Like Rip Van Winkle, imagine you went to sleep on October 9, 2007 and didn’t wake up until yesterday. On 10/9/2007, equities were at record highs: 14,165 for the Dow Jones Industrial Average and 1,565 for the S&P 500.

You slept right through a housing bust, a financial panic, the deepest recession since the Great Depression, the passing (and upholding) of Obamacare, multiple bouts of debt-limit brinkmanship, two fiscal cliffs, the European financial “crisis,” a tsunami in Japan, the BP oil fiasco, and a long list of other media-obsessions over the past 67½ months.

You woke up, and the Dow and S&P 500 were up 8.4% and 6.5%, respectively, from when you fell asleep, with both at new record highs. Including dividends, the S&P 500 has returned 3.3% per year since you went to sleep, while consumer prices rose 2% per year and short-term rates averaged 4.5%.

Now…imagine that no one would tell you what happened in the past six years. All you could do was compare current market data to what it was when you fell asleep. Would you buy equities, or sell them?

Corporate profits rose 34% during the deep sleep, so Price-to-Earnings (P-E) ratios are lower. Short-term interest rates were 4%, now they are near zero; yields on long-term Treasury notes were 4.5% back then, and now below 2%. Gold has jumped from $740 per ounce to $1,350; oil from $73 per barrel to $96.

In a nutshell, relative to fixed income and commodity markets, equities look significantly cheaper today than they did in 2007. There is even more reason to buy.

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