



# **CANADIAN INVESTORS' COURSE**

## **Session 16: Measurements**



# Terms of Use & Disclaimer



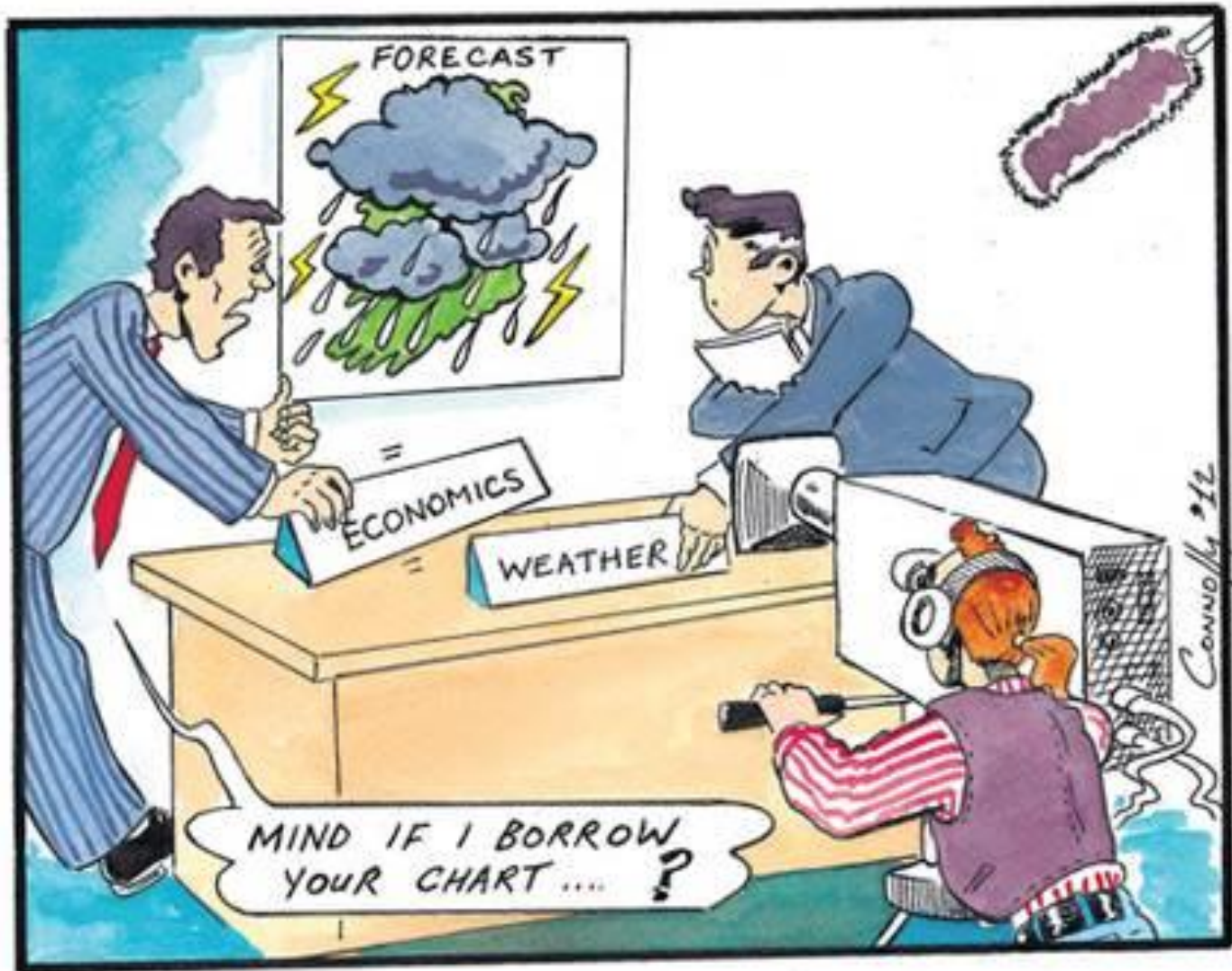
The content of all videos or articles produced by Trusted Wealth Professionals (TWP), or the Financial Literacy Learning Center (FLLC) are for educational purposes ONLY. All ideas, opinions and/or forecasts are for informational purposes only and should not be construed as a recommendation to invest, trade, and/or speculate in the markets. Any investments made in light of these ideas, opinions, and/or forecasts, expressed or implied herein, are committed at your own risk.

The Trusted Wealth Professionals (TWP) website, and FLLC website, and its publishers are not liable for any investment decisions made by its viewers or subscribers.

The author of these videos or articles does express certain opinions in the contents of the videos or articles, but will not assume any responsibility for the actions of any viewer or reader who acts on this educational information. The author of this video may or may not hold positions in the financial instruments discussed in this video.

