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

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.