

Stock Market Valuations October 2023

The Global Value Report

As of September 30, 2023

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Please visit my site at

<https://globalvaluereport.substack.com>

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Stock Market Valuations

Stock Market Valuations is a publication of *Global Value Report* and helps you make informed investment decisions by providing quality investment research and data at a reasonable price. Information to manage risks and improve performance. We collect data from multiple sources to give you the insights you need to make investment decisions. For the time being, our research is free.

The Stock Market Valuations report offers stock market valuation data and earnings growth predictions on multiple markets around the world. Our focus is on Core markets like the US, Europe, Japan and Emerging Markets. We also offer valuation information about individual emerging countries for enterprising investors. This report is based on the experience that lower valued stock markets tend to offer higher returns.

Lower broker fees and exchange-traded funds make it possible to invest worldwide at very low-cost but which markets are cheap or expensive compared to historical valuation measures? Where to find the highest dividend? How do markets compare? These questions are answered in this report to diversify your portfolio and earn higher returns.

US stocks are expensive by historical standards, especially growth stocks. A correction may occur. European stocks trade at a 40% discount to US stocks, compared to an average of 20% over the past twenty years. Valuation figures for emerging markets show a mixed picture. Income investors will find attractive dividend yields in Australia, Italy and Singapore.

Background information

“Stock prices often move in opposite directions from fundamentals but long term, the direction and sustainability of profits will prevail.” – Peter Lynch

The Global Value Report aims to educate and inform investors. For my master's thesis in 2000, I evaluated and developed an asset allocation investment model for a large asset manager. Based on the assumption that lower valued stock markets tend to offer higher returns. I have expanded this model with expected earnings growth per share based on the first principle of stock investing that price follows profits in the long run. I started my career as a junior equity analyst/investment writer publishing equity and sector reports for wealthy retail investors for an investment bank. In my 15 years as a financial publisher, I was one of the first to educate investors about index investing and ETFs. My Dutch blog reached up to 30.000 investors per month. As a lecturer of finance at the Amsterdam University of Applied Sciences I teach students how to analyze and value companies and construct an investment portfolio.

My newsletter is for information purposes only, not for investment advice.

Kind regards,

Jasper Bronkhorst MA

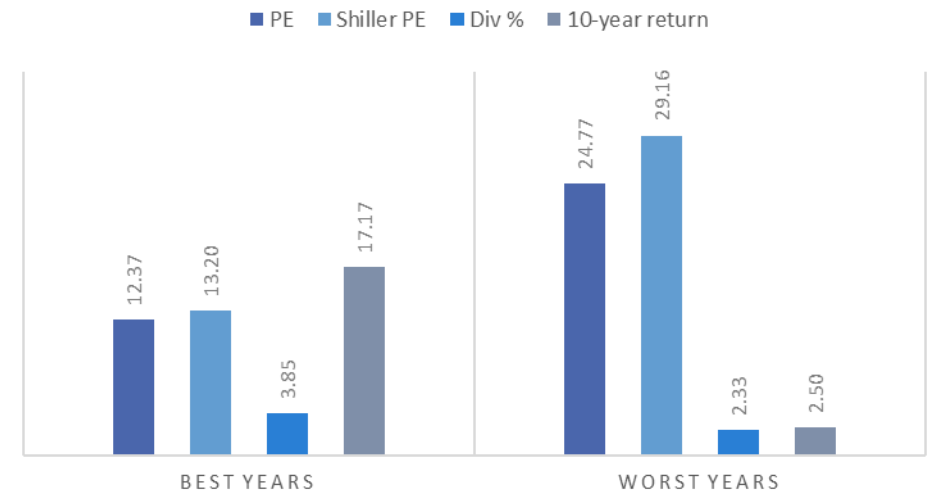
Valuation and subsequent annual returns

Lower valued stock markets tend to offer higher returns in following years.

If the S&P 500 is traded at a low Price–earnings (P/E) ratio or at high dividend return subsequent annual returns are usually higher than average.

P/E ratio	5 year	10 year	15 year	20 year
<10	15.9%	15.9%	15.7%	16.3%
10-15	14.9%	14.8%	14.0%	11.9%
15-20	8.2%	8.4%	8.2%	9.2%
20-25	9.9%	8.8%	7.4%	7.8%
25-30	4.5%	4.5%	6.6%	7.1%
>30	9.1%	5.4%	7.1%	7.4%
Dividend return	5 year	10 year	15 year	20 year
> 5%	16.68%	16.56%	15.91%	16.36%
4% to 5%	15.45%	14.55%	15.66%	13.42%
3% to 4%	10.39%	11.33%	9.85%	9.93%
2% to 3%	13.07%	8.40%	7.33%	8.72%
to 2%	3.63%	5.56%	7.19%	7.11%

VALUATION AND RETURN



Can past performance be explained?

Cumulative growth of GDP and corporate profits (2011-2022)



¹ S&P 500
² MSCI Europe Index
³ MSCI China Index
* Earnings per share before extraordinary items
Sources: Bloomberg Finance L.P., DWS Investment GmbH as of 8/22/23

Over the past decade, the US S&P 500 index has outperformed the S&P Europe 350 index (EUR) (7.21%) and China (5.69%) with an annual return of 11.91%.

Primary reasons are that corporate profits grew faster. And US Stocks were attractively valued in 2013:

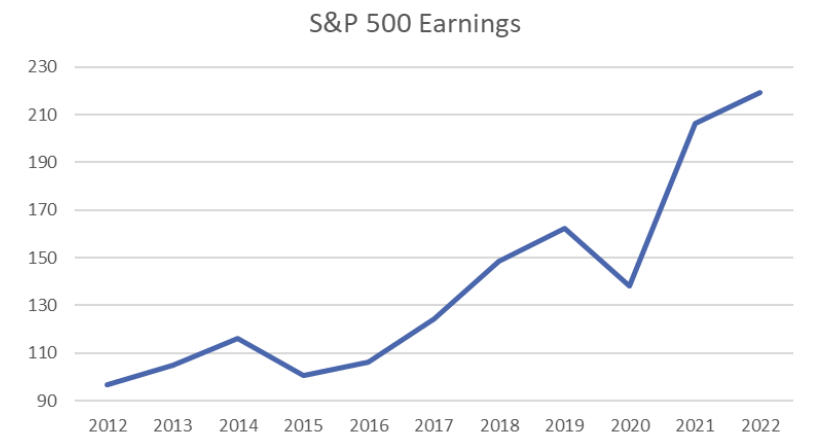
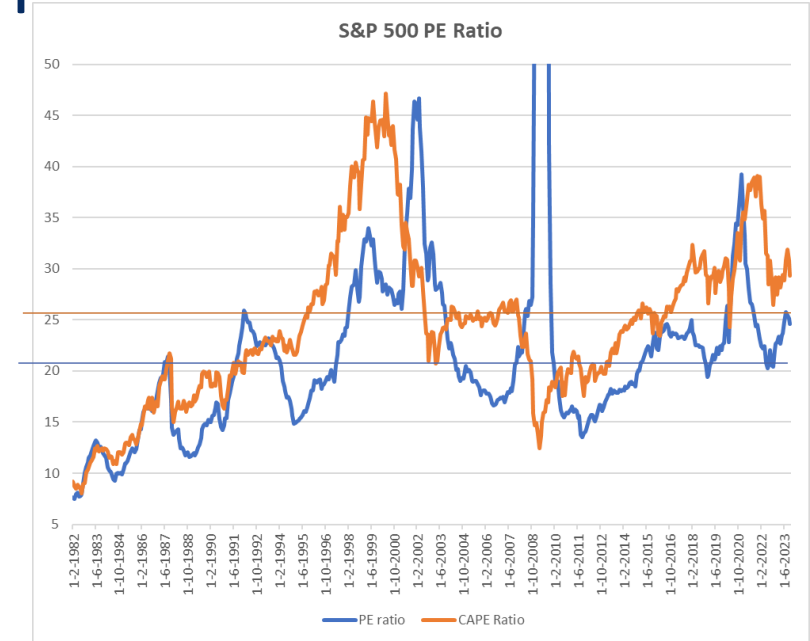
- In 2013, the price/earnings ratio of US stocks was 17.9 and a dividend yield of 2.1%. Earnings growth has been 8.5% per year over the past ten years, compared to a historical average of 7%.