Investing involves various levels of risk. Future results can be dramatically different from the opinions expressed herein. We STRONGLY believe in the use of an investment professional before investing. NOT ALL advisors are alike. We hope you view our Sessions 8 and 9 on the 'Investment Industry' to become fully aware of ALL the types of various licenced investment professionals in Canada along with their fees and/or compensations, as well as, their services.

Once again -The contents of this website and all videos or articles produced by Trusted Wealth Professionals (TWP) are for educational purposes ONLY.





# Canadian Investors' Course



## Observing two sets of Measurements:

1. Market/Sentiment Measurements
2. Economic Measurements

This lesson will introduce and define a number of measurements that portfolio managers follow.



## The US Economy

**We will refer to US data in this lesson. As a Canadian, our market reacts to US data and US markets. We must accept this.**



# Canadian Investors' Course



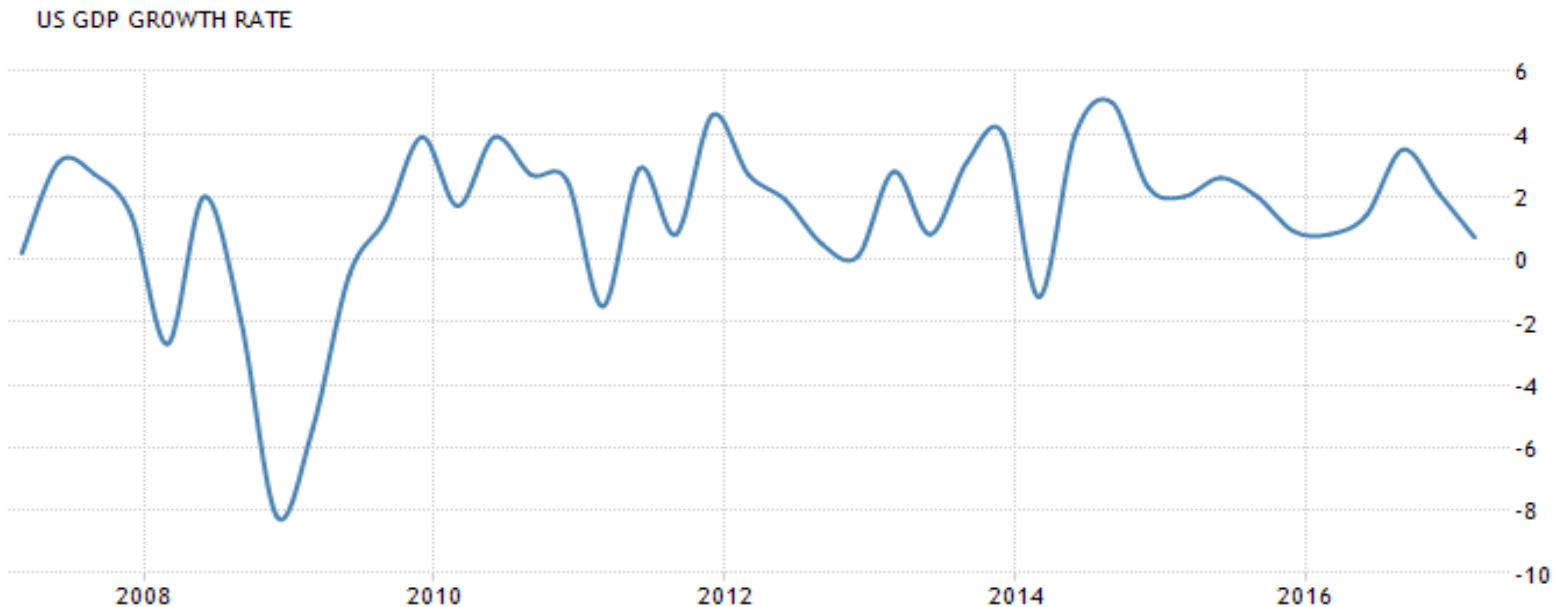
## Gross Domestic Product

GDP is a broad measurement of a nation's overall economic activity.

Gross domestic product can be calculated using the following formula:

$$\text{GDP} = C + G + I + \text{NX}$$

C is equal to all private consumption, or consumer spending in a nation's economy, G is the sum of government spending, I is the sum of all the country's investment, including businesses capital expenditures, and NX is the nation's total net exports, calculated as total exports minus total imports (NX = Exports - Imports).



