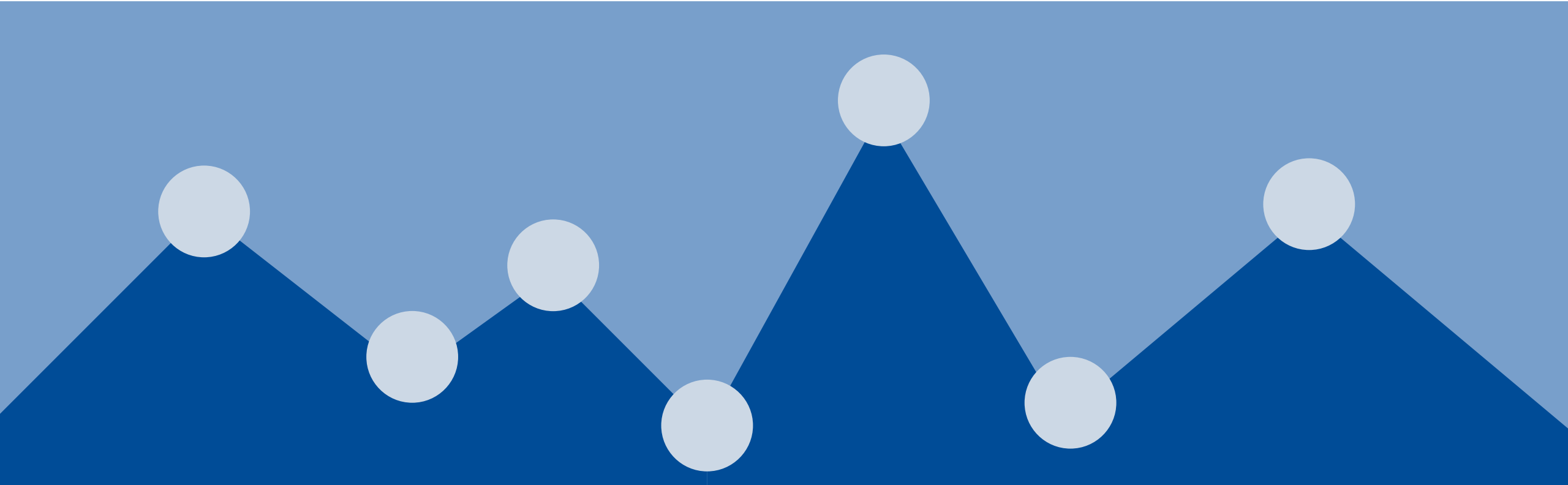


September 2024

Charts Of The Month



VALUATIONS

ECONOMY

FED

TREND

Buffett Indicator: US Stock Market Value to GDP

www.currentmarketvaluation.com



The Buffett Indicator, or Market Cap to GDP ratio, has surpassed 200%, a level that reflects overly optimistic market sentiment and suggests lower average returns for stocks going forward. It's no surprise that Warren Buffett has been significantly reducing his positions in BAC and AAPL.

