

NOTHING EVER CHANGES

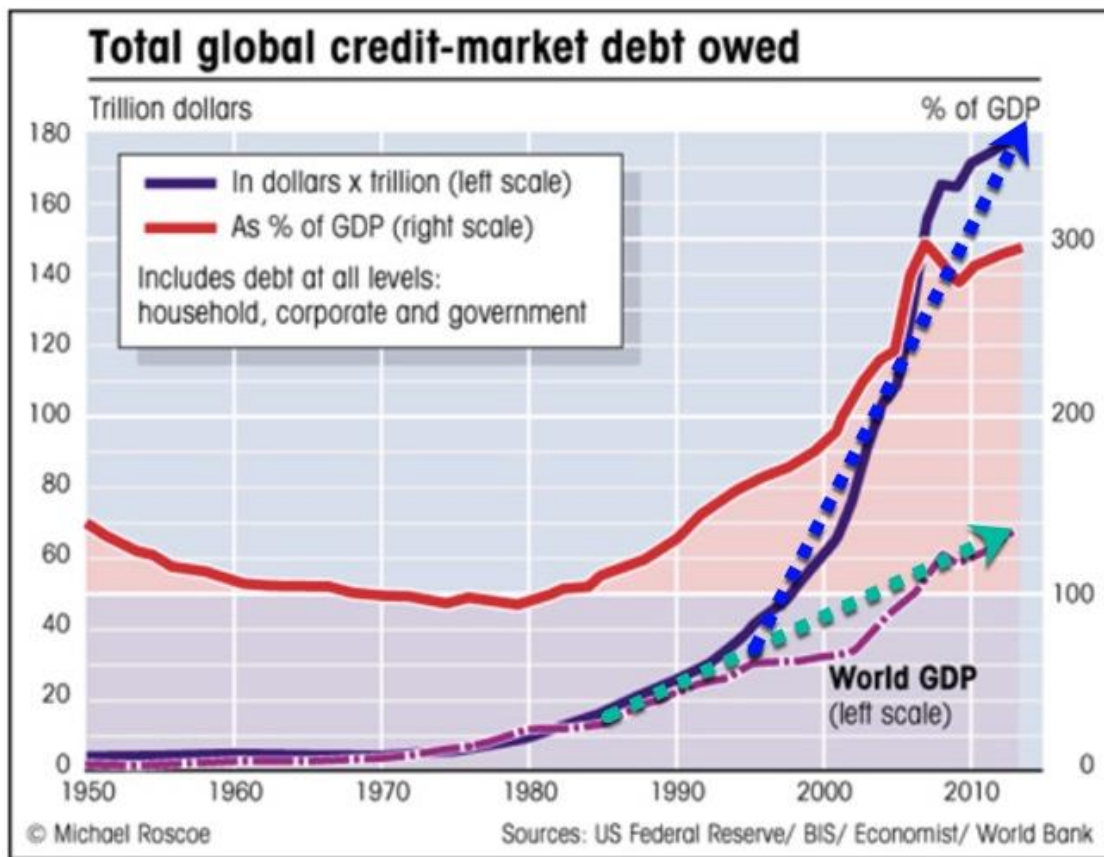
DON'S BLOG 2018.01.23

It seems to me the only way the stock market will go down is for me to become bullish. Do you know how it feels to be preaching doom and gloom and every day when I get on my computer this grossly overvalued market goes up and away? Of course, as mentioned previously, I don't have any money in the market. At least my money is where my mouth is, therefore I am consistent with my analysis. Small consolation—not that I regret not participating in the profits, I just hate being wrong. It's not good for my ego.

Not much more to write about. I am just amazed that the consensus can have so much faith in the wizards behind the curtains. The flooding of markets with sovereign debt can prop up the economy and financial market for just so long. You tell me. Look at the people running the world's governments and agencies. Do you really believe they know what they are doing?