USA valuation and earnings growth (S&P 500)

Valuation measure	Description	30-9-2023	20-year median	Over-/undervalued
DY %	Dividend yield	1.7	2.0	-15%
P/E	P/E (trailing)	24.6	21.4	15%
P/E frwd	Forward P/E	18.0	16.8	8%
P/B	Price to book	4.3	3.1	37%
CAPE	Shiller's P/E	29.3	25.5	15%
P/Sales	Price to sales	2.4		
P/Cash flow	Price to cash flow	26.7		

American large cap stocks are overpriced compared to historical valuation measures. The price-earnings ratio and Shiller's P/E are 15% higher than the median, dividend 15% lower. Growth companies in particular are expensive; the MSCI USA Growth Index has a P/E of 34.25.

Earnings Growth was 6.5% in 2022 and expected to grow 1.7% in 2023 with a strong rebound of 11.7% in 2024. Average earnings growth is 7% since 1960 and was 8.5% last decade. Expected annual returns for the next decade are 7% to 9%.



Sources: MSCI, S&P, J.P. Morgan, Barclays and multpl. My opinion is purely based on quantitative measures and for information purposes only, not investment advice.

Europe valuation measures

Valuation measure	30-9-2023	Benchmark	Over-/undervalued
DY %	3.3	3.3	2%
P/E	14.4	17.1	-15%
P/E frwd	12.7	13.8	-8%
P/B	1.9	1.7	9%
CAPE	19.3	19.6	-2%
P/Sales	1.4		
P/Cash flow	8.5		

European stocks performed well last year with a 1 year return of 20% for the S&P Europe 350 index (EUR). This has moved valuation metrics closer to their historic median. But current prices-earnings are still at a discount and European stocks offer an attractive dividend for income investors.

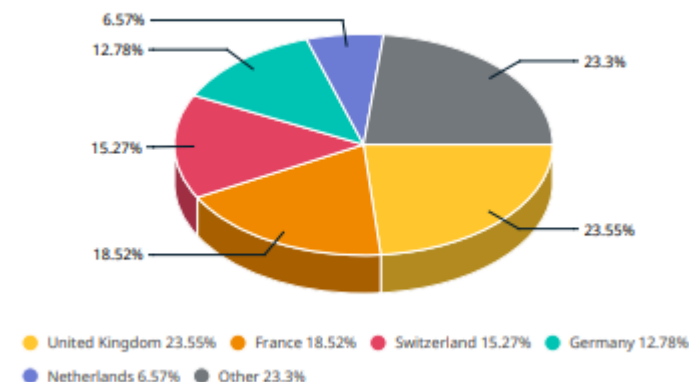
Earnings Growth was 21.7% in 2022 and expected to decline 2.4% in 2023 with a rebound of 6.5% in 2024.

Sources: MSCI, S&P, J.P. Morgan, Barclays and multpl. My opinion is purely based on quantitative measures and for information purposes only, not investment advice.

CUMULATIVE INDEX PERFORMANCE – PRICE RETURNS (EUR)
(SEP 2008 – SEP 2023)



COUNTRY WEIGHTS



Emerging Markets valuation measures

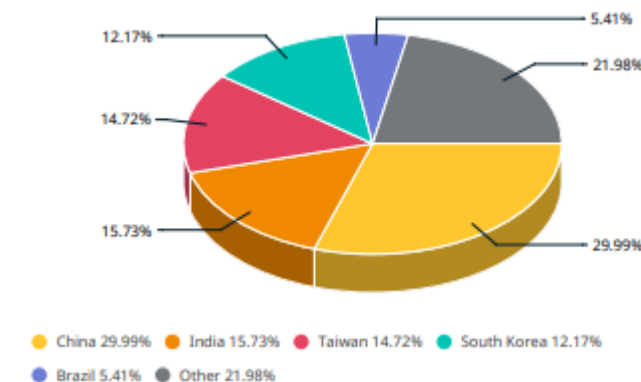
Valuation measure	30-9-2023	Benchmark	Over-/undervalued
DY %	3.1	2.7	15%
P/E	14.1	13.3	6%
P/E frwd	11.6	11.7	-1%
P/B	1.6	1.7	-6%
CAPE	11	13.6	-19%

Valuation metrics for emerging markets present a mixed picture. China has the largest country weight and Chinese stocks performed terrible last year with a loss of 31,7%, but are still not cheap with a P/E of 15.47. Indian stocks are very expensive with a P/E of 25.5. I only buy emerging stocks when they are really cheap, which is not the case at the moment.

Earnings Growth was 5.8% in 2022 and expected to decline 4.1% in 2023 with a very strong expected rebound of 18.8% in 2024.

Sources: MSCI, S&P, J.P. Morgan, Barclays and multpl. My opinion is purely based on quantitative measures and for information purposes only, not investment advice.

COUNTRY WEIGHTS



CUMULATIVE INDEX PERFORMANCE – NET RETURNS (USD)
(SEP 2008 – SEP 2023)



Japan valuation measures

Valuation measure	30-9-2023	Benchmark	Over-/undervalued
DY %	2.3	2.0	13%
P/E	15.7	16.0	-2%
P/E frwd	14.2	14.3	0%
P/B	1.4	1.3	8%
CAPE	22.4	24.6	-9%

The Japan stock market is fairly valued. Dividend yield is 13% higher than average. The average annual rate of growth in earnings over the past five years for Japanese stocks was 7,8% (Vanguard).

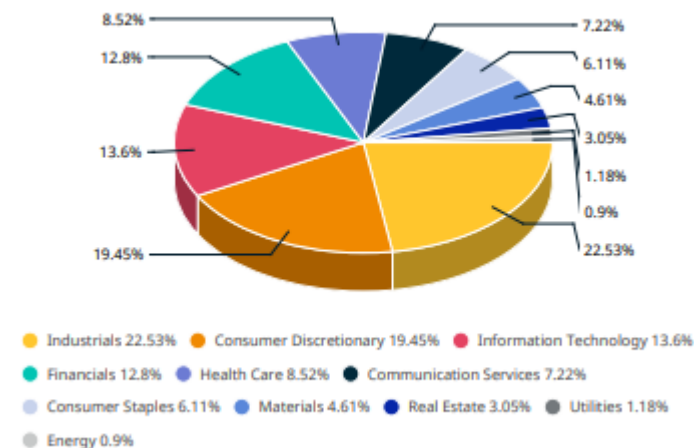
Earnings Growth was 3.4% in 2022 and expected to grow 8.3% in 2023 and 7.7% in 2024.

Sources: MSCI, S&P, J.P. Morgan, Barclays, Vanguard and multpl. My opinion is purely based on quantitative measures and for information purposes only, not investment advice.

