Turning Point Analytics utilizes a time-tested, real-world strategy that optimizes the client's entry and exit points and adds alpha. TPA defines each stock as Trend or Range to identify actionable inflection points.

"In the short run, the market is a voting machine, but in the long run, it is a weighing machine." - Benjamin Graham

WORLD SNAPSHOT – COMMENTS & CHARTS Tuesday, November 16, 2021

General comments first and macro tables at the bottom. *Links for Explanations of Technical terms at the bottom of the report.*

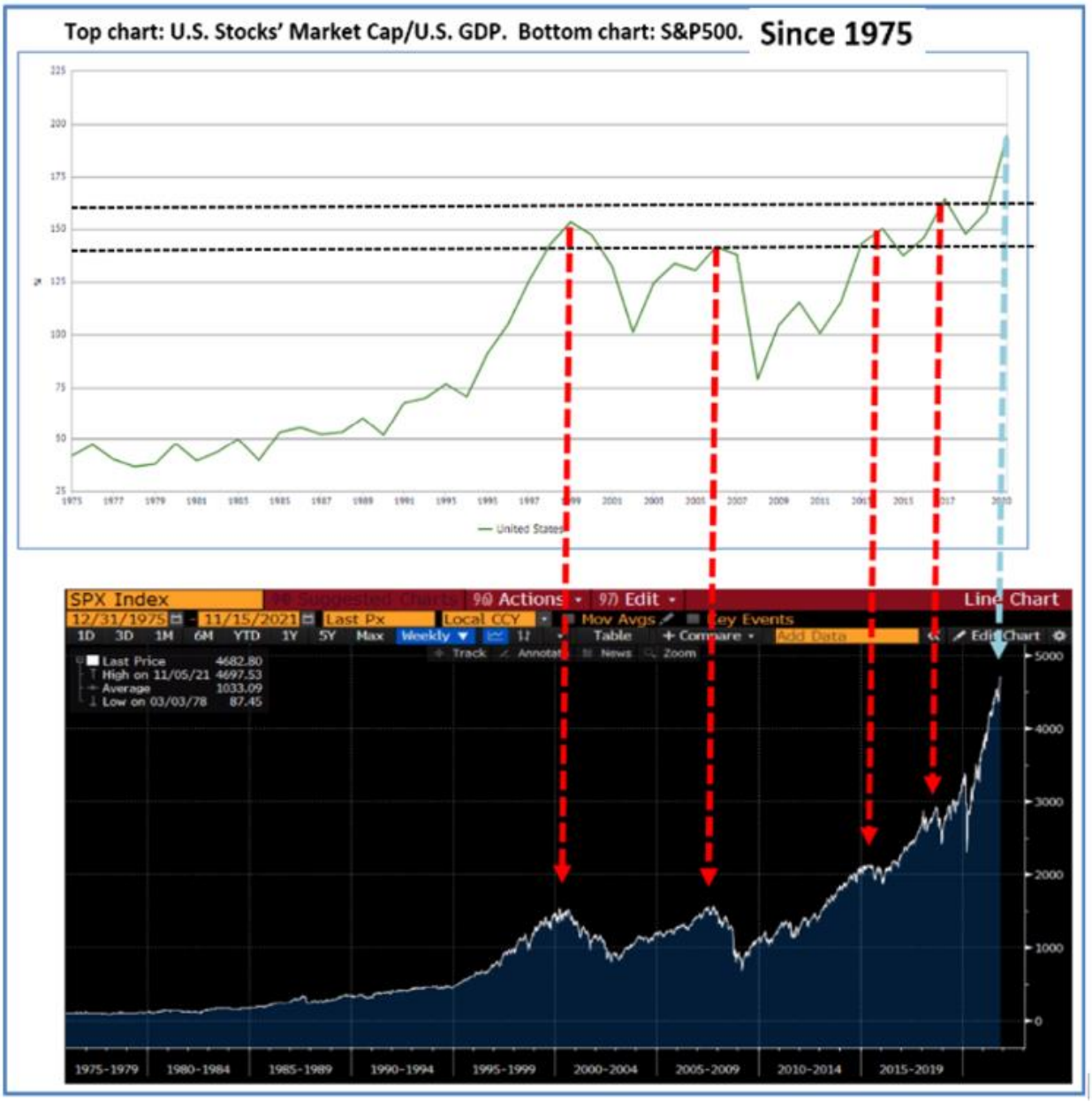
STOCK MARKET CAP TO GDP RATIO IS IN THE HISTORIC DANGER ZONE

U.S. 3rd quarter GDP was $23.17 trillion (annualized). The Russell 3000's (98% of all public companies) market cap is $51.08 trillion. That means the U.S. stock market cap to U.S. GDP ratio is now at 220%. The chart below shows that previous high points of stock market/GDP have been long term signals of an overpriced stock market and a precursor for an eventual correction. These corrections occurred in 2000, 2008, 2016, and 2018.

Of course, TPA is not blind to the myriad of mitigating factors that have help cause the highest U.S. stock market cap to GDP ratio in the past 50 years:

1. **Low interest rates** make bonds a bad-looking alternative to stocks and allow ready access to cheap cash
2. **Lack of housing** means that those with money, especially young people, don't have this alternative way to spend, which has normally tied up monthly cashflows.
3. **Decades of easy money** has put cash in the hands of millions of Americans.
4. **Substantial government cash payouts** have put cash in the bank accounts of many Americans at a time when they have few ways to spend it.
5. **Supply constraints** have limited the goods that people can buy – once again freeing up cash for stocks.

With the preceding factors in mind, clients should still feel a bit queasy as they invest in this rarified air. Questions about corrections are not a game of if, but of when. Although we cannot see the trigger for a sell-off yet, that is not uncommon historically. Valuations never seem to matter in the present, they usually only make sense in retrospect.



Sources:

- *www.bloomberg.com*
- *https://knoema.com/atlas/United-States-of-America/topics/Economy/Financial-Sector-Capital-markets/Market-capitalization*
- *https://www.bea.gov/data*

CLICK ON LINKS BELOW FOR TECHNICAL INDICATOR EXPLANATIONS:

ASCENDING - DESCENDING TRIANGLE
BASING-TOPPING-CONSOLIDATION

ALWAYS REMEMBER: No strategy exists in a vacuum – always evaluate the relevant sector & market.
Over 80% of portfolio performance is determined by sector and market forces (Ibbotson & Kaplan study – January/Febuary2000)

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