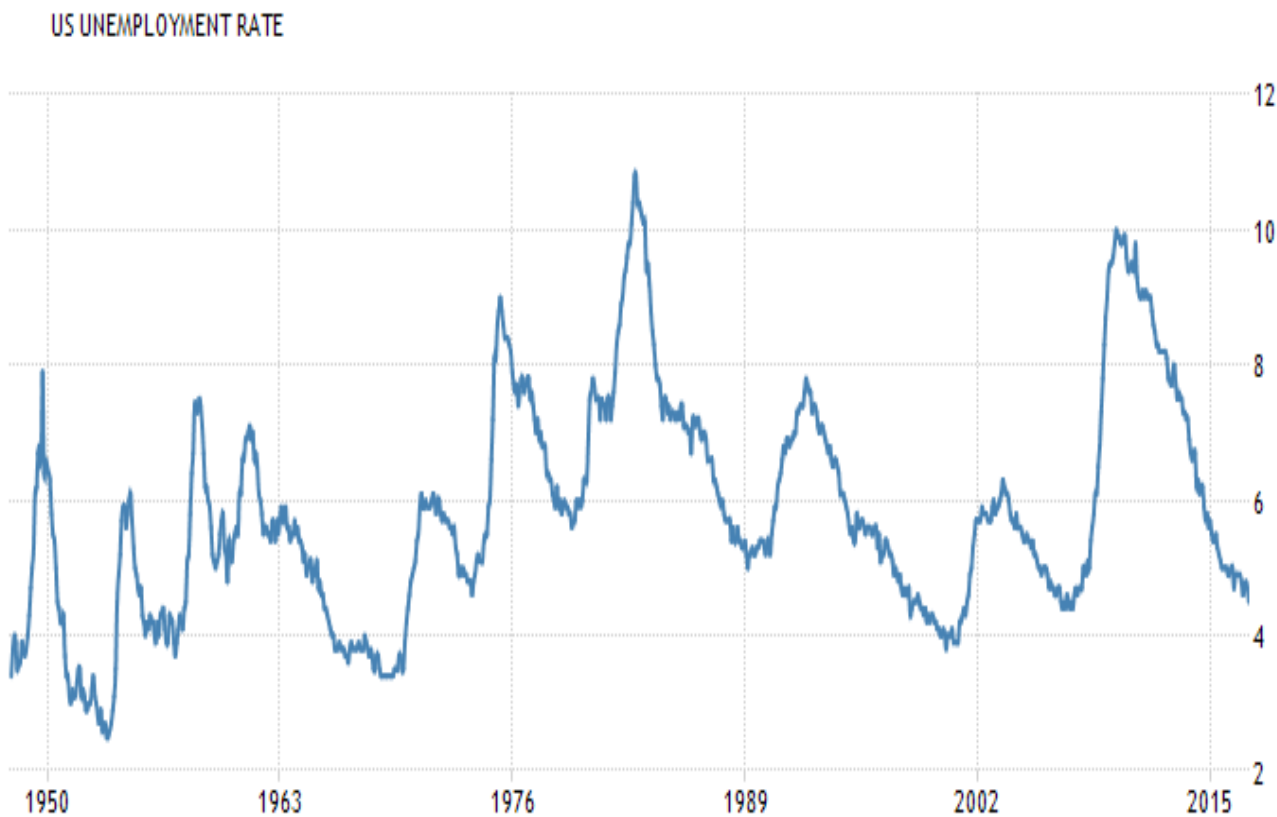
SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS



# Canadian Investors' Course



## US Unemployment Rate



SOURCE: [WWW.TRADINGECONOMICS.COM](http://WWW.TRADINGECONOMICS.COM) | U.S. BUREAU OF LABOR STATISTICS



# Canadian Investors' Course



## USA Real Retail Sales Growth



[Chart](#) | [Table](#)

[f](#) Share

**Current US Real Retail Sales Growth: 2.71%**

US Real Retail Sales Growth for Mar 2017 — reported Apr 14, 2017

**Mean:** 2.03%  
**Median:** 2.40%  
**Min:** -11.61% (Dec 2008)  
**Max:** 8.46% (Mar 1994)

US Real Retail Sales Growth Rate Per Year. Annual percentage change in [Real US Retail Sales, Seasonally Adjusted, 2017 constant dollars](#) (inflation-adjusted).

