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Headline: Inequality in Society Drives Stock-Market Performance

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Summary: Oliver Wyman has constructed a model of demand for stocks that tries to assess the effect of inequality and two other long-running shifts. These are the rise in willingness of pension-fund managers to hold stocks since the 1950s and the easier access to stocks for ordinary investors, both through lower fees and the popularity of funds. This “demand-weighted income” measure is then compared with household equity wealth to come up with something akin to a slow-moving price-to-earnings ratio. A price-to-inequality ratio won’t replace a simple price-to-earnings gauge. Inequality data are slow to be produced, so this can’t be used as a real-time indicator.

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