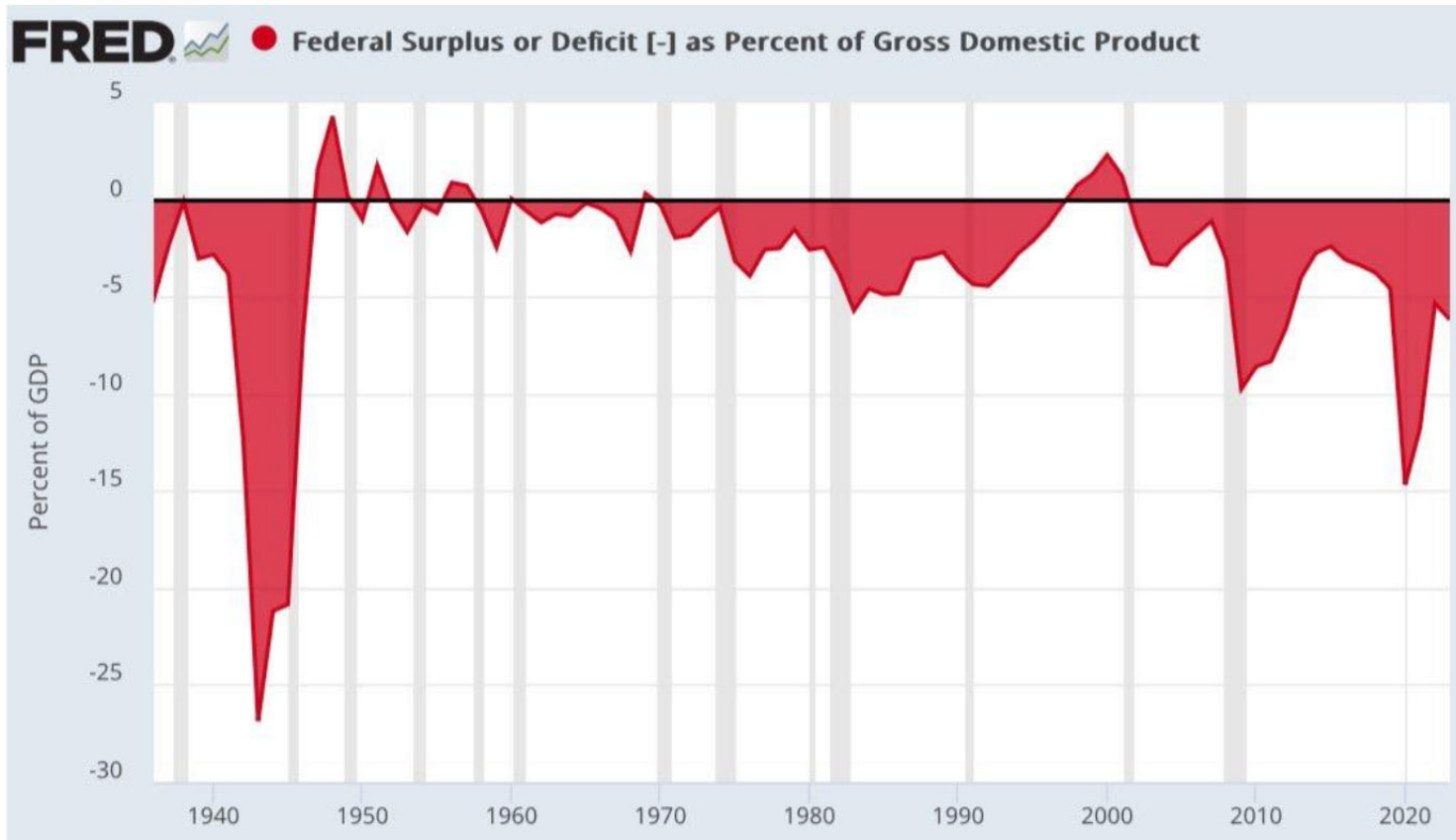
While U.S. stocks are highly valued, several markets are priced for attractive long-term returns. Examples include commodities, real estate, value stocks, emerging markets, and small-cap stocks.

