

# Hulbert Financial Digest

<http://www.marketwatch.com/premium-newsletters/hulbert-financial-digest>

Paul A. Strassmann, Investment Club, October 6, 2014

		Performance since 6/30/1980		
Rank	Newsletter	Annualized	Risk*	Sharpe Ratio**
1	Value Line Investment Survey (The)	12.5%	98.2	0.16
2	NoLoad FundX	12.6%	101.8	0.16
3	Prudent Speculator (The)	15.9%	209.8	0.14
4	Dow Theory Forecasts	10.3%	87.9	0.13
5	Chartist (The)	10.7%	116.2	0.12
6	Outlook (The)	8.6%	80.4	0.10
7	Doug Fabian's Successful ETF Investing	7.0%	68.1	0.07
8	Value Line Special Situations Service (The)	6.2%	169.5	0.05
9	Dines Letter (The)	5.2%	193.4	0.05

### Benchmarks

Wilshire 5000 Total Return Index	11.6%	100.0	0.14
----------------------------------	-------	-------	------

# Hulbert Long Term Performance Ratings for >250 Newsletters

A-C

## Performance Ratings Through June 30, 2014

	TOTAL RETURN (all returns > 1 year annualized) <sup>1</sup>										RISK-ADJUSTED <sup>2</sup>				
NEWSLETTER (Portfolio)	6 Mo	5 Yr	10 Yr	15 Yr	Overall <sup>3</sup>	Since	Risk <sup>4</sup>	# secs <sup>5</sup>	Clarity <sup>6</sup>	Correl. <sup>7</sup>	6 Mo	5 Yr	10 Yr	15 Yr	Overall <sup>3</sup>
AI Market Forecast (Average)	0.8	22.0	7.0	—	6.1/4.5	12/31/99	1.38 Hi	—	—	0.84	0.06	0.34	0.10	—	0.09/ 0.07
*a. AI Fidelity Fund Portfolio	2.5	20.0	10.4	—	7.3/4.5	12/31/99	1.21 Hi	7(408)	C	0.87	0.14	0.34	0.16	—	0.11/ 0.07
b. AI Stock Portfolio	-0.9	23.7	3.3	—	4.5/4.5	12/31/99	1.65 VHi	20(174)	C	0.77	-0.02	0.33	0.06	—	0.07/ 0.07
The Aden Forecast (M)	7.4	9.5	7.7	5.4	4.1/8.6	12/31/95	1.01 Avg	25(98)	B	0.37	0.56	0.20	0.13	0.08	0.05/ 0.13
Alcosta Growth Report (M)	4.4	23.4	9.0	—	10.0/9.3	9/30/03	1.31 Hi	30(287)	A	0.77	0.15	0.36	0.13	—	0.15/ 0.17
*All Star Investor (Average) (M)	4.1	9.0	3.1	5.2	9.9/9.5	12/31/92	1.03 Avg	—	—	0.54	0.35	0.26	0.06	0.08	0.15/ 0.14
*a. ETF Sector Rotation	3.0	12.7	5.9	6.0	9.8/9.5	12/31/92	1.02 Avg	4(31)	A	0.56	0.21	0.30	0.11	0.09	0.15/ 0.14
ETF Sector Rotation -Timing Only	5.2(1.2)	13.5(1.8)	4.2(2.5)	2.5(3.4)	6.1(3.5)/9.5	12/31/92	0.69 Lo	—	—	0.83	0.39	0.36	0.08	0.03	0.10/ 0.14
*b. ETF Tactical Growth	0.3	9.5	4.6	—	5.9/10.5	1/31/03	0.76 Lo	6(77)	A	0.73	0.03	0.26	0.09	—	0.13/ 0.19
*c. ETF Dividend & Income Strategy	7.0	—	—	—	13.0/22.2	12/31/11	0.73 Lo	13(801)	A	0.85	0.63	—	—	—	0.53/ 0.64
*d. ETF Strategic Allocation	6.2	—	—	—	9.6/26.6	12/31/12	0.72 Lo	12(528)	A	0.78	0.64	—	—	—	0.44/ 0.81
Almanac Investor (Average)	9.6	14.2	5.3	4.6	5.4/9.4	12/31/93	2.08 VHi	—	—	0.42	0.55	0.41	0.10	0.07	0.07/ 0.14
a. Small-Cap Stock Portfolio	0.0	9.9	7.7	—	16.2/ 9.5	8/31/02	1.01 Avg	12(308)	A	0.40	0.01	0.30	0.16	—	0.28/ 0.17
*b. ETF Portfolio	10.7	15.0	0.2	—	1.9/ 9.5	8/31/02	1.49 Hi	5(24)	C	0.56	0.31	0.28	0.02	—	0.04/ 0.17
c. Mid-Cap Stock Portfolio	9.0	—	—	—	21.6/25.0	10/31/12	1.25 Hi	11(232)	A	0.67	0.45	—	—	—	0.57/ 0.80
d. Large-Cap Stock Portfolio	18.4	—	—	—	22.6/25.0	10/31/12	1.32 Hi	12(204)	A	0.50	0.66	—	—	—	0.56/ 0.80
e. Timing Only: S&P 500's Best 6 Months Strategy	0.8(1.0)	13.3(2.0)	7.5(2.0)	—	7.6(2.0)/8.0	5/31/02	0.64 Lo	—	—	0.63	0.07	0.43	0.18	—	0.19/ 0.14
The Alpha Investor Letter	1.9	8.7	—	—	9.2/23.2	2/28/09	1.12 Hi	15(43)	C	0.65	0.11	0.19	—	—	0.18/ 0.45
*Alpha Profit Fund Investors' Guide	0.7	15.2	—	—	7.0/10.1	8/31/08	1.06 Avg	7(164)	A	0.97	0.06	0.33	—	—	0.13/ 0.18
*AlphaProfit Sector Investors' Newsletter (Average)	7.5	21.3	9.3	—	10.2/8.3	12/31/03	1.23 Hi	—	—	0.92	0.47	0.37	0.15	—	0.16/ 0.15
*a. Fidelity Focus Portfolio	8.9	22.4	9.9	—	11.1/8.3	12/31/03	1.30 Hi	4(52)	A	0.88	0.52	0.38	0.15	—	0.17/ 0.15
*b. Fidelity Core Portfolio	8.8	22.1	9.5	—	10.0/8.3	12/31/03	1.18 Hi	10(143)	A	0.94	0.59	0.39	0.15	—	0.16/ 0.15
*c. ETF Focus Portfolio	6.3	—	—	—	30.0/26.6	12/31/12	1.49 Hi	4(53)	A	0.88	0.38	—	—	—	0.62/ 0.81

