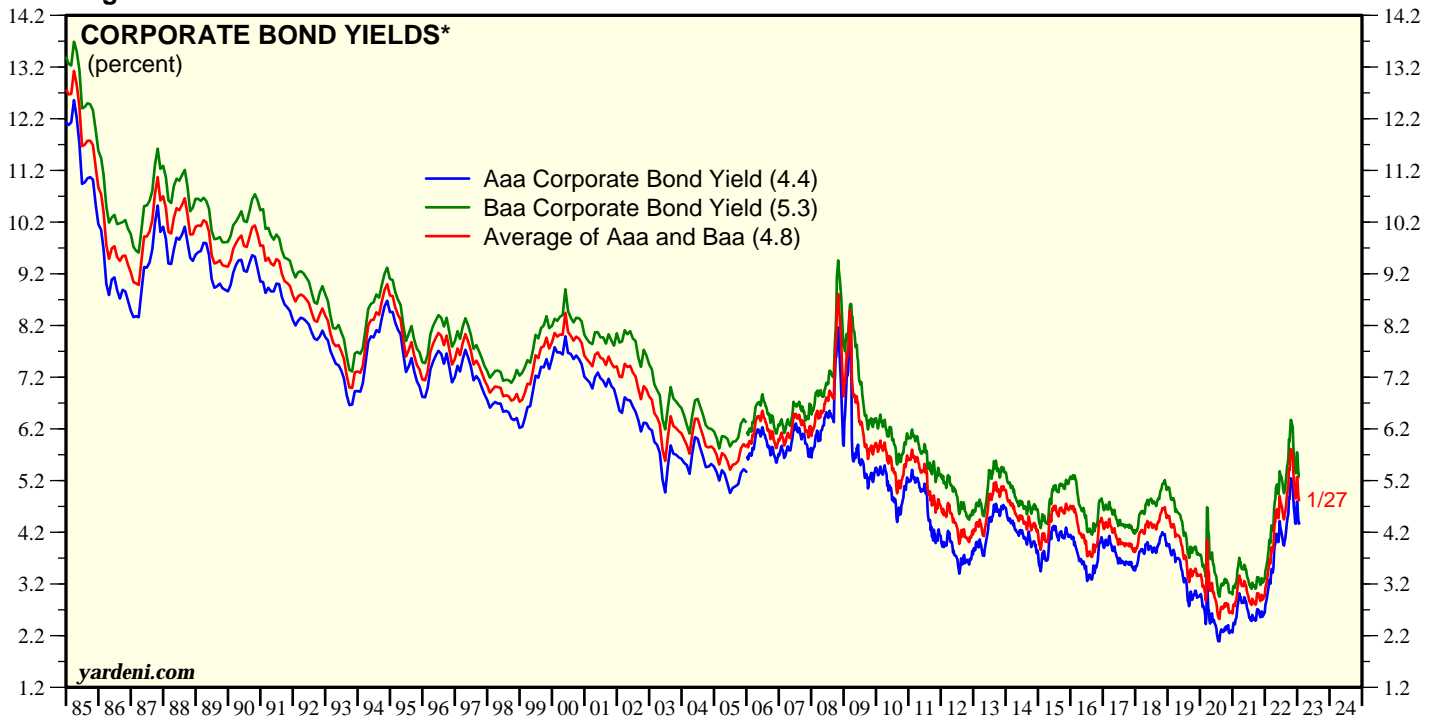
* Monthly through April 1994, weekly after.