VALUATIONS

ECONOMY

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TREND



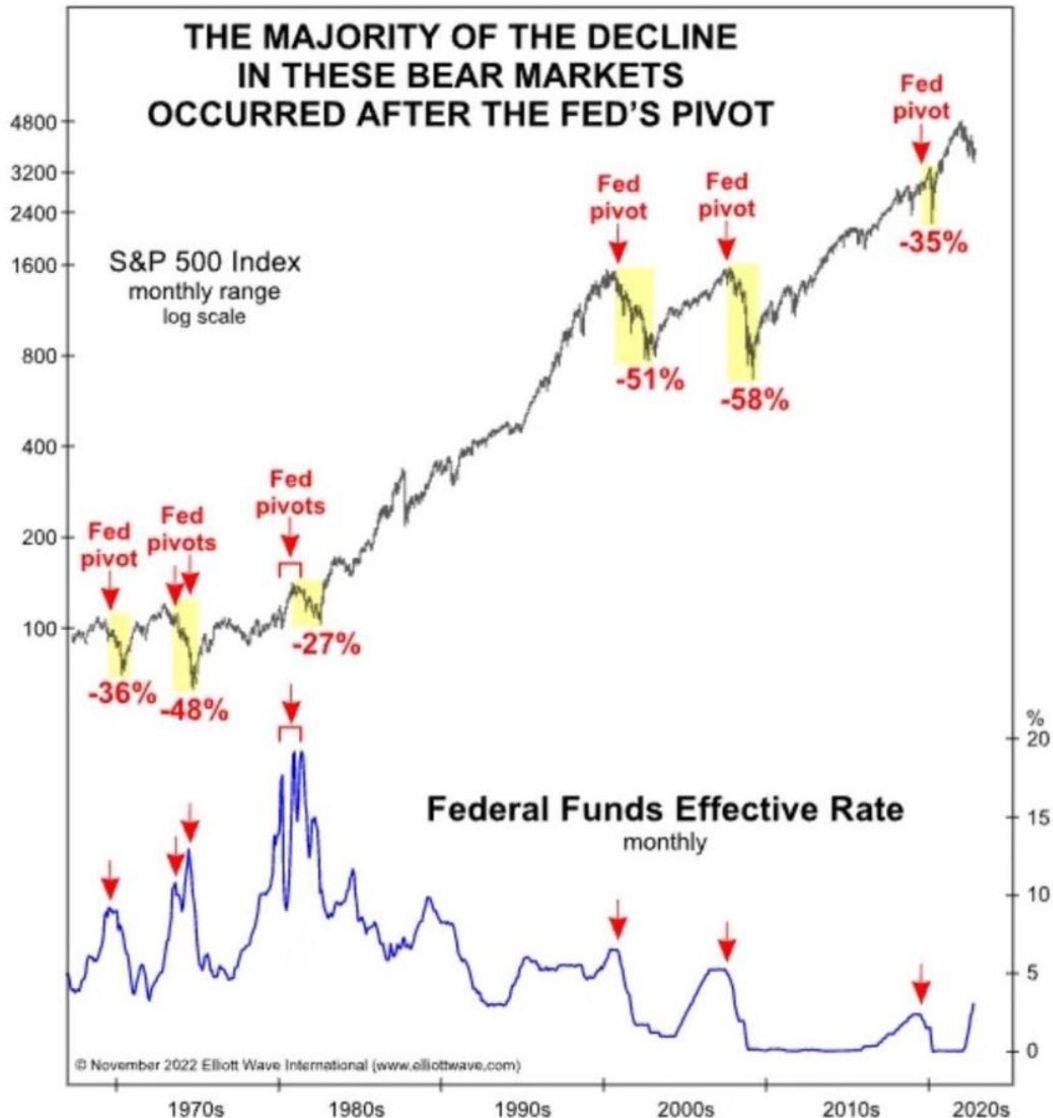
Leading indicators have significantly diverged from coincident indicators, with the former in contraction since April 2022, while the latter continue to rise, albeit at a slower pace. Federal deficits likely play a role in this divergence, as the U.S. government is running historic deficits, providing substantial stimulus. I expect this trend to persist and even intensify in the coming years, regardless of the outcomes in November.