# Shiller CAPE Ratio Analysis

<file:///G%20Files/Investment%20Club/CAPE%20Ratio/CAPE%20Ratio%20Shiller%20Calculator.html>

**No Fee**

Paul A. Strassmann, Investment Club, October 6, 2014

## About the CAPE Ratio

- The CAPE Ratio or the Cyclically Adjusted Profit Earnings Ratio
- CAPE = Shiller Ratio, by 2013 Nobel Prize winner Dr. Robert Shiller.

## Shiller Analysis

Shiller analyzed the S&P 500 Index from 1871 to the current day to determine if the CAPE ratio would be effective and more accurate in determining if the market as a whole was overvalued or undervalued.



Source: <http://www.caperatio.com/>

# CAPE Ratio

## Calculator for Individual Stocks

---

The Cyclically Adjusted Price-Earnings (CAPE) ratio also known as the Shiller Ratio or the P/E 10 ratio was developed by Dr. Robert Shiller (who won the Nobel Prize for his work on 10/14/2013) and Dr. John Campbell in a paper written in 1988 and can be traced to the principles of Graham.

To find the CAPE Ratio value for an individual stock please insert the ticker symbol of the publicly traded stock that is desired. For Example: to search IBM insert IBM, or to search DuPont insert DD.

Calculate

## Applicability of Ranges of CAPE



**LOW**

A low value for the ratio that is below 15 or so can either indicate a good buy or a bad one depending on other factors. Strictly speaking a low value indicates a current stock price that is comparatively low compared to its earnings history.



**MID-RANGE**

A mid-range value for the ratio of roughly 15 - 25 generally indicates that the stock is currently priced accurately. Generally these stocks have not seen too much growth in recent years and will most likely continue this trend.



**HIGH**

A high value above 25 generally indicates that the stock is over priced in comparison to its earnings history. However in certain situations a high value simply means that within the last 10 years the stock has experienced high growth or is expected to in the near future.

