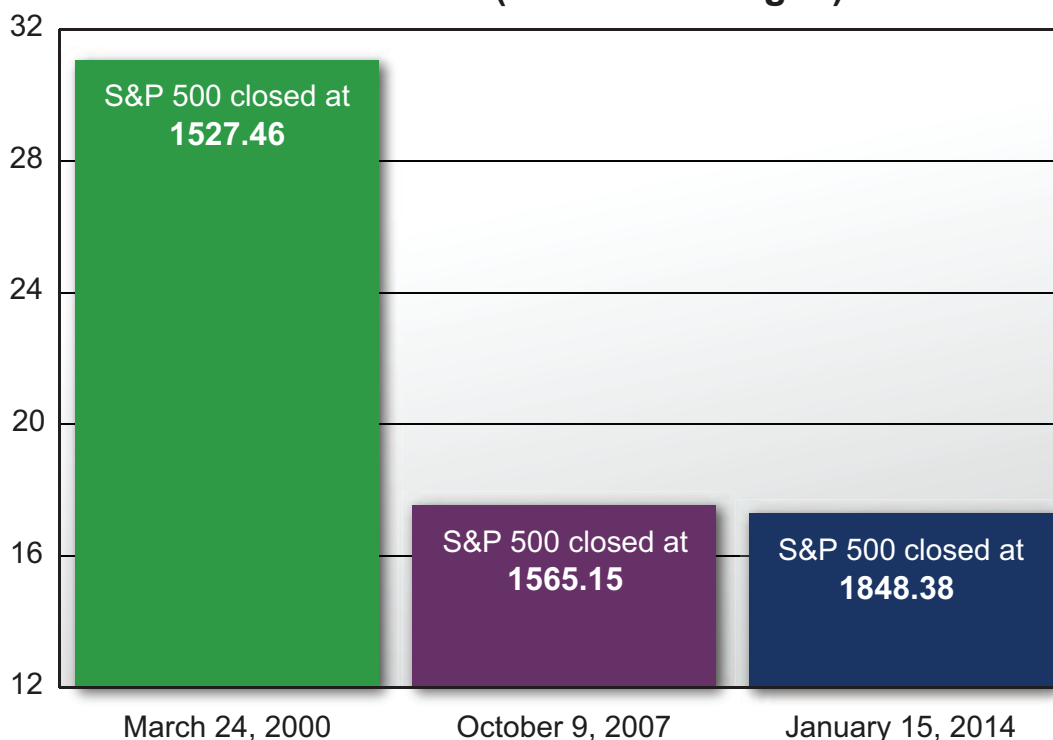


The S&P 500 Is Still Not Expensive Based On Historical Standards

Trailing 12-Month Price-to-Earnings (P/E) Ratios for S&P 500 (Bull Market Highs)



Source: Bloomberg

View from the Observation Deck

1. Today's blog post is an updated version of one we did on 3/7/13. At that time, the S&P 500 had yet to fully recover the losses it sustained in the previous bear market. That occurred on 3/28/13 (1569.19).
2. The 1565.15 closing price on 10/9/07 (see chart) was the all-time high for the S&P 500 prior to 3/28/13. That bull market was cut short by the subprime mortgage meltdown-induced financial crisis.
3. The new record high for the S&P 500 is 1848.38, set on 1/15/14. The trailing 12-month P/E for the S&P 500 was 17.29 on 1/15/14, well below the 31.05 P/E at the peak in 2000 and below the 17.53 peak in 2007.
4. Its estimated P/E for 2014 is currently 15.54, based on Bloomberg's \$118.08 earnings estimate for the index. The \$118.08 estimate is up from \$106.63 in 2013.
5. For the 50-year period ended December 2013, the S&P 500's average P/E was 16.46, according to Bloomberg.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. Past performance is no guarantee of future results. The S&P 500 is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.