VALUATIONS

ECONOMY

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TREND



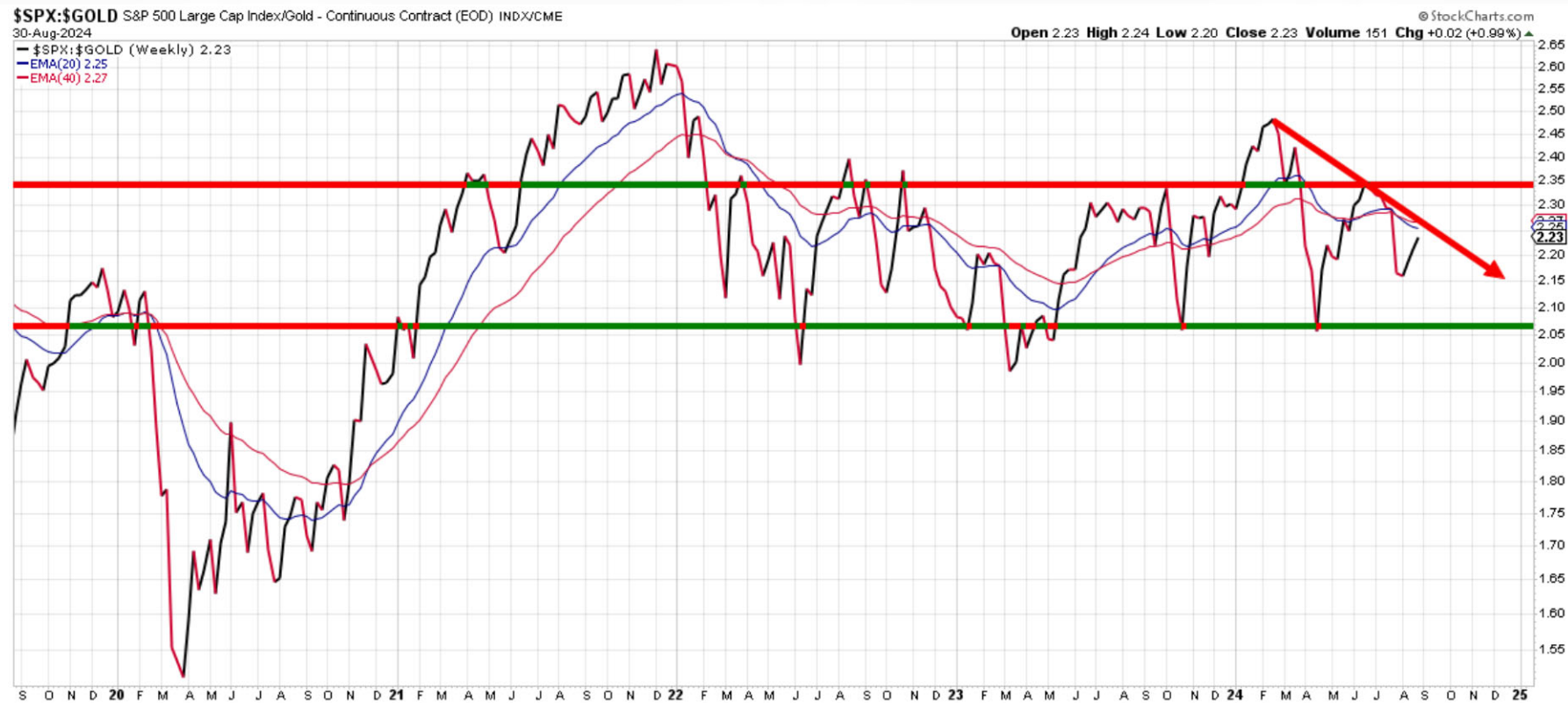
Jerome Powell has signaled that rate cuts are on the horizon, though the specifics of their magnitude and pace remain uncertain as the Fed shifts its intense focus to the labor market. While market participants seem to view rate cuts as a cure-all for economic challenges, I'm not so sure. Historically, rate cuts have often been followed by significant market corrections and economic weakness. The outcome will depend on whether these cuts can effectively reverse the negative trend in economic growth.

VALUATIONS

ECONOMY

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TREND



Stocks have reversed into a negative trend relative to gold, forming a series of lower lows and lower highs despite the S&P 500 reaching all-time highs. Over the past year, gold has outperformed stocks. This negative divergence should be monitored as a potential risk signal for equity markets.

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