TOP 10 CONSTITUENTS

	Float Adj Mkt Cap (USD Billions)	Index Wt. (%)	Sector
TOYOTA MOTOR CORP	190.28	5.62	Cons Discr
SONY GROUP CORP	103.44	3.06	Cons Discr
MITSUBISHI UFJ FIN GRP	97.07	2.87	Financials
KEYENCE CORP	72.36	2.14	Info Tech
TOKYO ELECTRON	64.60	1.91	Info Tech
SUMITOMO MITSUI FINL GRP	62.54	1.85	Financials
HITACHI	58.32	1.72	Industrials
MITSUBISHI CORP	54.93	1.62	Industrials
SHIN-ETSU CHEMICAL CO	53.02	1.57	Materials
HONDA MOTOR CO	52.06	1.54	Cons Discr
Total	808.62	23.89	

SECTOR WEIGHTS



UK valuation measures

Valuation measure	30-9-2023	Benchmark	Over-/undervalued
DY %	3.7	3.8	-2%
P/E	12.5	13.8	-9%
P/E frwd	10.3	12.1	-14%
P/B	1.9	1.8	7%
CAPE	15.6	16.0	-3%

UK stocks are fairly cheap compared to historical standards and in comparison with other core markets. But the average annual rate of growth in earnings over the past five years for UK stocks was 3,9% (Vanguard), much lower than US stocks.

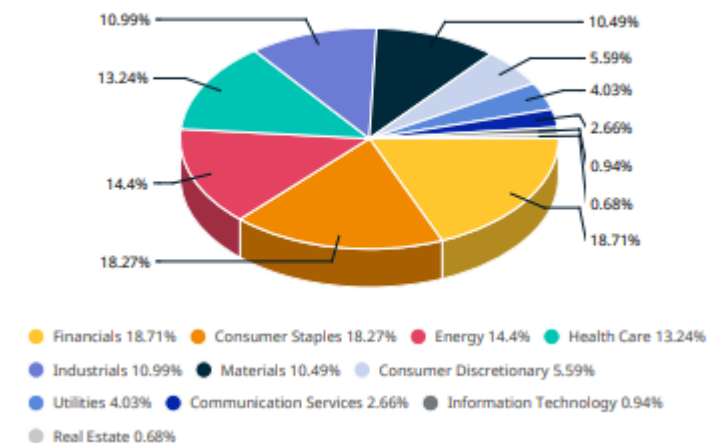
Earnings Growth was 28.6% in 2022 and expected to decline -11.1% in 2023 and grow 5.5% in 2024.

Sources: MSCI, S&P, J.P. Morgan, Barclays and multpl. My opinion is purely based on quantitative measures and for information purposes only, not investment advice.

TOP 10 CONSTITUENTS

	Float Adj Mkt Cap (USD Billions)	Index Wt. (%)	Sector
SHELL	213.25	9.42	Energy
ASTRAZENECA	210.02	9.28	Health Care
HSBC HOLDINGS (GB)	155.60	6.88	Financials
UNILEVER PLC (GB)	124.69	5.51	Cons Staples
BP	112.54	4.97	Energy
DIAGEO	83.21	3.68	Cons Staples
GSK	74.57	3.30	Health Care
RIO TINTO PLC (GB)	71.10	3.14	Materials
BRITISH AMERICAN TOBACCO	66.82	2.95	Cons Staples
RELX (GB)	64.14	2.83	Industrials
Total	1,175.95	51.96	

SECTOR WEIGHTS



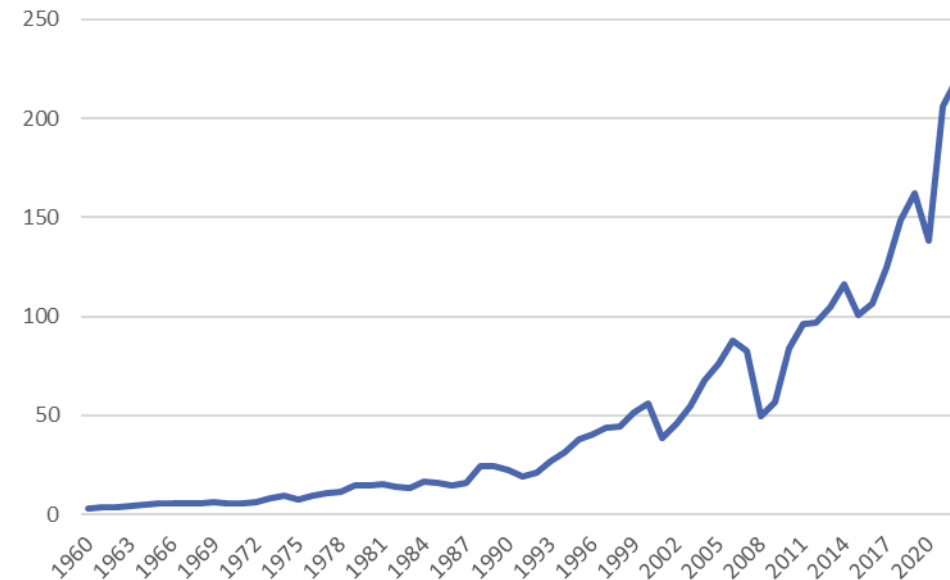
Earnings growth

The average annual rate of growth in earnings over the past five years for the stocks in a portfolio.

Market	Earnings growth 5 years
Emerging markets	14.20%
Europe	8.70%
Japan	7.80%
UK	3.90%
US	18.30%

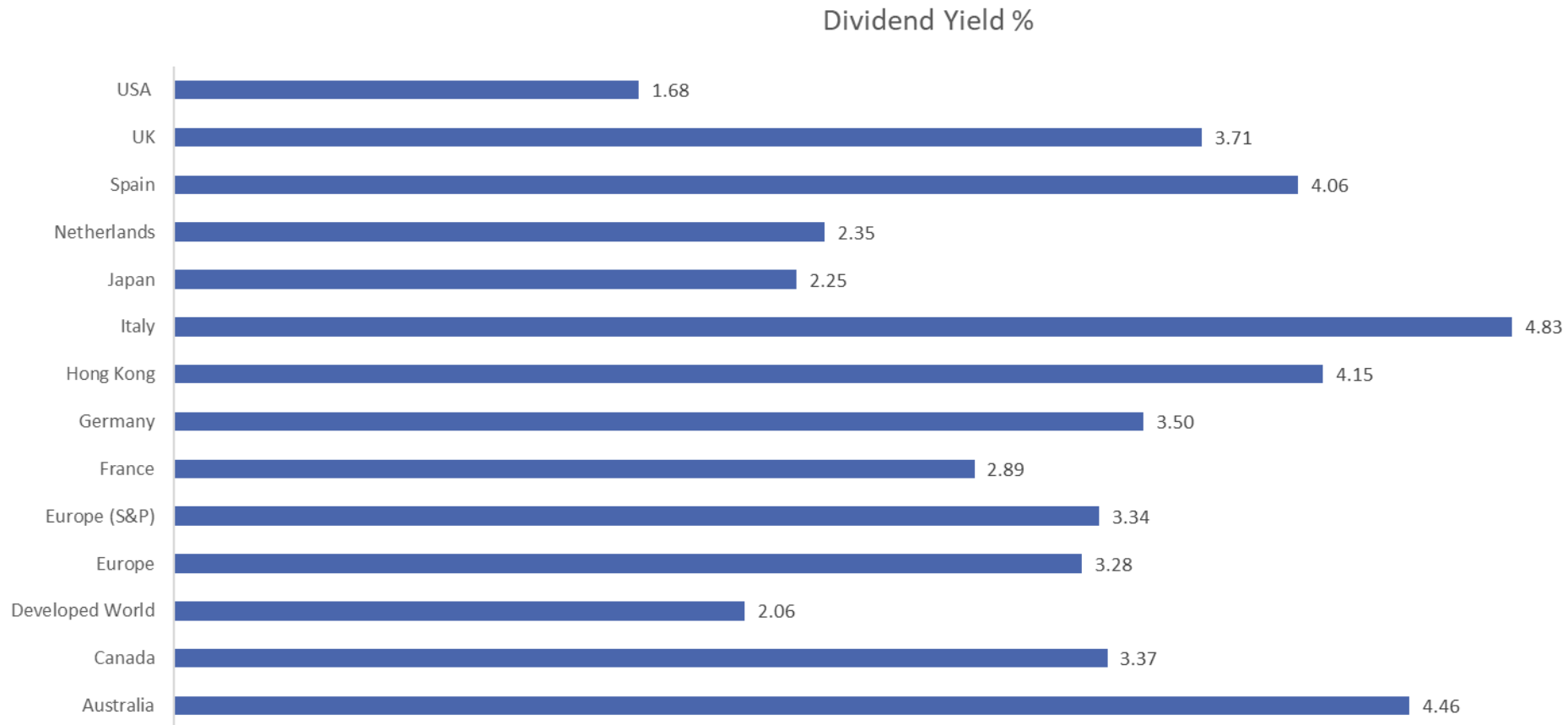
The S&P 500 average earnings growth since 1960 is 7% per year and 8,5% the last 10 year.