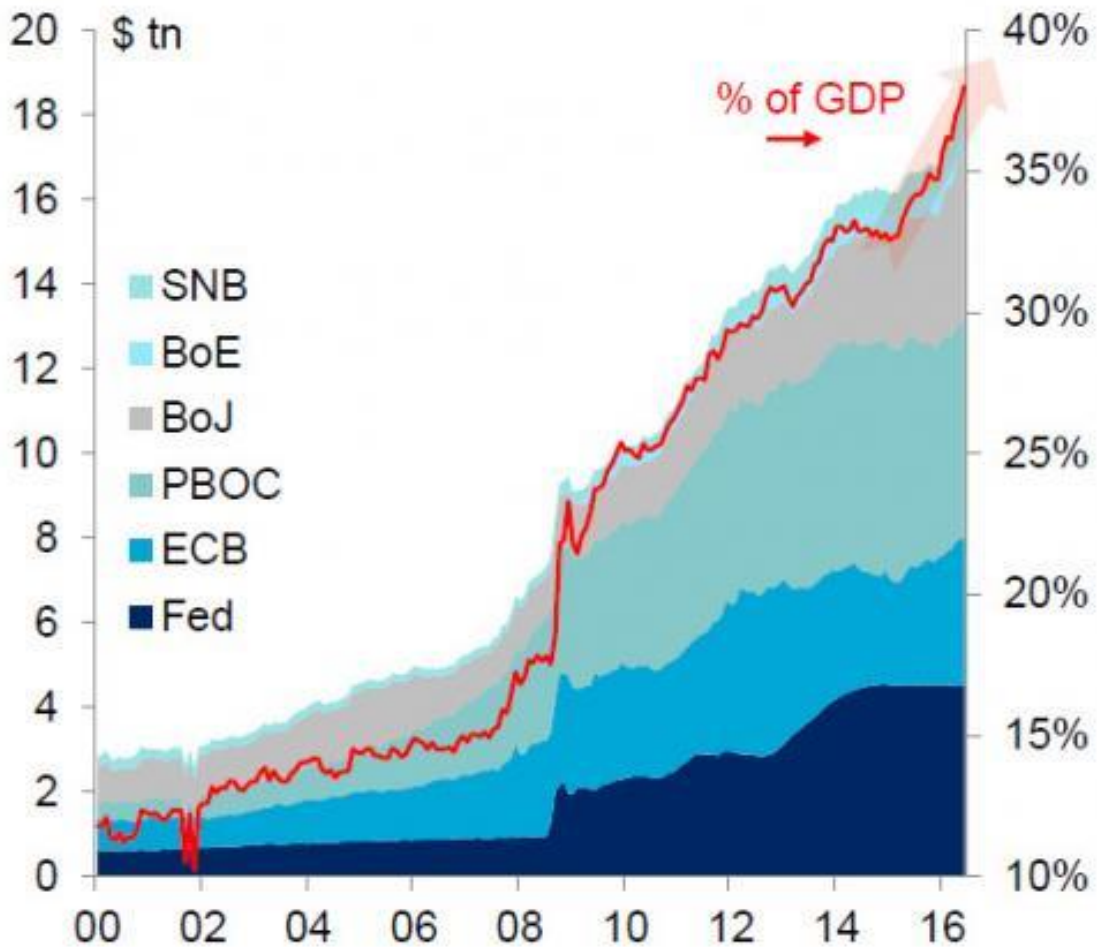
Charts to Ponder

Debt



More and more and more!

Aggregate balance sheet of large central banks, \$tn & % of GDP

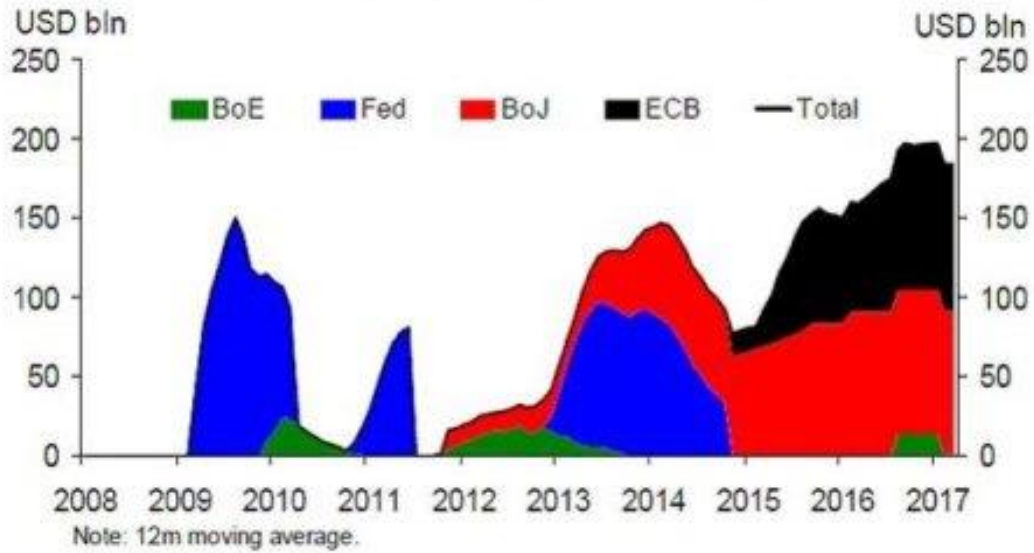


Source: Citi Research, Haver.