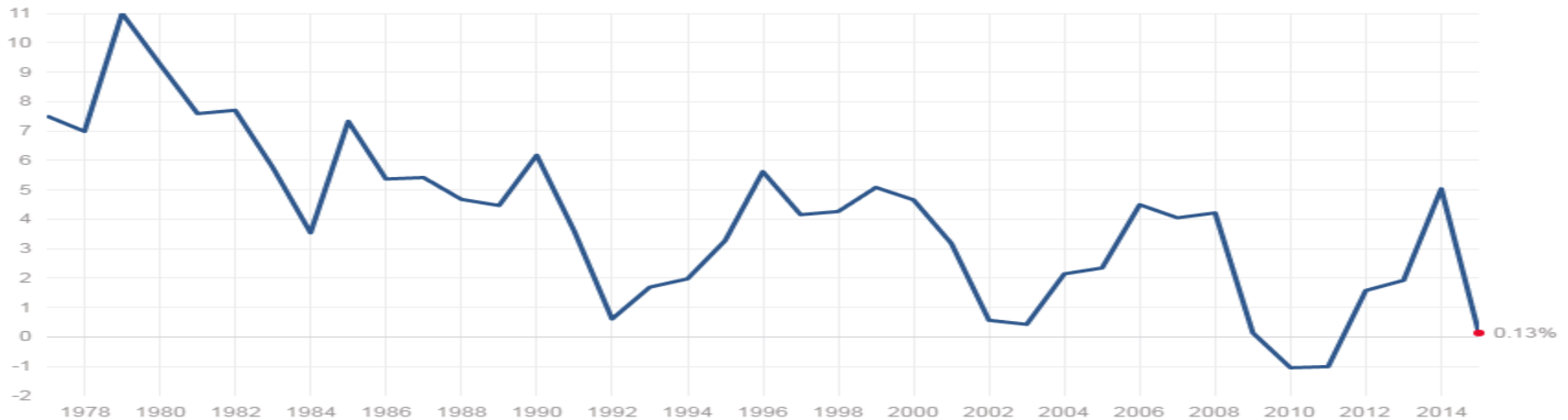




# Canadian Investors' Course



## USA Median Income growth Rate



[Chart](#) | [Table](#)

[f](#) Share

**Current US Median Income Growth Rate: 0.13%**

US Median Income Growth Rate for Dec 2014

**Mean:** 4.00%

**Median:** 4.22%

**Min:** -1.05% (Dec 2009)

**Max:** 10.99% (Dec 1978)

US Median Income Growth Rate Per Year. Annual percentage change in US Median Income, current dollars (not inflation-adjusted).

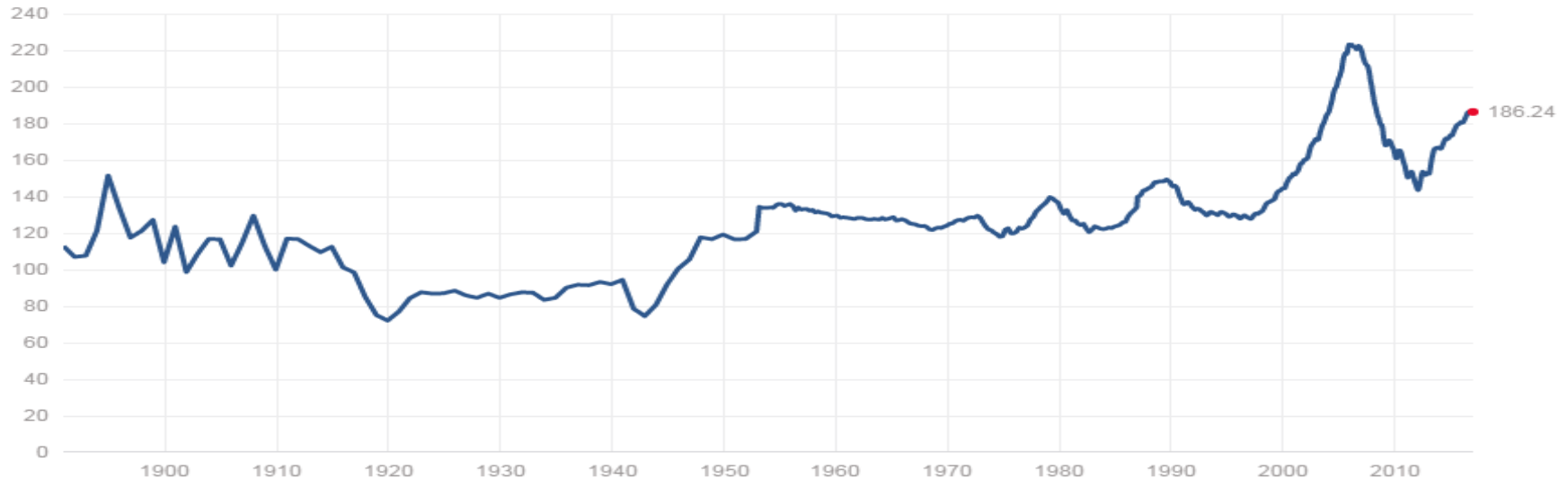
For an inflation-adjusted comparison with the past, see [US Median Real Income Growth](#).