S&P 500 Earnings



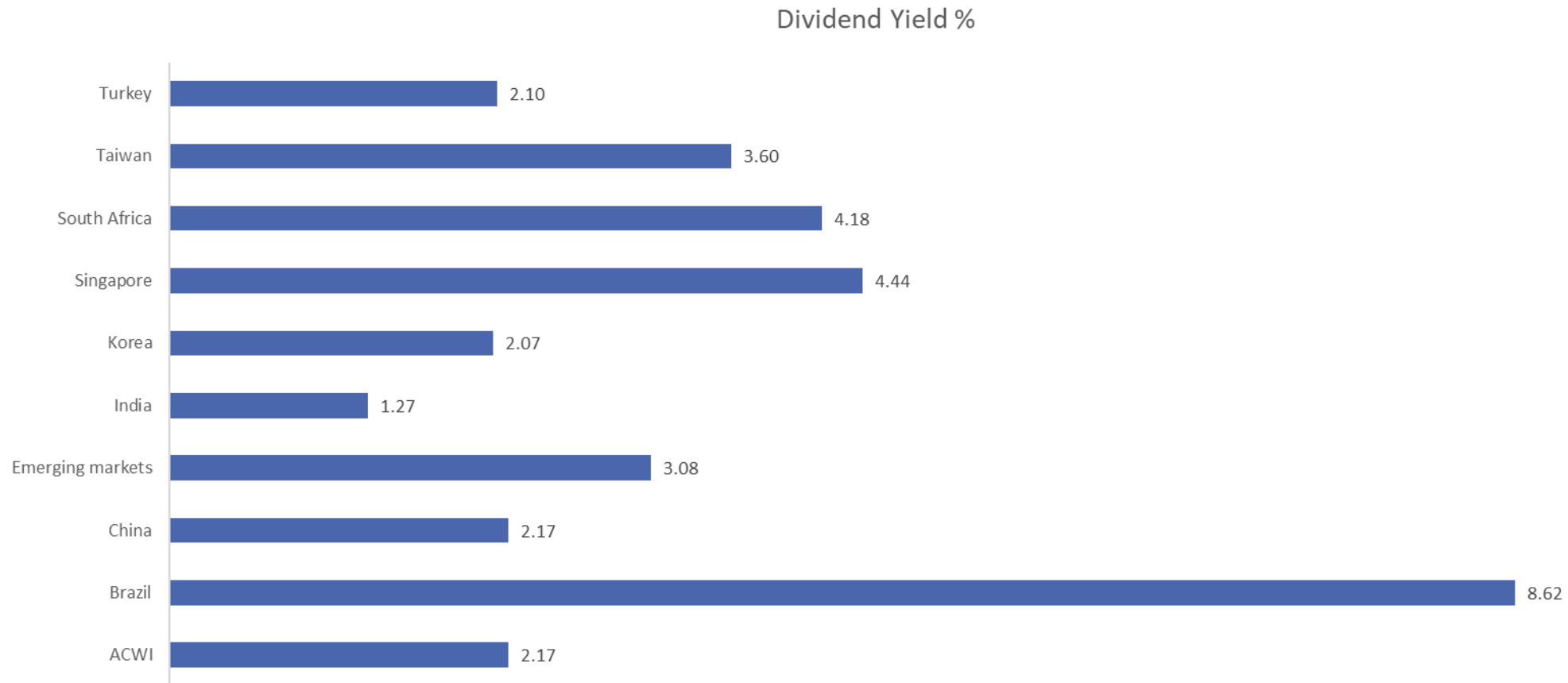
Source: Vanguard ETF's, september 2023. Aswath Damodaran.