Still plenty of liquidity being added to markets:
ECB, BoJ, and BoE buying a combined \$200bn every month



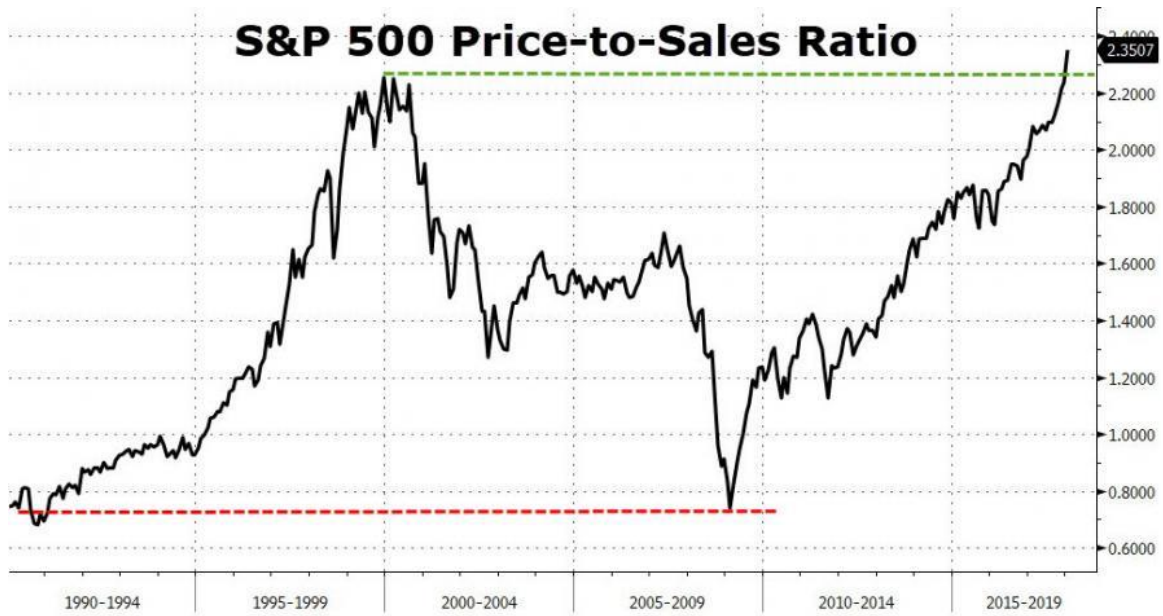
Monthly Fed, ECB, BoE, and BoJ asset purchases



Source : DB Global Markets Research

Valuations

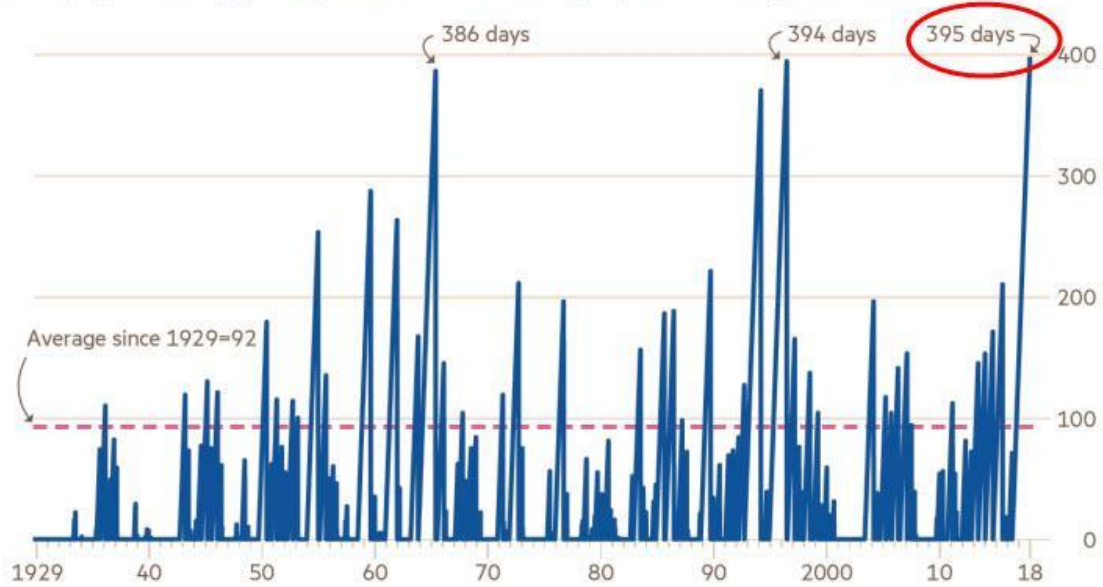
S&P 500 Price-to-Sales Ratio





The sea of tranquility

US equity market enjoys longer-ever streak of trading days without a 5 per cent setback