** 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.

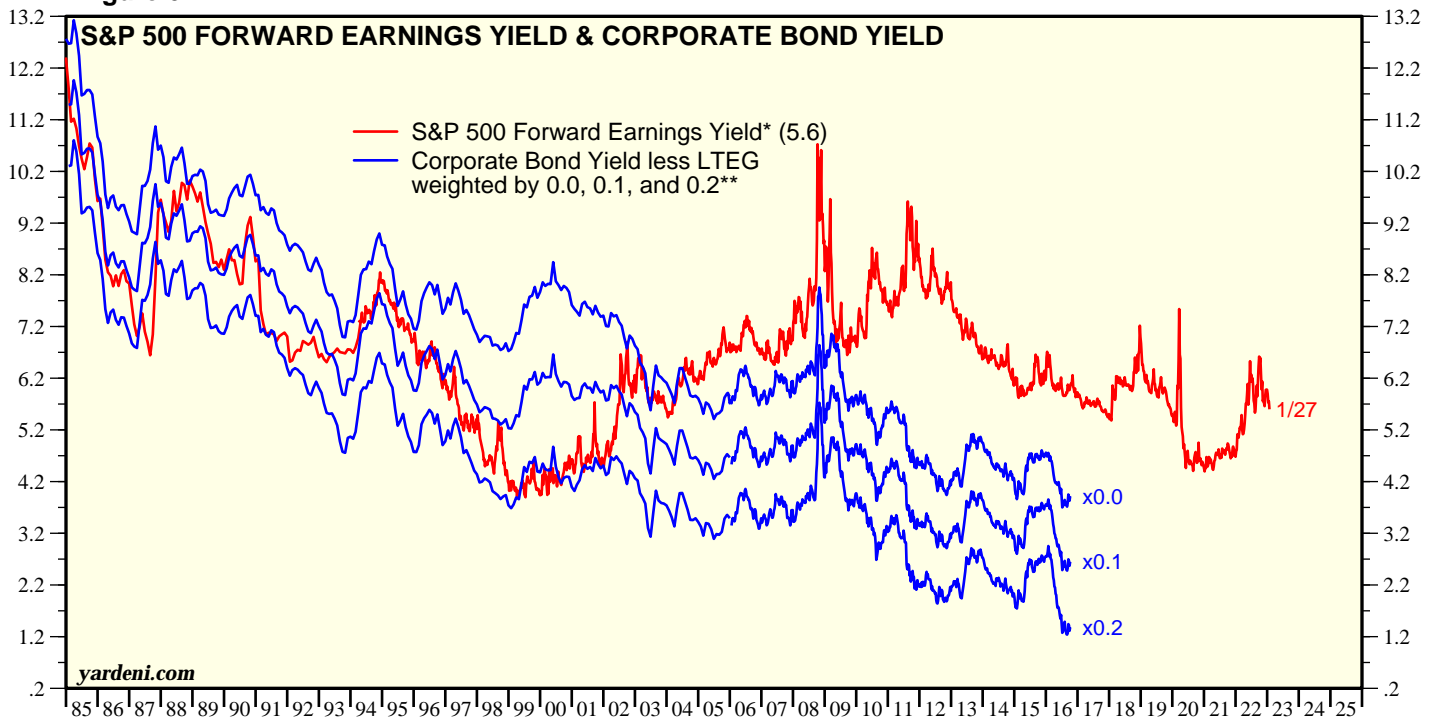
Fed's Stock Valuation Model

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.