Dividend Yield Developed Markets



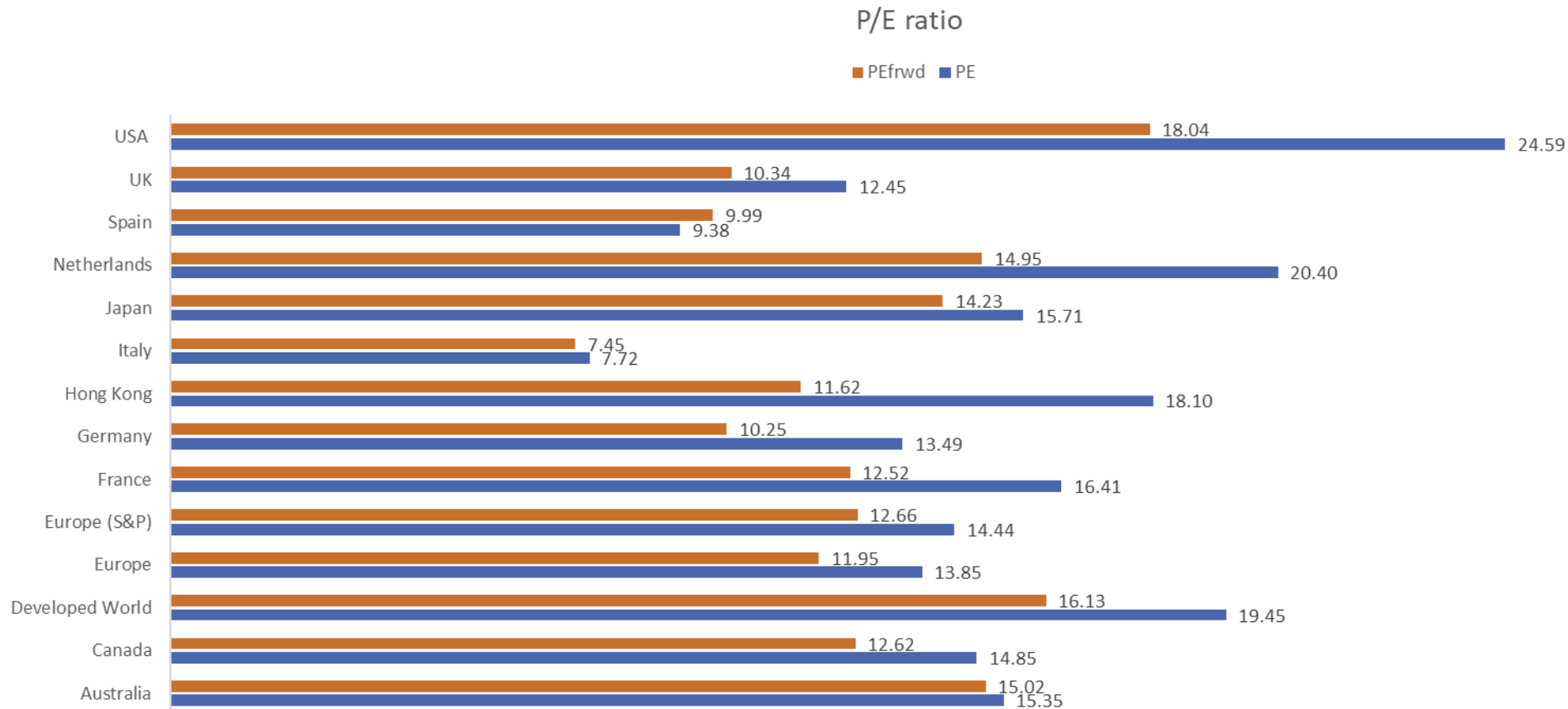
Source: MSCI, S&P, September 30, 2023

Dividend Yield Emerging Markets



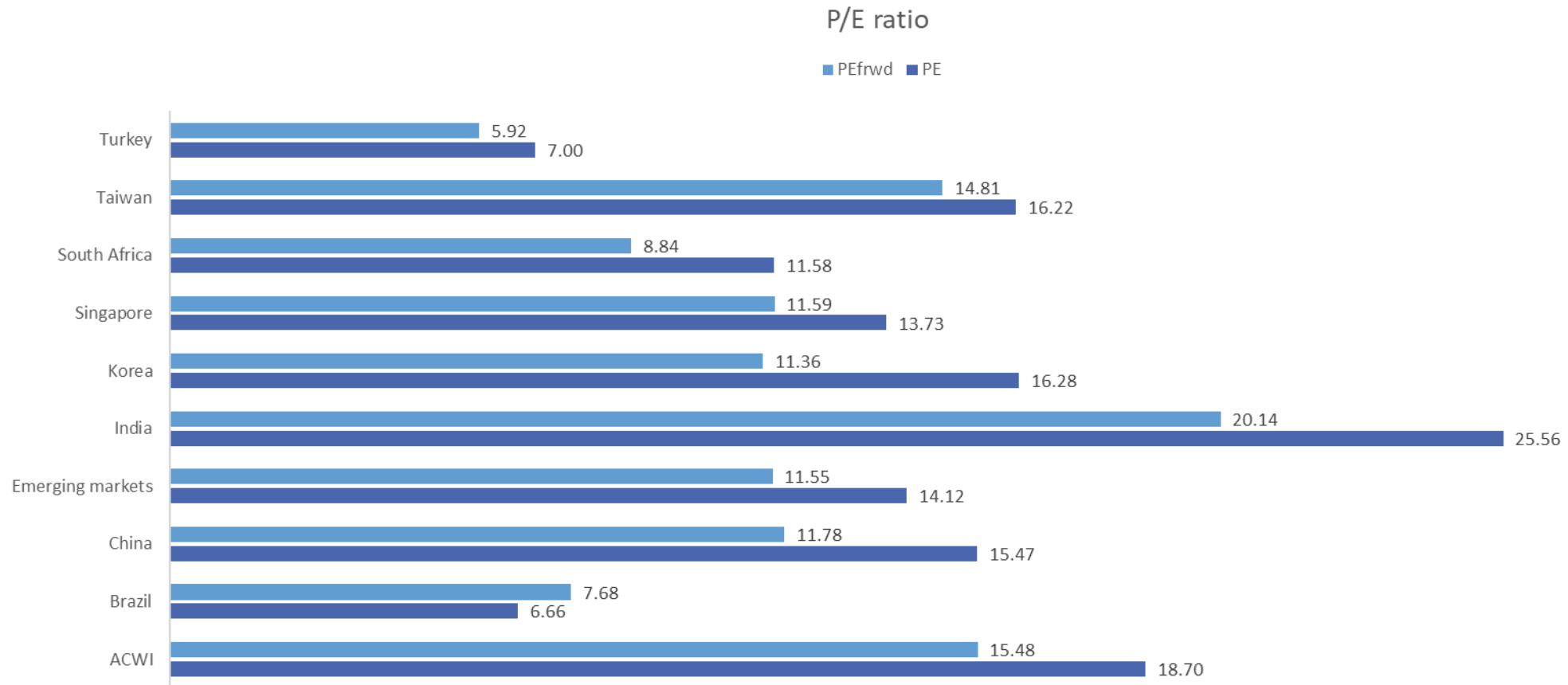
Source: MSCI, S&P, September 30, 2023

Price-earnings (P/E) Ratio Developed Markets



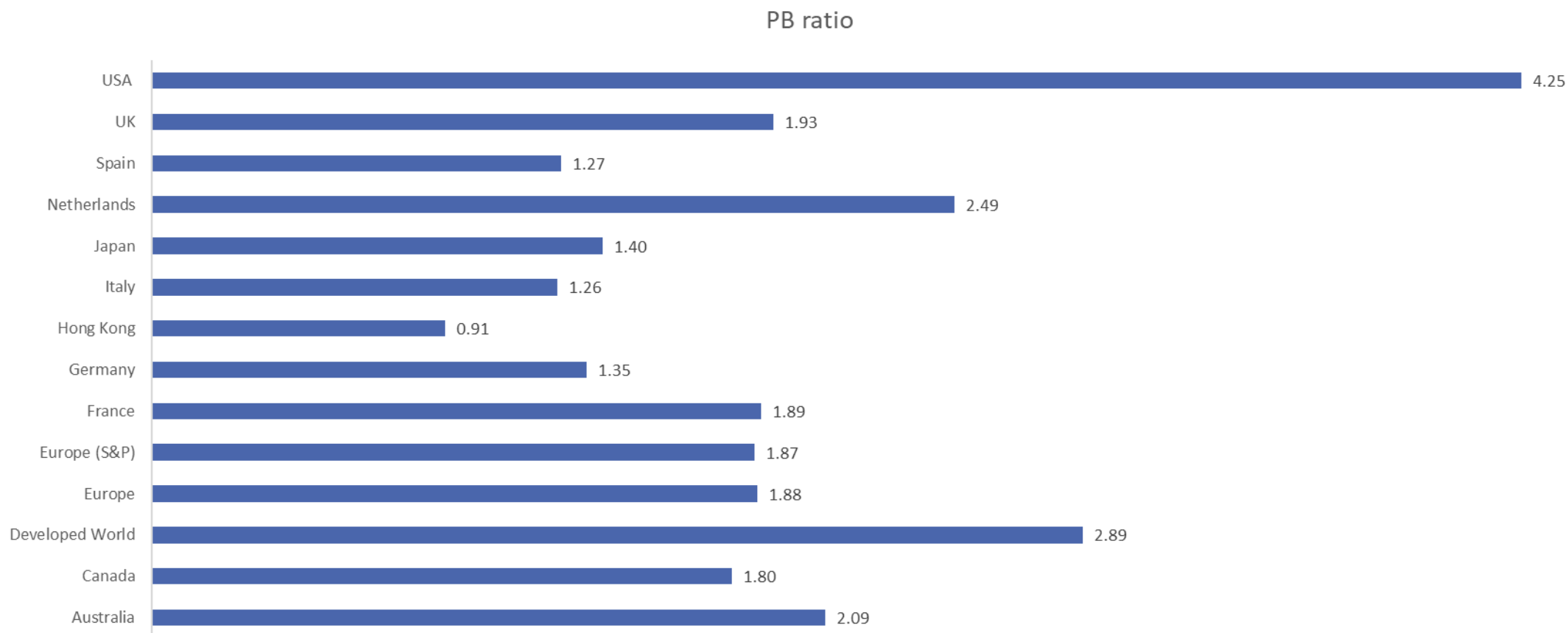
