

Macro Roundup Article

Headline: [Are We in a Stock Market Bubble?](#)

Article Link: <https://www.linkedin.com/pulse/we-stock-market-bubble-ray-dalio-zpdre/>

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Publication	LinkedIn
Publication Date	March 01, 2024

Tweet: [@RayDalio](#) argues that the current US equity market “doesn’t look very bubbly. The market as a whole is in mid-range (52nd percentile). These levels are not consistent with past bubbles.”

Summary: I define a bubble market as one that has a combination of the following in high degrees: High prices relative to traditional measures of value (e.g., by taking the present value of their cash flows for the duration of the asset and comparing it with their interest rates). Unsustainable conditions (e.g., extrapolating past revenue and earnings growth rates late in the cycle when capacity limits mean that growth can’t be sustained). Many new and naïve buyers who were attracted in because the market has gone up a lot, so it’s perceived as a hot market. Broad bullish sentiment. A high percentage of purchases being financed by debt. A lot of forward and speculative purchases made to bet on price gains (e.g., inventories that are more than needed, contracted forward purchases, etc.). When I look at the US stock market using these criteria it—and even some of the parts that have rallied the most and gotten media attention—doesn’t look very bubbly. The market as a whole is in mid-range (52nd percentile). These levels are not consistent with past bubbles. Related: The Current AI Bubble Is Bigger than the 1990s Tech Bubble and Five Easy Pieces and 2024 US Equity Outlook: “All You Had To Do Was Stay”

Primary Topic: Financial Markets

Topics: Financial Markets, GDP, Op-Ed/Blog Post

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