



## Stocks: Consideration: USA

### Market Overview

Overall, reported earnings for the end of 2019 are approximately 0.6% below the previous year. This should lower fair values. However, revenues are ahead of last year by 2.7% which potentially could benefit earnings as we move through 2020. Stock prices seem to reflect this condition as overall market relative valuations moved up 6 points to 106.2% fair value (Fv). Large Cap moved the most advancing 10.9 points reaching 113.8% Fv while both Mid Cap and Small Cap moved back slightly by 0.8 and 1.9 points, respectively. Mid Cap is very close to valuation neutral at 97.6% Fv while Small Cap continues to struggle in an attempt to convince the market that future values will improve. The classification remains at a 10.5 point discount from fair value neutral.

Stock prices have moved down from their highs, but markets remain optimistic, even after considering the impact of the virus from China and a logistic disappointment in Iowa. The optimism is well placed, but may be slightly ahead of the market. Currently, 19.7% of the market is undervalued, but only 7.6% of the companies currently have strong enough fundamentals to be considered a BUY. There is a gap of approximately 12 points between the two measures. With revenues running ahead of last year there is good potential that the earnings will follow and the expectations will be met. If earnings do not increase, going forward, we could easily experience a lull or correction in market values as the imbalance adjusts. There is a high probability that the imbalance will be eliminated or reduced in 2020. Interestingly, market expectations are well matched with fundamentals on the overvalued side of the market.

U.S. Market Overall		
Name	Relative Value	Under/Over
iShares Core S&P 500 ETF	113.8%	<span style="color: red;">█</span>
iShares Core S&P Mid-Cap ETF	97.6%	<span style="color: green;">█</span>
iShares Core S&P Small-Cap ETF	89.5%	<span style="color: green;">█</span>
iShares Core S&P Total USStock	106.2%	<span style="color: red;">█</span>

Table 1: Relative Fair Value (Fv) for Total Market and for Each Major Market Capitalization Segment

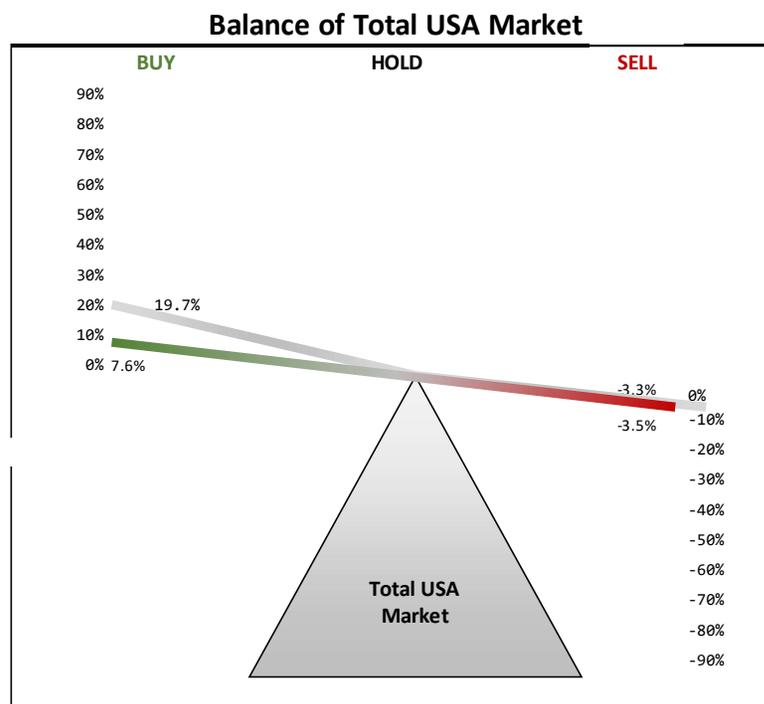


Figure 1: Comparison of Over/Under Value with Buy/Sell Consideration