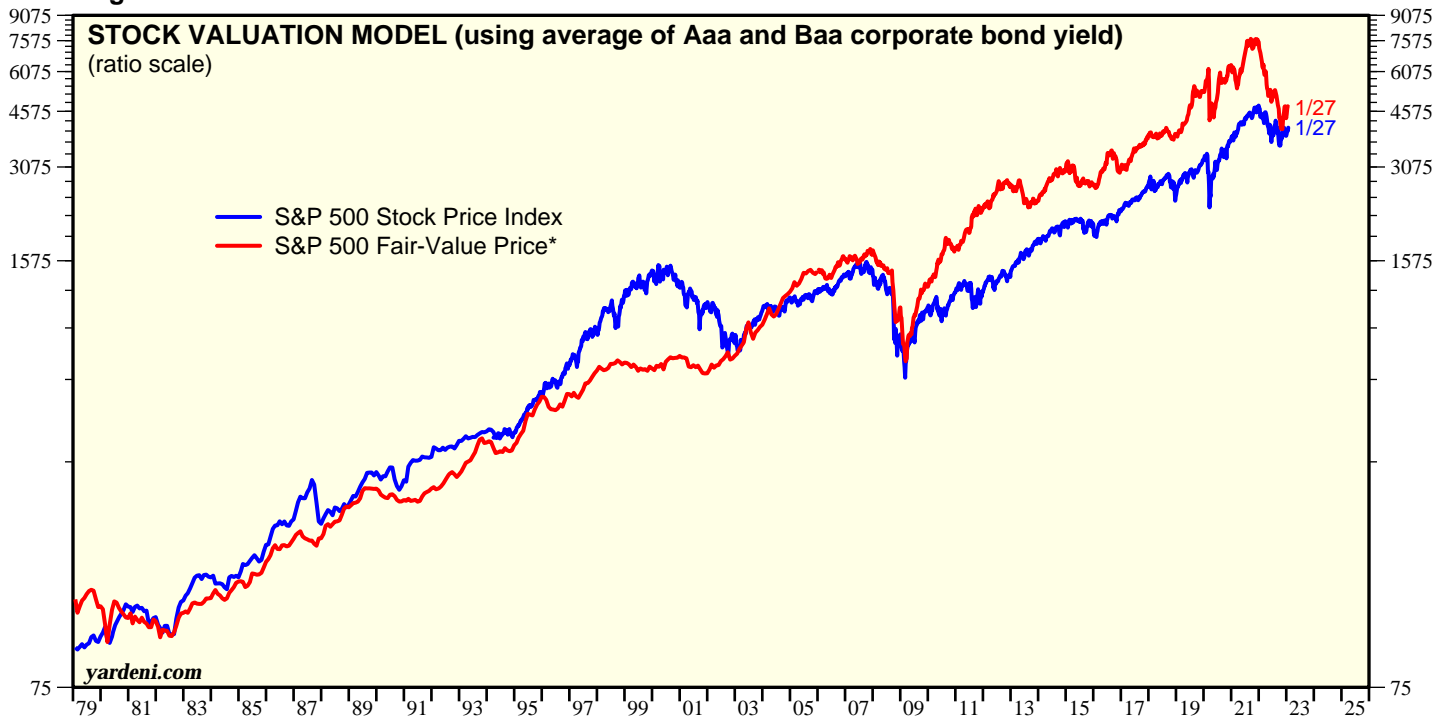


* Year-ahead forward consensus expected earnings divided by S&P 500 stock price index. Monthly through 2005, then weekly.

** 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.

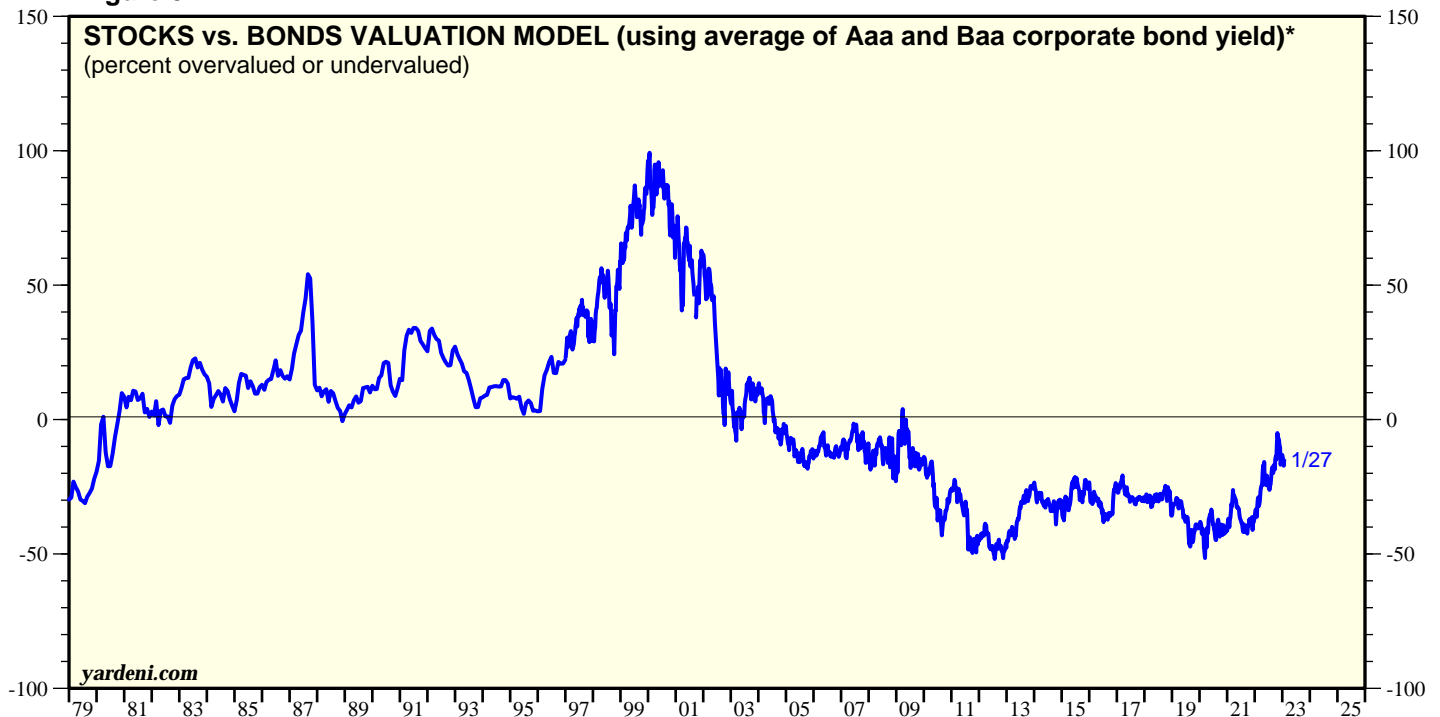
Fed's Stock Valuation Model

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.