# Canadian Investors' Course



## Case Shiller Home Price Index



[Chart](#) | [Table](#)

[f](#) Share

**Current Index:** 186.24

Index for Jan 2017

**Mean:** 145.10

**Median:** 136.33

**Min:** 72.11 (Dec 1919)

**Max:** 223.12 (Dec 2005)

US national index levels, not seasonally adjusted. Historic prices are [inflation](#) adjusted March 2017 dollars.



# Canadian Investors' Course



## Market/Sentiment Measurements

Some of the measurements described in the coming slides may be new to you. The investment industry tend to have a positive bias and build a case to be invested at all times.

Learn the long-term measurements presented.

There are many important Measurements.



# Canadian Investors' Course



## S&P 500 Real Earnings Growth



[Chart](#) | [Table](#)

[f](#) [Share](#)

**Current S&P 500 Real Earnings Growth: 7.81%**

S&P 500 Real Earnings Growth for Dec 2016

**Mean:** 24.54%

**Median:** 7.81%

**Min:** -90.27% (Mar 2009)

**Max:** 905.56% (Mar 2010)

S&P 500 real earnings growth rate per year. Annual percentage change in 12 month [S&P 500 Real Earnings Per Share](#) (inflation adjusted).

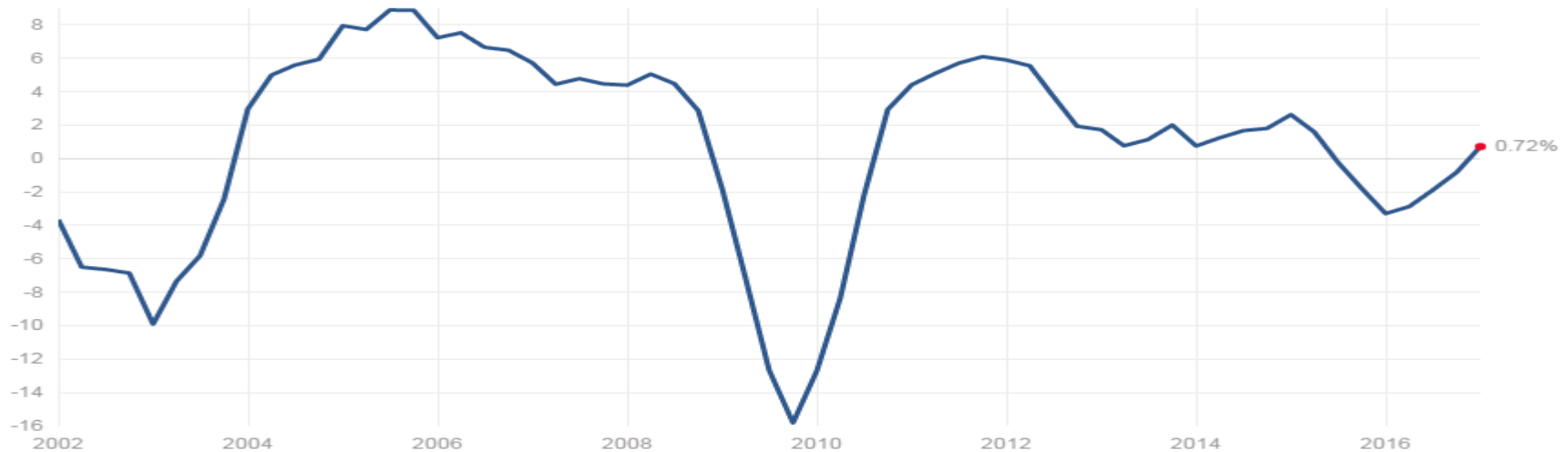
Source: [Standard & Poor's](#)



# Canadian Investors' Course



## S&P 500 Real Sales Growth



[Chart](#) | [Table](#)

[f](#) Share

**Current S&P 500 Real Sales Growth: 0.72%**

S&P 500 Real Sales Growth for Dec 2016

**Mean:** 0.88%

**Median:** 1.93%

**Min:** -15.81% (Sep 2009)

**Max:** 8.89% (Jun 2005)

S&P 500 real sales growth rate per year. Annual percentage change in 12 month [S&P 500 Real Sales](#) (inflation adjusted).