Source: MSCI, S&P, September 30, 2023

P/E Ratio Emerging Markets



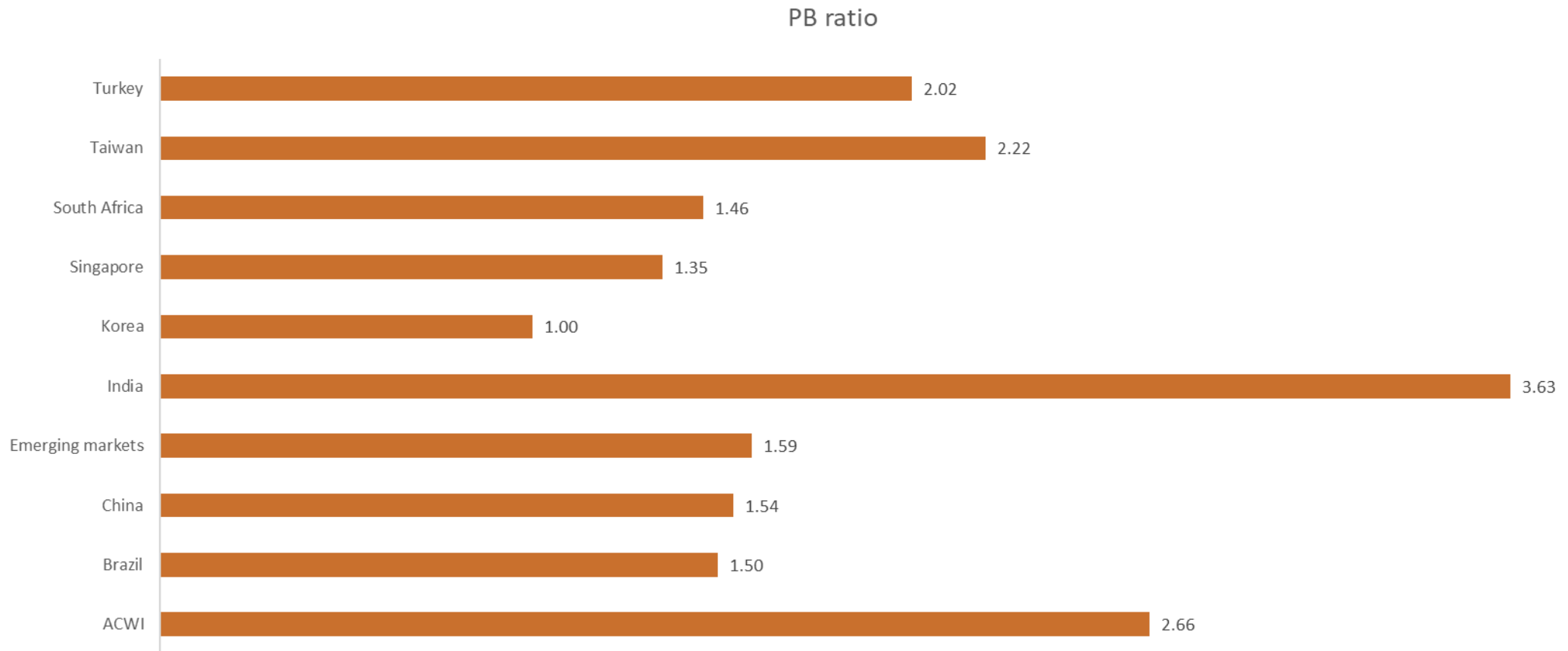
Source: MSCI, S&P, September 30, 2023

Price-to-book ratio (P/B) Developed Markets



Source: MSCI, S&P, September 30, 2023

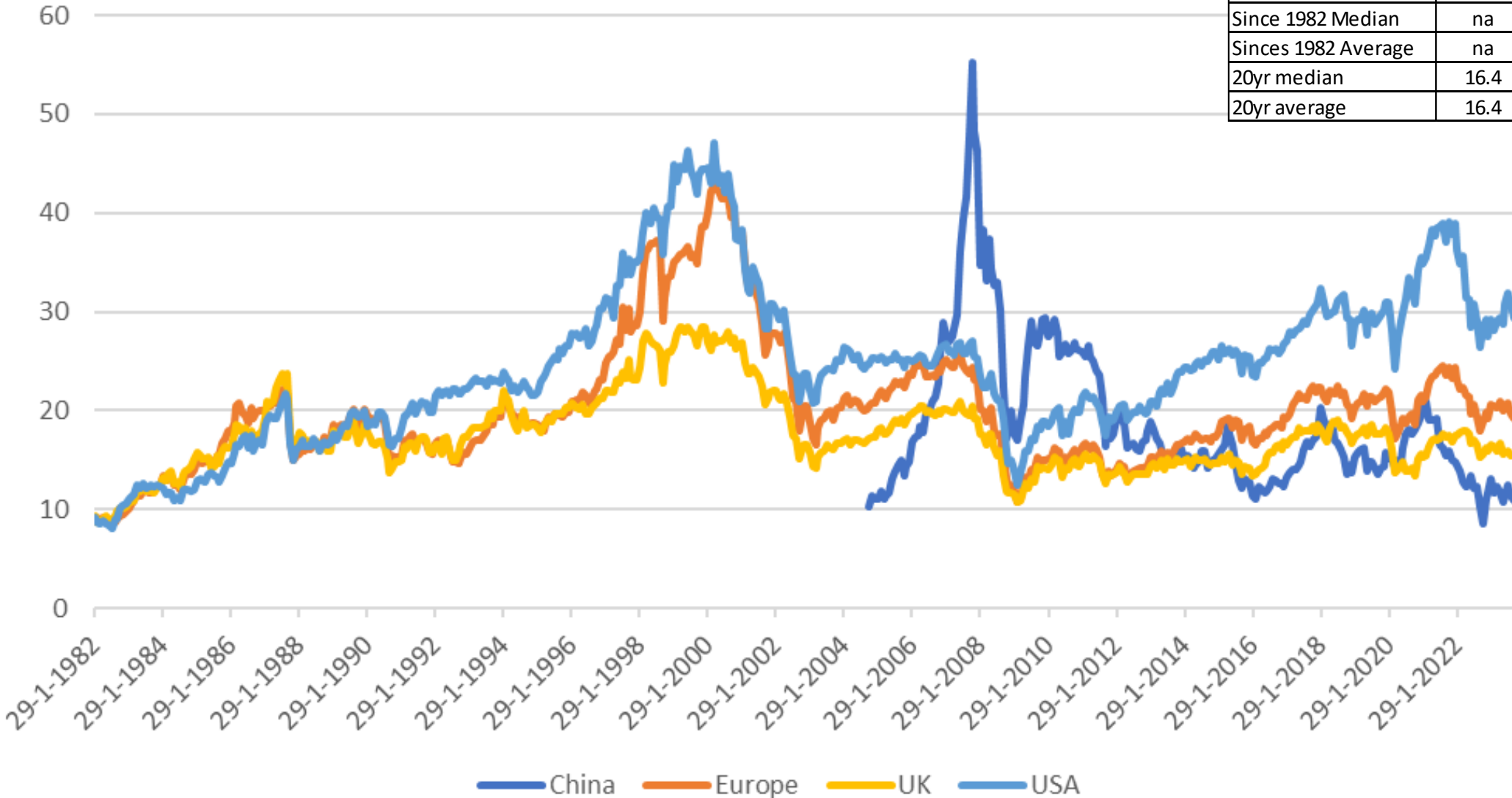
P/B Ratio Emerging Markets