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2329948](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2329948)

“On the Performance of Cyclically Adjusted Valuation Measures”



## Underpriced and Underpriced Stock Valuations

### CAPE Ratio For Individual Stocks On The S&P 500

August 17, 2014

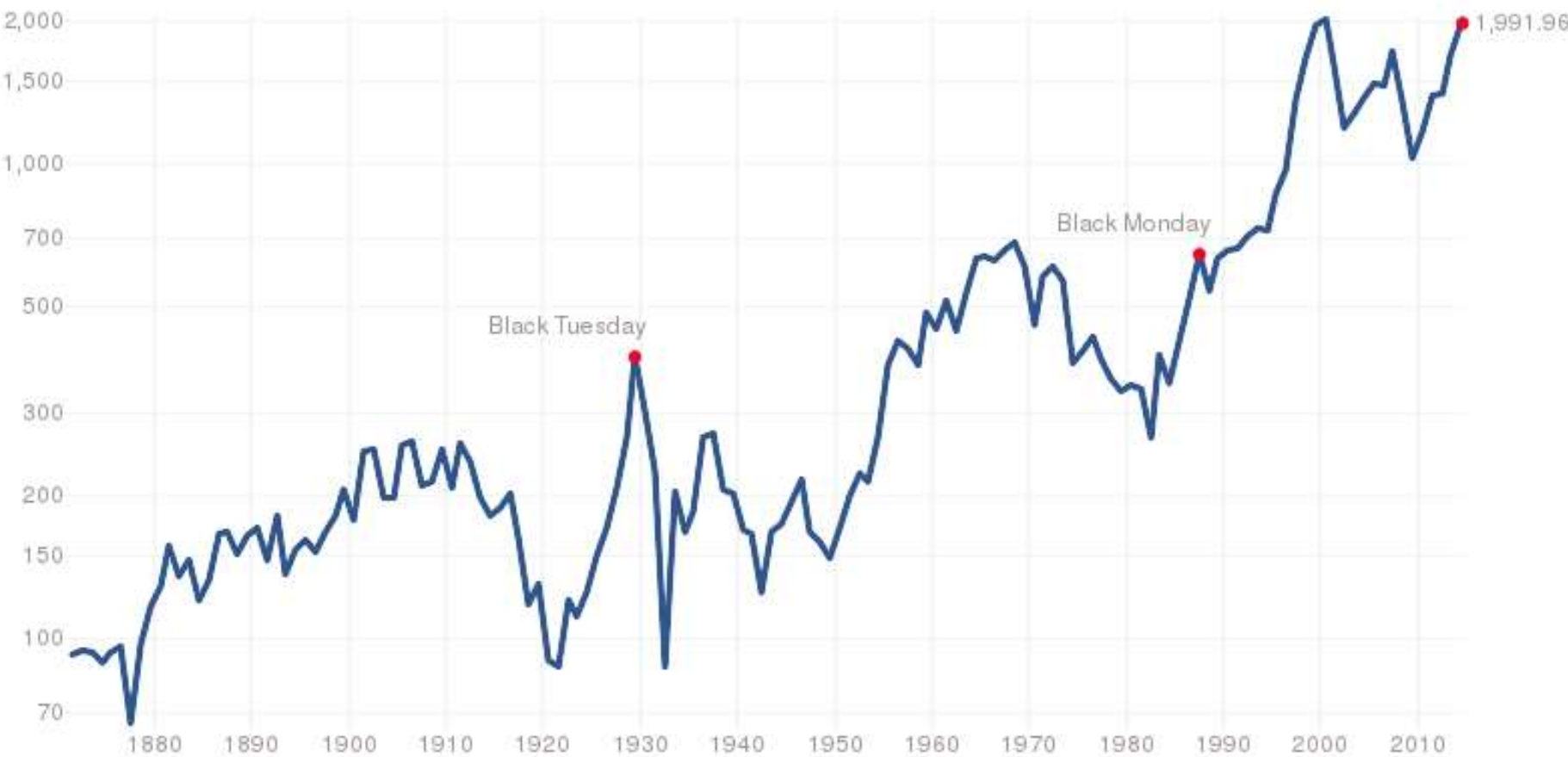
Symbol	Name	Last price	Mkt cap	Beta	EPS	P/E	CAPE
NLSN	Nielsen Hldg NV	47.54	18.08B	1.02	1.11	42.94	2.57
GM	General Motors Company	33.84	54.30B	1.71	1.24	27.39	3.81
C	Citigroup Inc	48.72	147.71B	1.90	2.94	16.56	6.06
DO	Diamond Offshore Drilling Inc	44.33	6.08B	1.29	3.05	14.51	7.35
BAC	Bank of America Corp	15.22	160.05B	1.67	0.62	24.38	7.74