Source: [Standard & Poor's](#)



# Canadian Investors' Course



## S&P 500 Real PE Ratio



[Chart](#) | [Table](#)

[f](#) Share

**Current S&P 500 PE Ratio: 25.26 -0.00 (-0.01%)**

9:44 am EDT, Fri Apr 28

**Mean:** 15.65

**Median:** 14.65

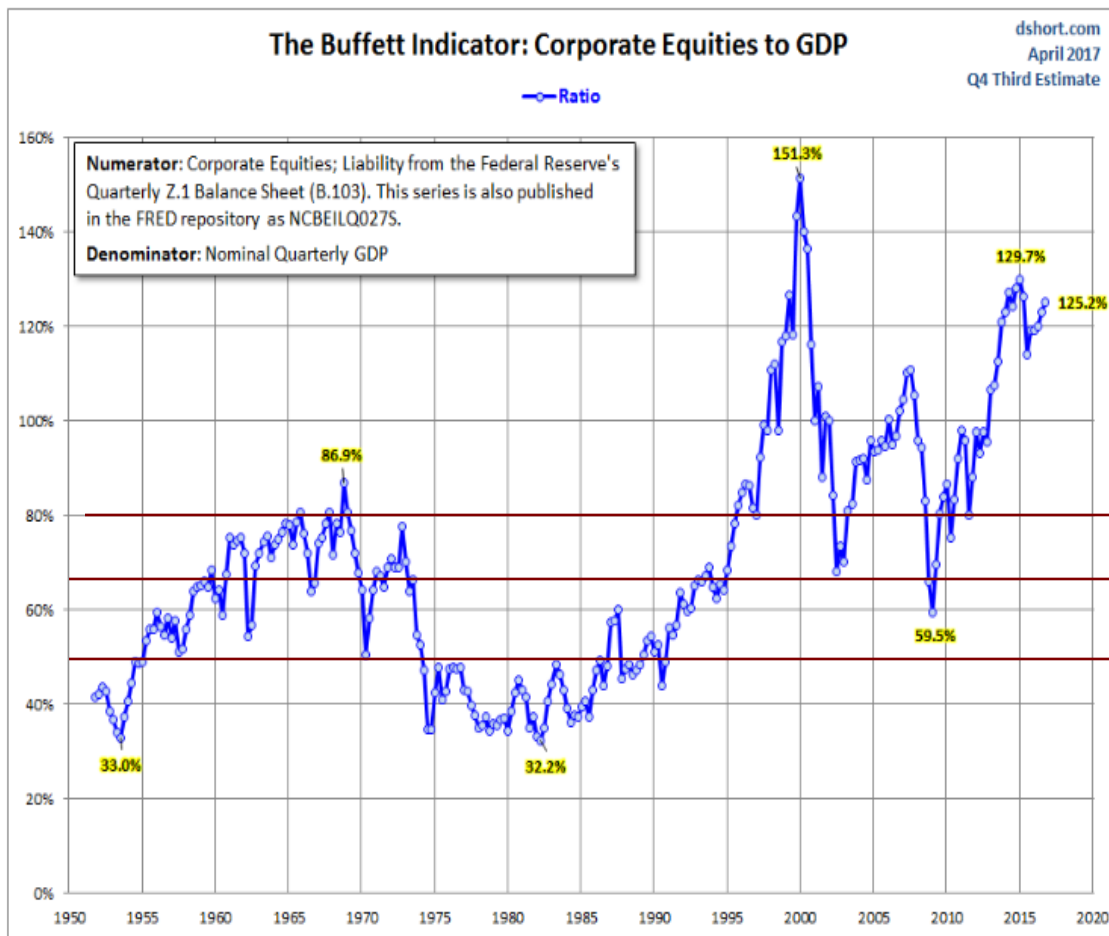
**Min:** 5.31 (Dec 1917)

**Max:** 123.73 (May 2009)

Price to earnings ratio, based on trailing twelve month “as reported” [earnings](#).

Current PE is estimated from latest reported earnings and current market price.