Source: MSCI, S&P, September 30, 2023

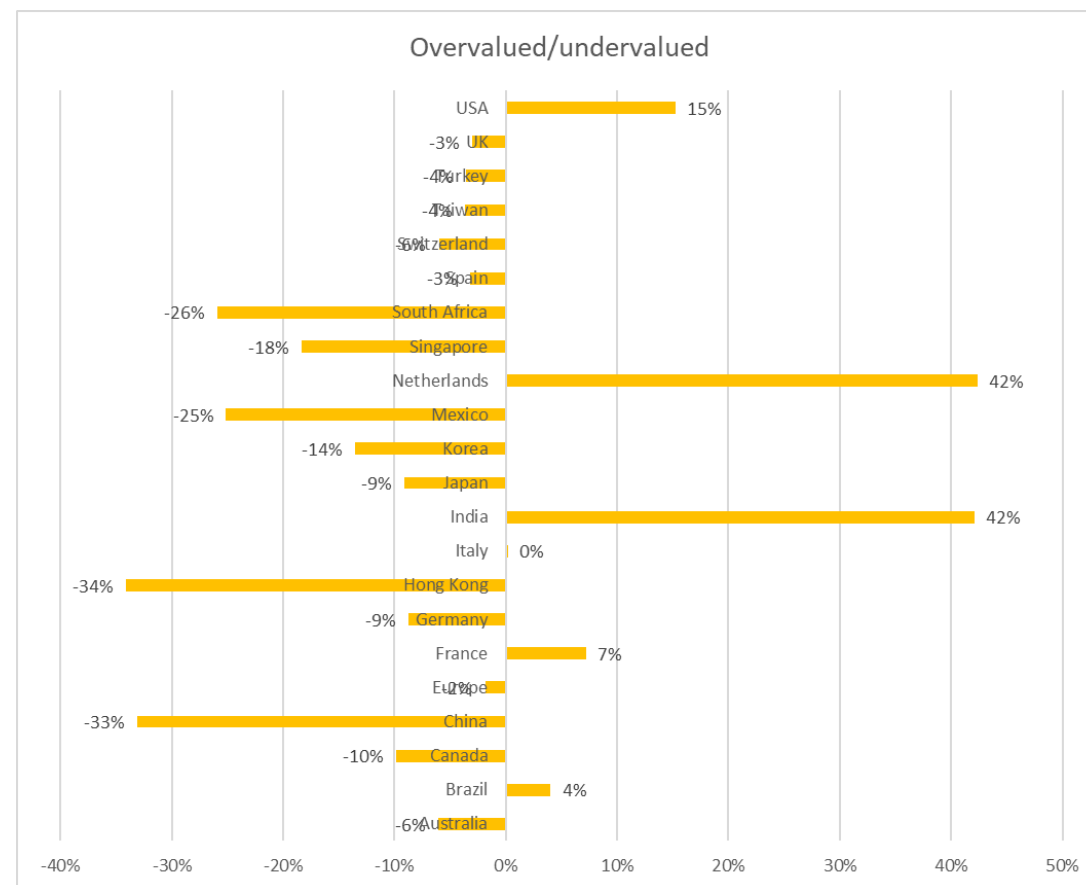
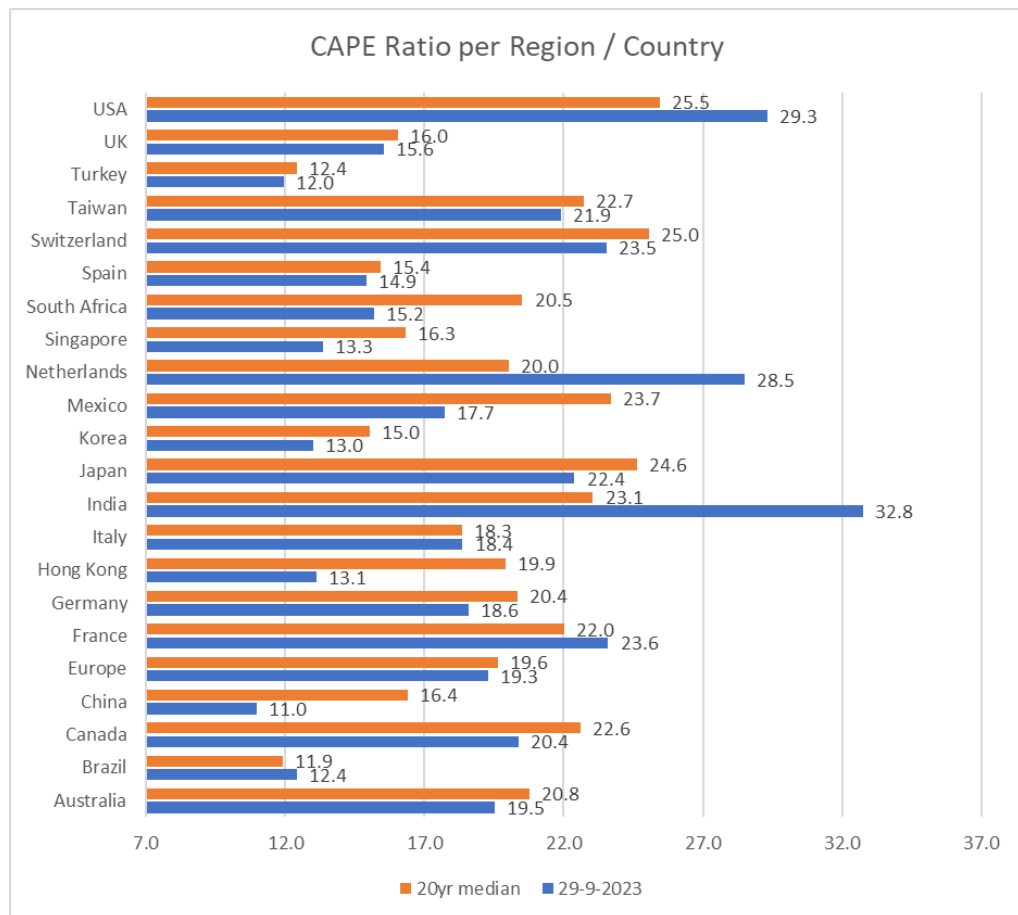
Historic CAPE Ratios

	China	Europe	UK	USA
Since 1982 Median	na	19.3	17.0	24.2
Sinces 1982 Average	na	20.2	17.5	24.5
20yr median	16.4	19.6	16.0	25.5
20yr average	16.4	19.6	16.0	25.5