OI	Owens-Illinois Inc	30.75	5.07B	2.15	1.34	22.93	254.76
AMZN	Amazon.com, Inc.	333.63	154.15B	0.98	0.38	876.70	255.82
NFLX	Netflix, Inc.	459.09	27.59B	0.95	3.33	138.00	278.48
EQR	Equity Residential	65.68	23.76B	0.80	0.55	119.58	282.39

## Recent History of S&P 500 Index : 1995-2014



# S&P 500 Real Price



[Chart](#) | [Table](#)

**Current Real Price:** 1,991.96 -2.33 (-0.12%)

10:30 am EDT, Tue Sep 23

# Historical CAPE Ratio Values



[Chart](#) | [Table](#) | [FAQ](#)

**Current Shiller PE Ratio: 26.33 -0.03 (-0.10%)**

11:31 am EDT, Fri Aug 22

**Mean:** 16.55

**Median:** 15.93

**Min:** 4.78 (Dec 1920)

**Max:** 44.19 (Dec 1999)

Shiller PE ratio for the S&P 500.

CAPE (Shiller P/E) Median: 15.97 Current: 25.2



Source: Standard and Poor's and Robert Shiller



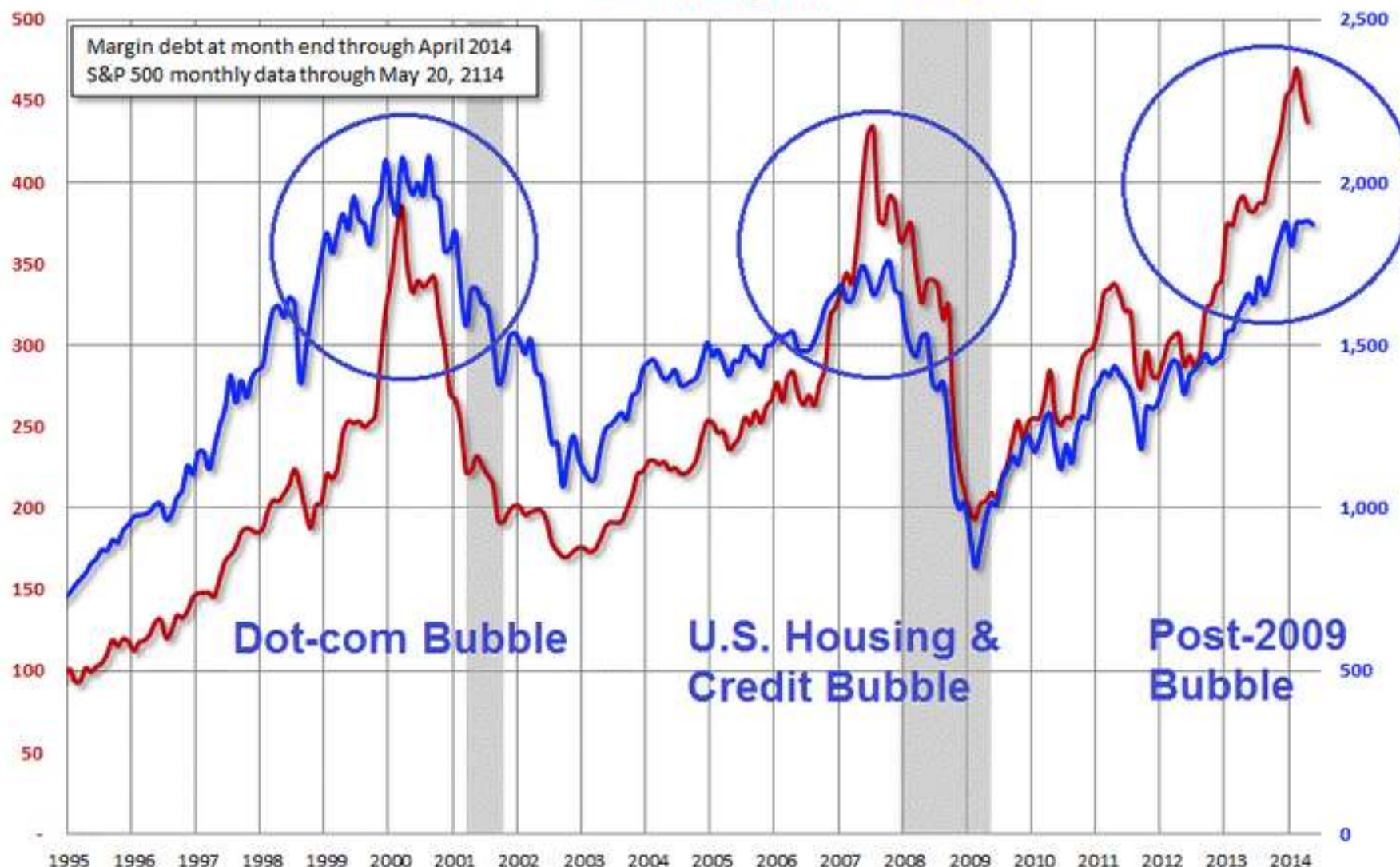
## NYSE Margin Debt and the S&P 500 Real Values (Adjusted to Present-Day Dollars)