Source: Goldman Sachs
© FT

Total: 246 #201

Ticker	Company	Industry	Market Cap	▲ P/E
YELP	Yelp Inc.	Internet Information Providers	3.61B	192.46
SBAC	SBA Communications Corporation	Diversified Communication Services	19.30B	193.84
SLB	Schlumberger Limited	Oil & Gas Equipment & Services	106.94B	197.97
VRTX	Vertex Pharmaceuticals Incorporated	Biotechnology	39.04B	201.27
LGND	Ligand Pharmaceuticals Incorporated	Biotechnology	3.17B	216.42
ZBRA	Zebra Technologies Corporation	Diversified Machinery	6.48B	217.54
HAL	Halliburton Company	Oil & Gas Equipment & Services	46.09B	219.29
NFLX	Netflix, Inc.	CATV Systems	94.05B	220.14
HDB	HDFC Bank Limited	Foreign Regional Banks	87.74B	225.83
ULTI	The Ultimate Software Group, Inc.	Internet Software & Services	6.76B	232.30
MKL	Markel Corporation	Property & Casualty Insurance	15.52B	248.41
PXD	Pioneer Natural Resources Company	Independent Oil & Gas	31.49B	251.12
POST	Post Holdings, Inc.	Food - Major Diversified	5.30B	269.49
PCTY	Paylocity Holding Corporation	Application Software	2.64B	279.44
EQT	EQT Corporation	Independent Oil & Gas	15.76B	286.50
BBU	Brookfield Business Partners L.P.	Real Estate Development	4.72B	294.40
ANGI	ANGI Homeservices Inc.	Internet Software & Services	5.95B	303.49
GWRE	Guidewire Software, Inc.	Business Software & Services	5.67B	307.48
BIO	Bio-Rad Laboratories, Inc.	Medical Laboratories & Research	8.74B	316.59
AMZN	Amazon.com, Inc.	Catalog & Mail Order Houses	614.10B	326.86

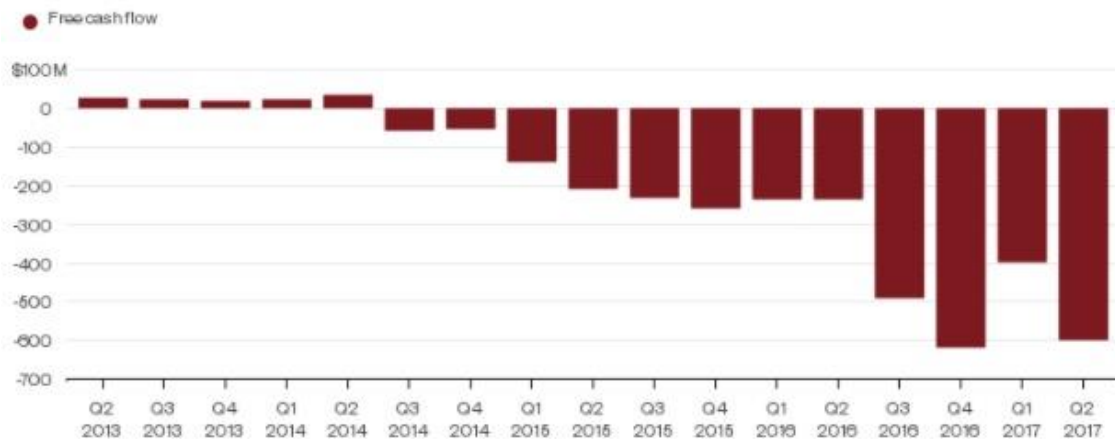
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Cash Bonfire

Netflix's free cash flow has turned negative in the last three years as the company spends on new programming and international expansion



Source: Bloomberg

Note: Free cash flow is cash from operations minus capital expenditures.

Bloomberg **Gadfly**

Déjà Vu All Over Again

“ Over the past 5 years, the revenues of S&P 500 technology companies have grown at a compound annual rate of 12%, while the corresponding stock prices have soared by 56% annually. Over time, price/revenue ratios come back in line. Currently, that would require an 83% plunge in tech stocks (recall the 1969-70 tech massacre). The plunge may be muted to about 65% given several years of revenue growth. If you understand values and market history, you know we're not joking.
– John P. Hussman, Ph.D., March 7, 2000

My comment - it's worse now!