Source: Barclays 29-9-2023

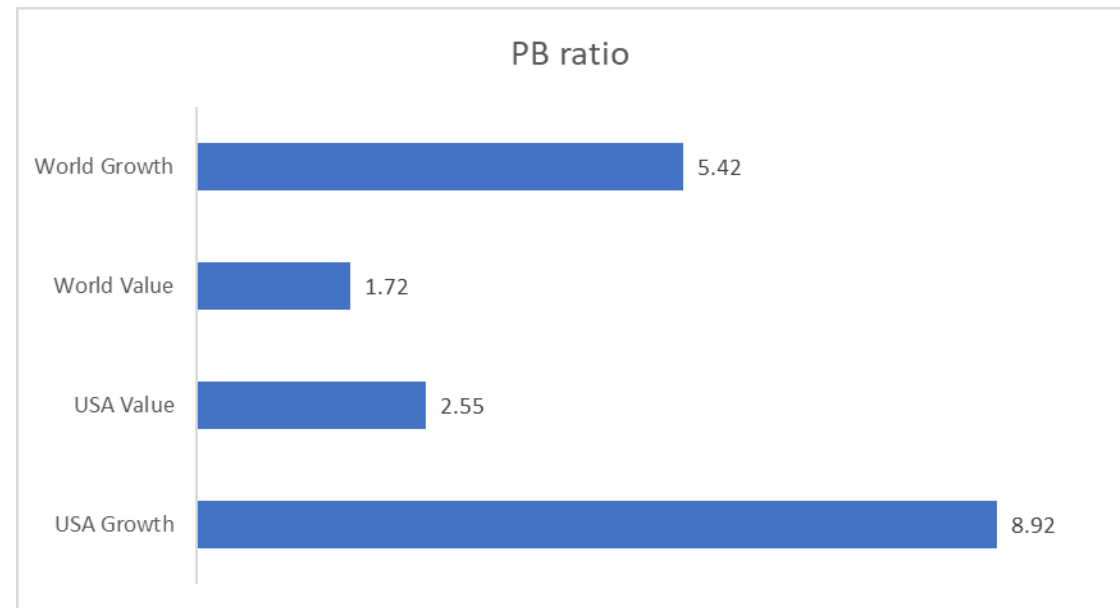
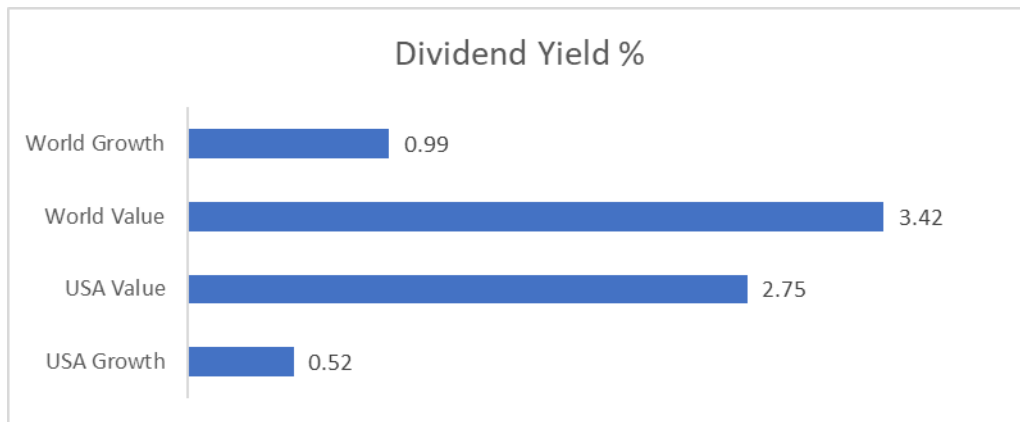
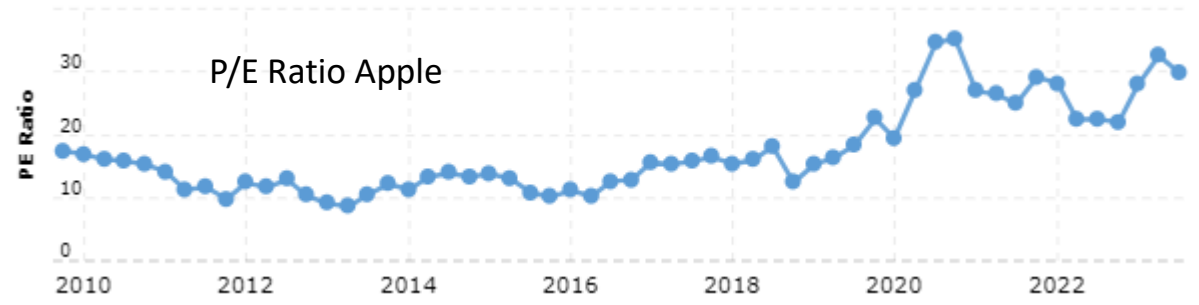
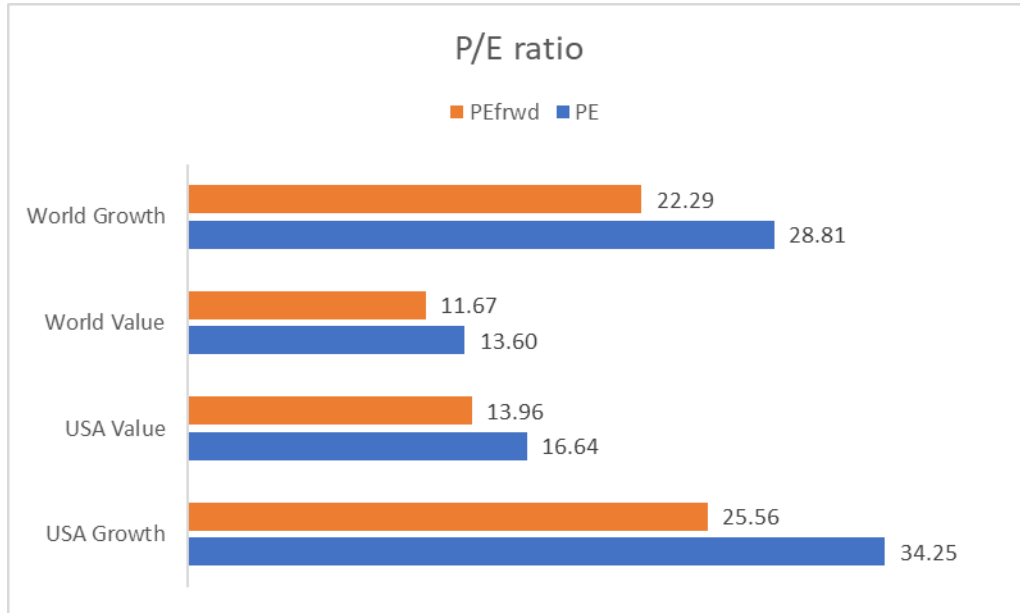
CAPE Ratio per Region / Country



Source: Barclays 29-9-2023

Growth vs Value

Growth stocks are very expensive at the moment partly due to the AI and electric cars hype. Apple is traded at 29.85 times earnings, Tesla 73,96 and Nvidia 110,55. Great companies but expensive. Stocks tend to revert to the mean. A double digit correction may occur.



Current Valuation Developed Markets

Market	DY %	PE	PEfrwd	PB	CAPE
Australia	4.46	15.35	15.02	2.09	19.5
Canada	3.37	14.85	12.62	1.80	20.4
Developed World	2.06	19.45	16.13	2.89	na
Europe	3.28	13.85	11.95	1.88	19.3
Europe (S&P)	3.34	14.44	12.66	1.87	19.3
France	2.89	16.41	12.52	1.89	23.6
Germany	3.50	13.49	10.25	1.35	18.6
Hong Kong	4.15	18.10	11.62	0.91	13.1
Italy	4.83	7.72	7.45	1.26	18.4
Japan	2.25	15.71	14.23	1.40	22.4
Netherlands	2.35	20.40	14.95	2.49	17.7
Spain	4.06	9.38	9.99	1.27	15.2
UK	3.71	12.45	10.34	1.93	15.6
USA	1.68	24.59	18.04	4.25	29.3
USA Growth	0.52	34.25	25.56	8.92	na
USA Value	2.75	16.64	13.96	2.55	na

Current Valuation Emerging Markets

Market	DY %	PE	PEfrwd	PB	CAPE
ACWI	2.17	18.70	15.48	2.66	na
Brazil	8.62	6.66	7.68	1.50	12.4
China	2.17	15.47	11.78	1.54	11.0
Emerging markets	3.08	14.12	11.55	1.59	11.0
India	1.27	25.56	20.14	3.63	32.8
Korea	2.07	16.28	11.36	1.00	13.0
Singapore	4.44	13.73	11.59	1.35	28.5
South Africa	4.18	11.58	8.84	1.46	13.3
Taiwan	3.60	16.22	14.81	2.22	21.9
Turkey	2.10	7.00	5.92	2.02	12.0

Indices

Market	Index
ACWI	MSCI ACWI Index (USD)
Australia	MSCI Australia Index (AUD)
Brazil	MSCI Brazil Index (USD)
Canada	MSCI Canada Index (CAD)
China	MSCI China Index (USD)
Developed World	MSCI World
Emerging markets	MSCI Emerging Markets Index (USD)
Europe	MSCI Europe Index (EUR)
Europe (S&P)	S&P Europe 350 (EUR)
France	MSCI France Index (EUR)
Germany	MSCI Germany Index (EUR)
Hong Kong	MSCI Hong Kong Index (USD)
India	MSCI India Index (USD)
Italy	MSCI Italy Index (EUR)
Japan	MSCI Japan Index (USD)
Korea	MSCI Korea Index (USD)
Netherlands	MSCI Netherlands IMI (EUR)
Singapore	MSCI Singapore Index (USD)
South Africa	MSCI South Africa Index (USD)
Spain	MSCI Spain Index (USD)
Taiwan	MSCI Taiwan Index (USD)
Turkey	MSCI Turkey Index (USD)
UK	MSCI United Kingdom Index (USD)
USA	S&P 500 (USD)
USA Growth	MSCI USA Growth Index (USD)
USA Value	MSCI USA Value Index (USD)
World Value	MSCI ACWI Value Index (USD)
World Growth	MSCI ACWI Growth Index (USD)

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