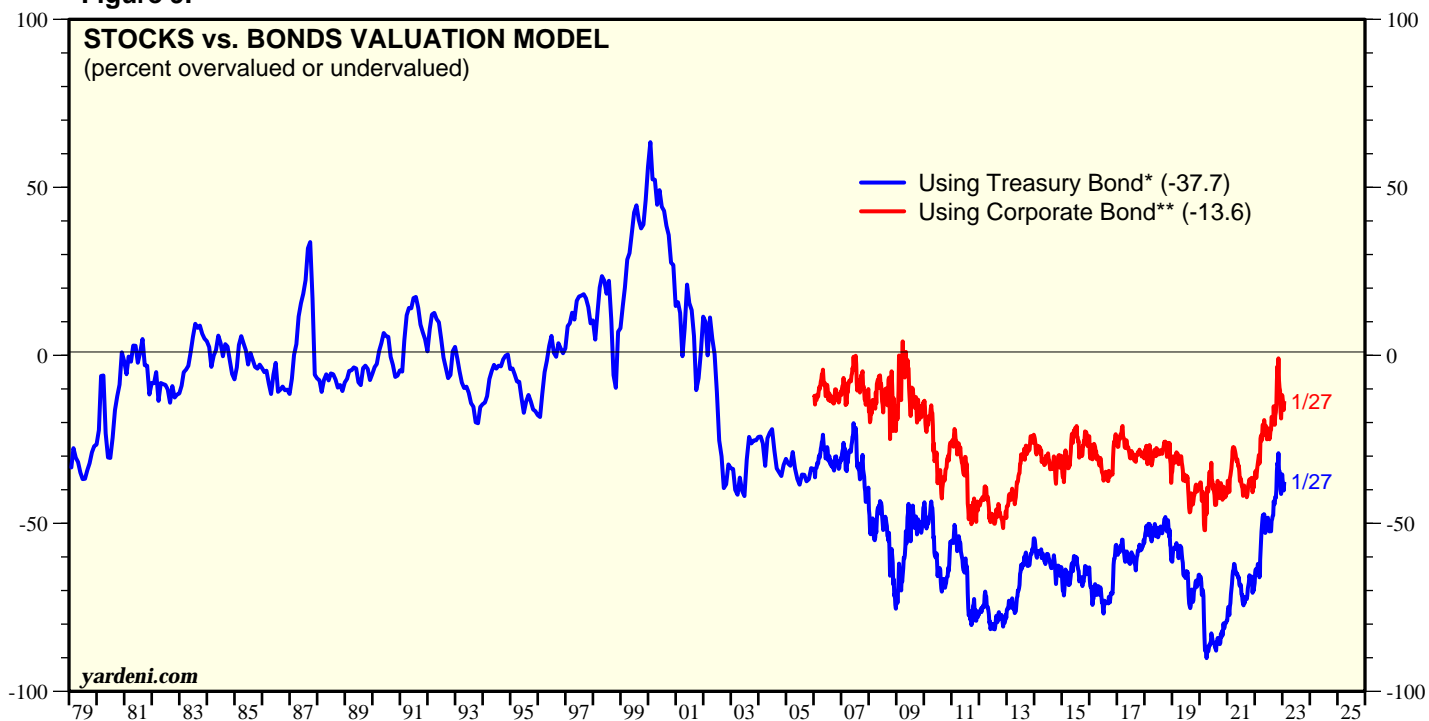
Figure 8.



* 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.

Copyright (c) Yardeni Research, Inc. 2023. All rights reserved. The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, or correctness of the information and opinions contained herein. The views and the other information provided are subject to change without notice. All reports and podcasts posted on www.yardeni.com, blog.yardeni.com, and YRI's Apps are issued without regard to the specific investment objectives, financial situation, or particular needs of any specific recipient and are not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not necessarily a guide to future results. Company fundamentals and earnings may be mentioned occasionally, but should not be construed as a recommendation to buy, sell, or hold the company's stock. Predictions, forecasts, and estimates for any and all markets should not be construed as recommendations to buy, sell, or hold any security--including mutual funds, futures contracts, and exchange traded funds, or any similar instruments.

The text, images, and other materials contained or displayed on any Yardeni Research, Inc. product, service, report, email or website are proprietary to Yardeni Research, Inc. and constitute valuable intellectual property. No material from any part of www.yardeni.com, blog.yardeni.com, and YRI's Apps may be downloaded, transmitted, broadcast, transferred, assigned, reproduced or in any other way used or otherwise disseminated in any form to any person or entity, without the explicit written consent of Yardeni Research, Inc. All unauthorized reproduction or other use of material from Yardeni Research, Inc. shall be deemed willful infringement(s) of this copyright and other proprietary and intellectual property rights, including but not limited to, rights of privacy. Yardeni Research, Inc. expressly reserves all rights in connection with its intellectual property, including without limitation the right to block the transfer of its products and services and/or to track usage thereof, through electronic tracking technology, and all other lawful means, now known or hereafter devised. Yardeni Research, Inc. reserves the right, without further notice, to pursue to the fullest extent allowed by the law any and all criminal and civil remedies for the violation of its rights.

The recipient should check any email and any attachments for the presence of viruses. Yardeni Research, Inc. accepts no liability for any damage caused by any virus transmitted by this company's emails, website, blog and Apps. Additional information available on [request](#).