## Market Cap to GDP: The Buffett Valuation Indicator



→ Sell stocks when indicator is above

→ Long term average

→ BUY stocks when indicator is below

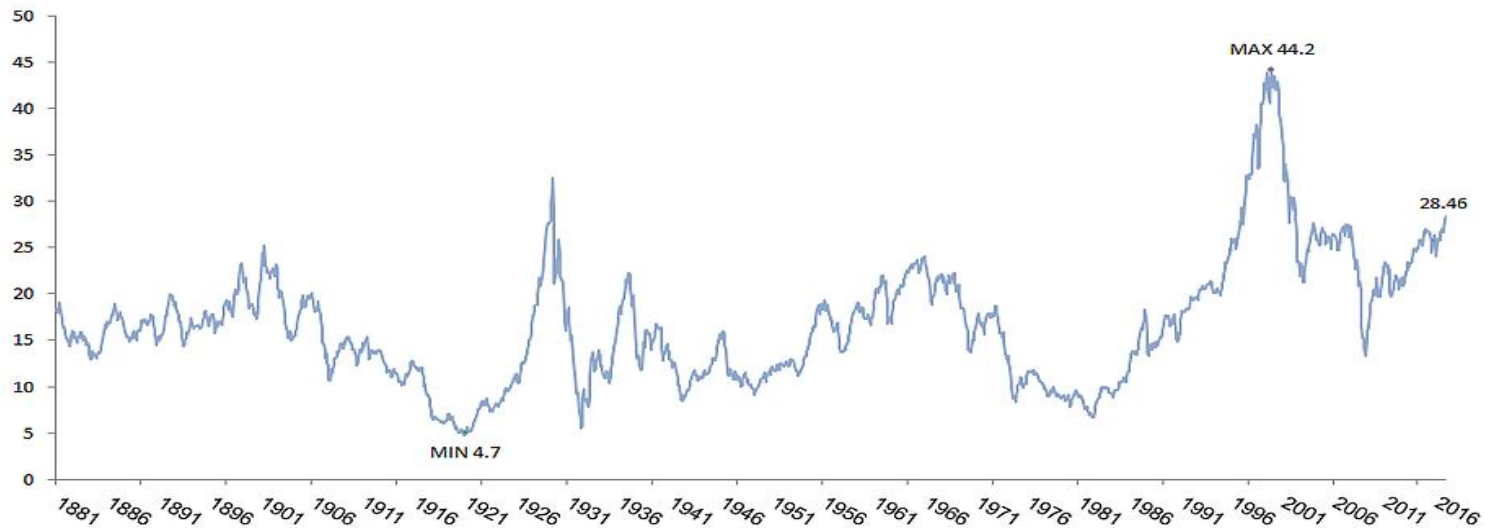


# Canadian Investors' Course



## S&P 500 Shiller Price/Earnings Ratio

JANUARY 31, 2017



source: [Robert Shiller online data](#)

now: 28.5

average: 16.7

min: 4.7

max: 44.2

U.S stock market is **overvalued**. Current valuations are 70.6% higher than average valuations.



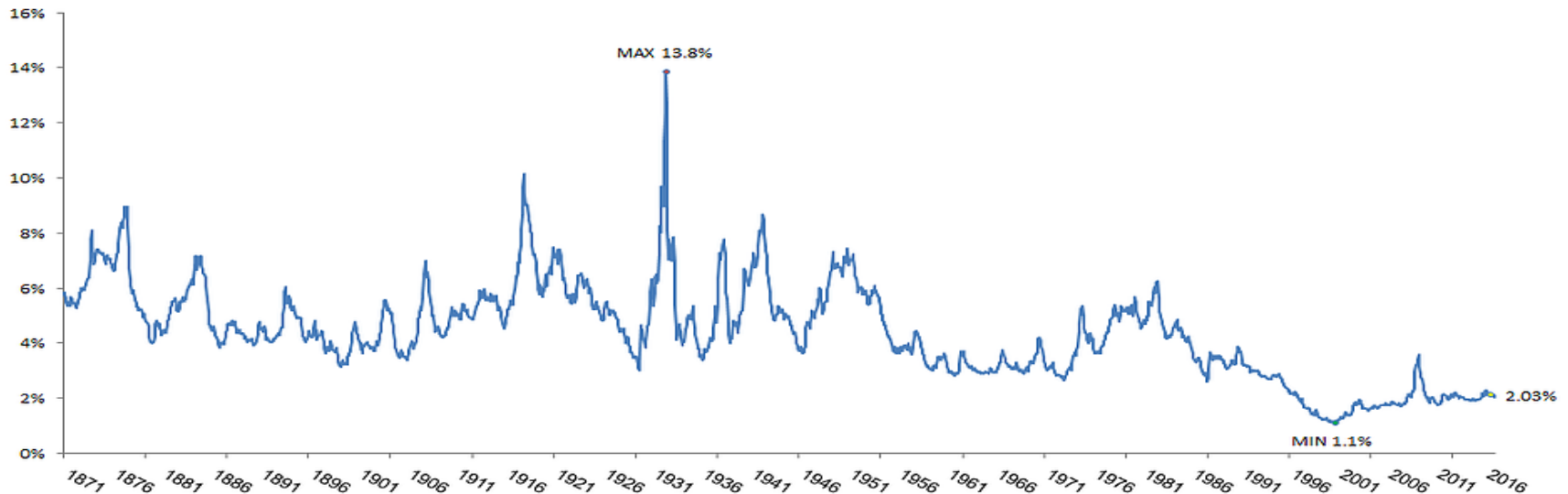


# Canadian Investors' Course



## S&P 500 Dividend Yield

JANUARY 31, 2017



source: [Robert Shiller online data](#)

