

PRICEY STOCK VALUES HERE AND ABROAD

Live for Today and Plan for Tomorrow

You probably know that the U.S. stock market has been delivering the highest returns among all developed nations, not just in the last couple of years but over the most recent ten years. But that also means that U.S. stocks have become much more expensive relative to other nations.

How much more? One of the most common measures of stock valuation is the price/earnings (P/E) ratio, which is the simple calculation of the overall price of all of a company's stock shares divided by the total earnings of that company. The earnings calculations can be tricky (do you take last year's earnings, or the forecasted earnings for the coming year?), but the important thing here is that the calculation be consistent across nations.

As of December 31, before this year's runup in stock prices,

the P/E ratio of large U.S. stocks in aggregate, using trailing earnings, was 38.02, which is much higher than historical averages. The stock market in India was even more expensive, with a P/E of 38.45. Australia's P/E was the highest among developed nations, with a P/E of 43.76, nudging out France (40.81) and Canada (38.12).

That basically means that the U.S. is not alone in having historically high stock valuations. But not all countries are quite so overvalued. The United Kingdom's large cap stocks (17.55), Japan's (22.53), China's (16.39), Germany's (27.04) and Russia's stocks (12.19) can all be bought at relative bargain prices.

Another way to measure stock valuations is the dividend yield. The U.S. large cap companies paid an aggregate (and meager) dividend yield of 1.53% to their shareholders last

year, which is lower than all other major nations except India (1.14%). Companies in Japan (1.89%), France (1.98%), China (2.02%), Australia (2.84%), Germany (2.55%), Spain (2.92%), Canada (2.93%) and the UK (3.77%) are all more generous with their shareholders.

Sources:

<https://siblisresearch.com/data/global-dividend-yields/>

<https://siblisresearch.com/data/pe-ratios-by-country/>

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THE COST OF LIVING THEN AND NOW

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Inflation is in the news again, thanks to a recent jump in the Consumer Price Index. The Bureau of Labor Statistics has calculated that the price of a basket of goods and services rose 5% on an annualized basis in May, the largest increase since August of 2008. The inflation rate was 4.2% in April—which, too, was well above the Federal Reserve Board's target of 2% a year.

Basically, that means that all of us have lost purchasing power in the last two months, albeit incrementally. But inflation's real damage happens over the long haul, as the value of that dollar in your pocket slowly, invisibly erodes to a point that would be impossible to imagine without looking at historical price shifts. Consider that in 1950, the

average home could be purchased for \$7,354. A brand new Volkswagen Beetle was selling for \$1,280, and tuition at the Ivy League University of Pennsylvania was \$600. You could buy a cup of coffee for a nickel, and a gallon of gas cost 27 cents. A loaf of bread would set you back 19 cents, first-class postage stamps cost 3 cents, and you could buy a McDonald's hamburger for 15 cents, while ten cents more would get you either fries or a soda. The average movie ticket cost about 40 cents, a dime got you a ride on the New York City subway and bleacher tickets to the 1950 Major League Baseball All-Star game cost \$1.

What kind of insane inflation rate produced such an amazing (and depressing)

erosion in the value of that 1950s dollar? The inflation rate between 1950 and today was 3.46% a year.

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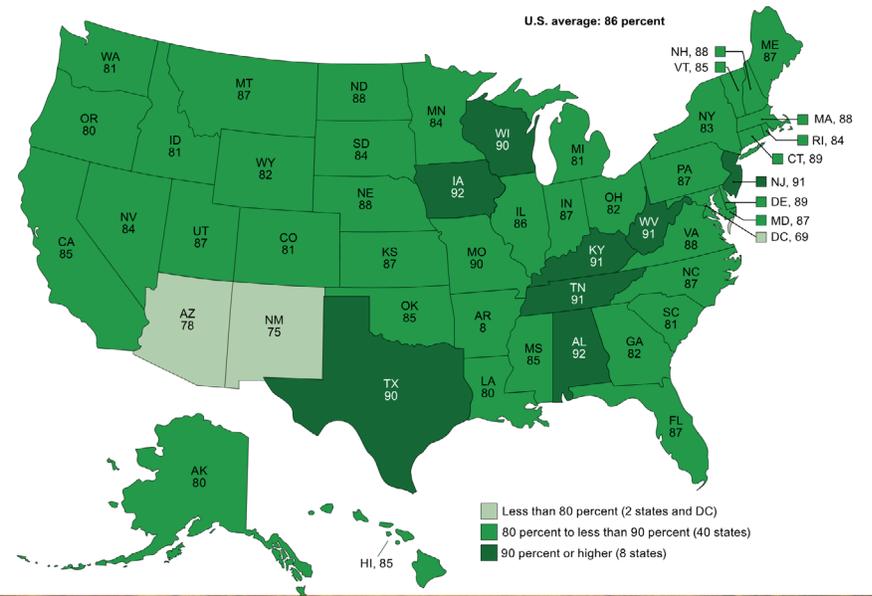
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U.S. GRADUATION RATES THEN AND NOW

Americans recently celebrated a new high school graduating class, and the good news is that a higher percentage of people are earning at least a high school diploma than ever before. Consider that in the year 1899-1900, only 6.4% of students made it all the way through high school, and the graduation rate in the 1929-30 school year was still just 29%. In 1963-64, our educational system graduated 76.7% of the students who originally enrolled in high school.

Today? Our most recent statistics come from school year 2018-19, when the graduation rate hit 86% overall. You can see a breakdown by state in the accompanying graphic; it shows that the highest graduation rates are found in Alabama and Iowa (92%), while Kentucky, West Virginia, New Jersey, Tennessee (all 91%), Texas and Wisconsin bested the 90% rate. Arizona (78%) and New Mexico (75%) experienced the lowest graduation rates, though Louisiana, Alaska, Arkansas and Oregon



(all 80%) were not far behind. Interestingly, we are also setting records for the most people who have completed at least four years of college. Today, 38.3% of women 25 years and older are college degreed, compared with 34.6% of men. This compares favorably with the statistics in 1940, when just 5.5% of men and 3.8% of women had graduated with at least a four-year degree. By 1975, 17.6% of men and 10.6% of women were

college-degreed, and it wasn't until 2012 that both genders breached the 30% level.

Sources:

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