

# Two Of The Sectors At The Epicenter Of The Financial Crisis Are Still Recovering

## S&P 500 Financials Index vs. S&P Homebuilding Select Industry Index

	S&P 500 Financials Index	S&P Homebuilding Select Industry Index
<b>All-Time High for Index</b>	509.55 (2/20/07)	5542.13 (7/20/05)
<b>Index Level as of 3/9/15</b>	327.19	3562.72
<b>Index Level vs. All-Time High</b>	-35.79% (3/9/15)	-35.72% (3/9/15)
<b>2015 Est. P/E Ratio</b>	14.47	17.19
<b>2016 Est. P/E Ratio</b>	13.04	14.32
<b>2015 Est. EPS Growth</b>	4.88%	13.38%
<b>2016 Est. EPS Growth</b>	10.90%	20.06%

Source: Bloomberg. Estimated price-to-earnings (P/E) ratios and (consensus) estimated earnings-per-share growth rates as of 3/16/15.

### View from the Observation Deck

1. The U.S. bull market in stocks turned six years old on 3/9/15. Today's post is intended to provide an update on two of the main sectors that were at the center of the financial crisis back in 2008-2009.
2. While the broader stock market indices have been setting multiple record highs over the past 12 months, financial and homebuilding-related stocks still stand well below their respective all-time highs.
3. Ironically, both the S&P 500 Financials Index and the S&P Homebuilding Select Industry Index stood approximately 35.7% below their respective all-time highs, though separated by 19 months, as of 3/9/15.
4. U.S. housing starts totaled an annualized 897,000 in February, up from the 15-year low of 478,000 (annualized) in April 2009, but still well below the 1.28 million average annualized unit pace posted over the past 15 years, according to the U.S. Census Bureau.
5. Banks, which constitute more than 40% of the S&P 500 Financials Index, just cleared an important regulatory hurdle that could enable many of them to increase their dividend payouts as well as initiate stock buybacks.
6. The Federal Reserve announced on March 5, 2015, that all 31 major banks that participated in the recent Dodd-Frank Acts Stress Test possessed enough capital to withstand another financial downturn, according to *Forbes*.
7. Looking out through 2016, homebuilding-related stocks currently have more optimistic growth expectations than do financial stocks, but investors should expect to pay a higher multiple to get that higher rate of growth, in our opinion.

*This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Financials Index is a capitalization-weighted index comprised of S&P 500 constituents representing the financial sector. The S&P Homebuilding Select Industry Index provides investors with an equity benchmark for U.S. traded Homebuilding-related securities.*