now: 2.03%

average: 4.4%

min: 1.1%

max: 13.8%

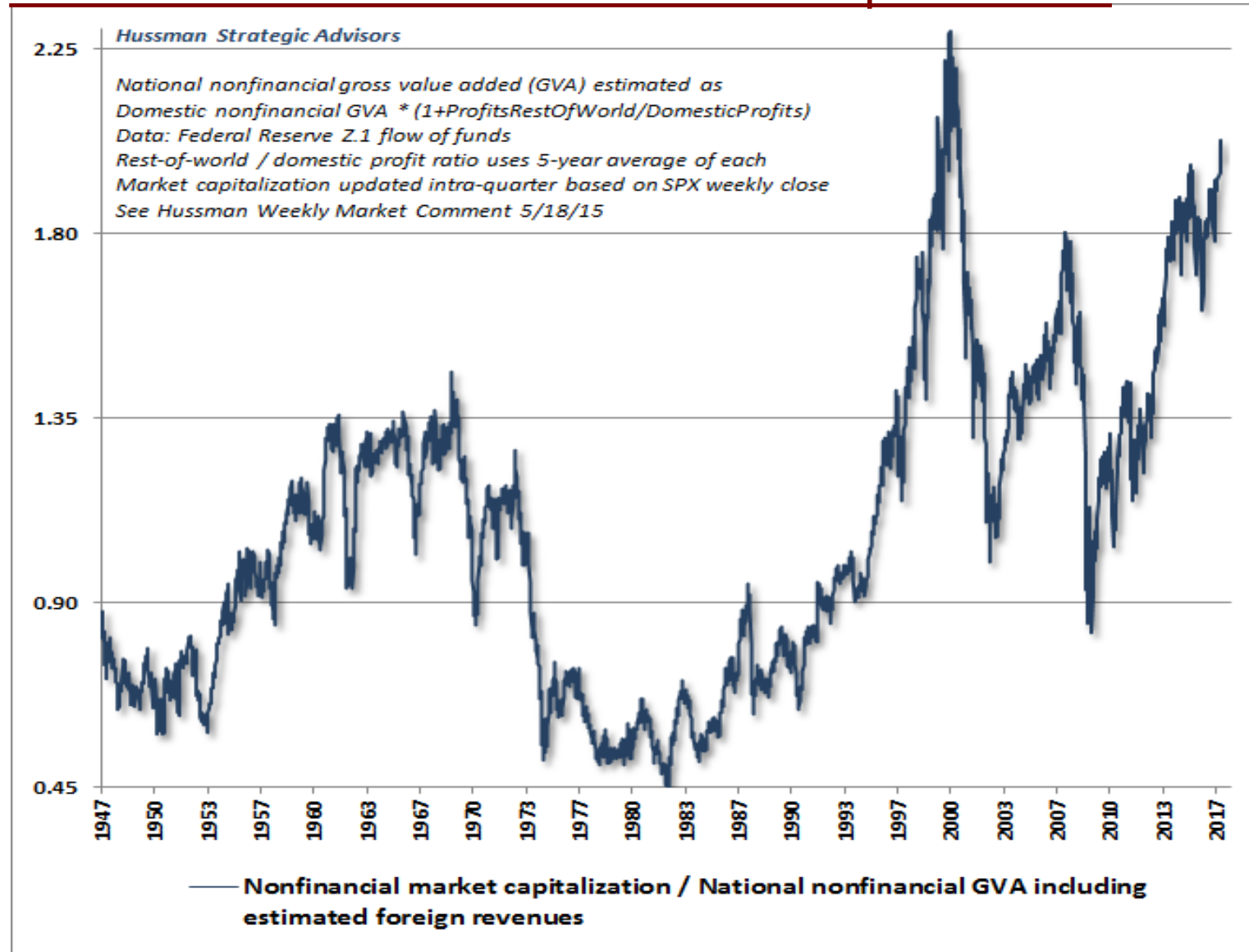
Dividend yield is the average annual dividend paid by the S&P 500 stocks dividend by the index price.



# Canadian Investors' Course



## Hussman's Non-Financial Market Capitalization





# Canadian Investors' Course



Each month, Trusted Wealth Professionals will update a few of these Measurements in our Golden Swan newsletter. 

You are welcome to sign-up for this free monthly newsletter.

## RULE YOUR WEALTH !



# Canadian Investors' Course



**Gerry Gabon**

P. Eng (retired), MBA

[AskGerry@TrustedWealthProfessionals.com](mailto:AskGerry@TrustedWealthProfessionals.com)

905-203-1162



**To connect with a local Wealth Professional, please enter your postal code on the website listed below.**

**[www.TrustedWealthProfessionals.com](http://www.TrustedWealthProfessionals.com)**