Billions

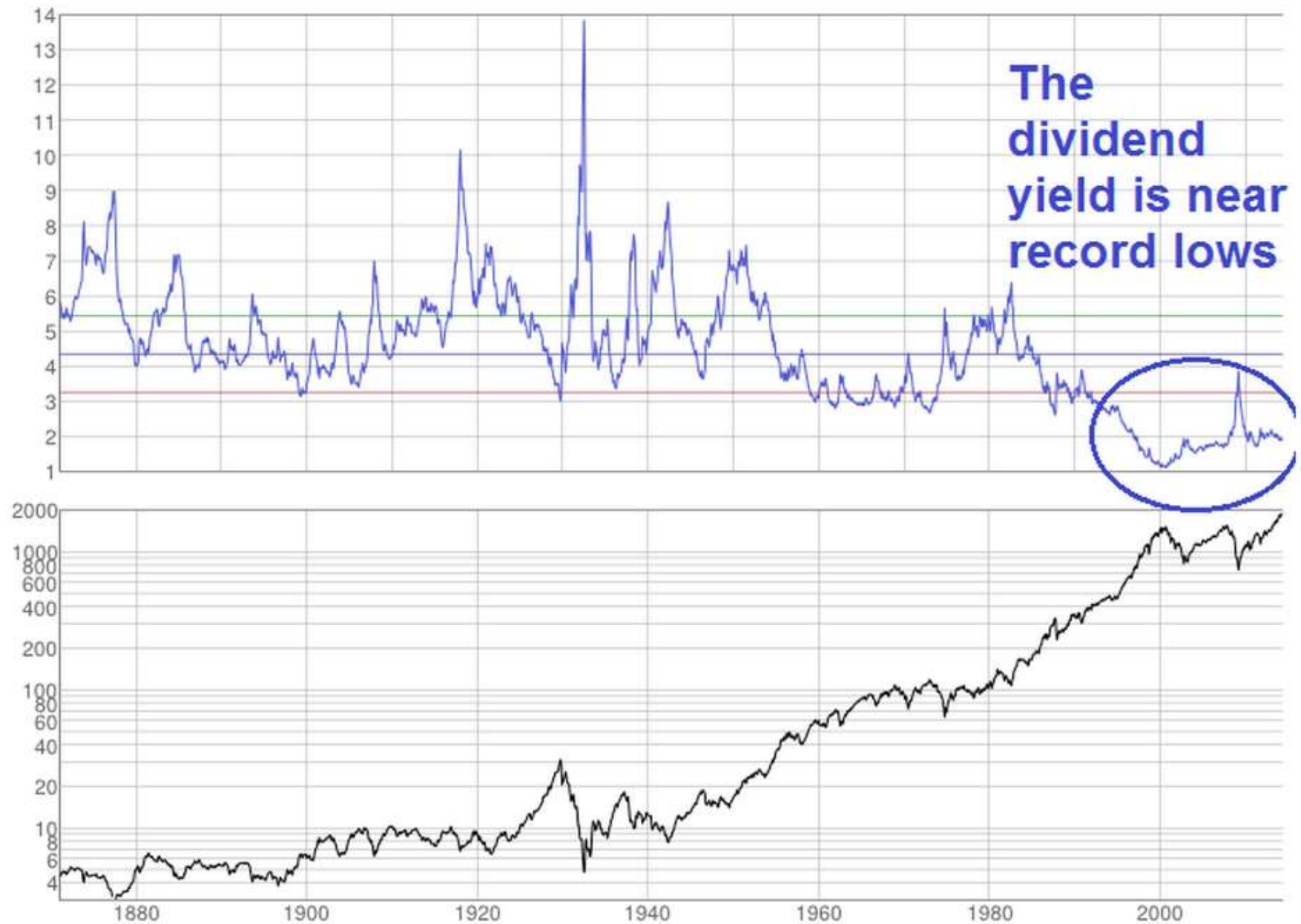
Recessions

NYSE Margin Debt

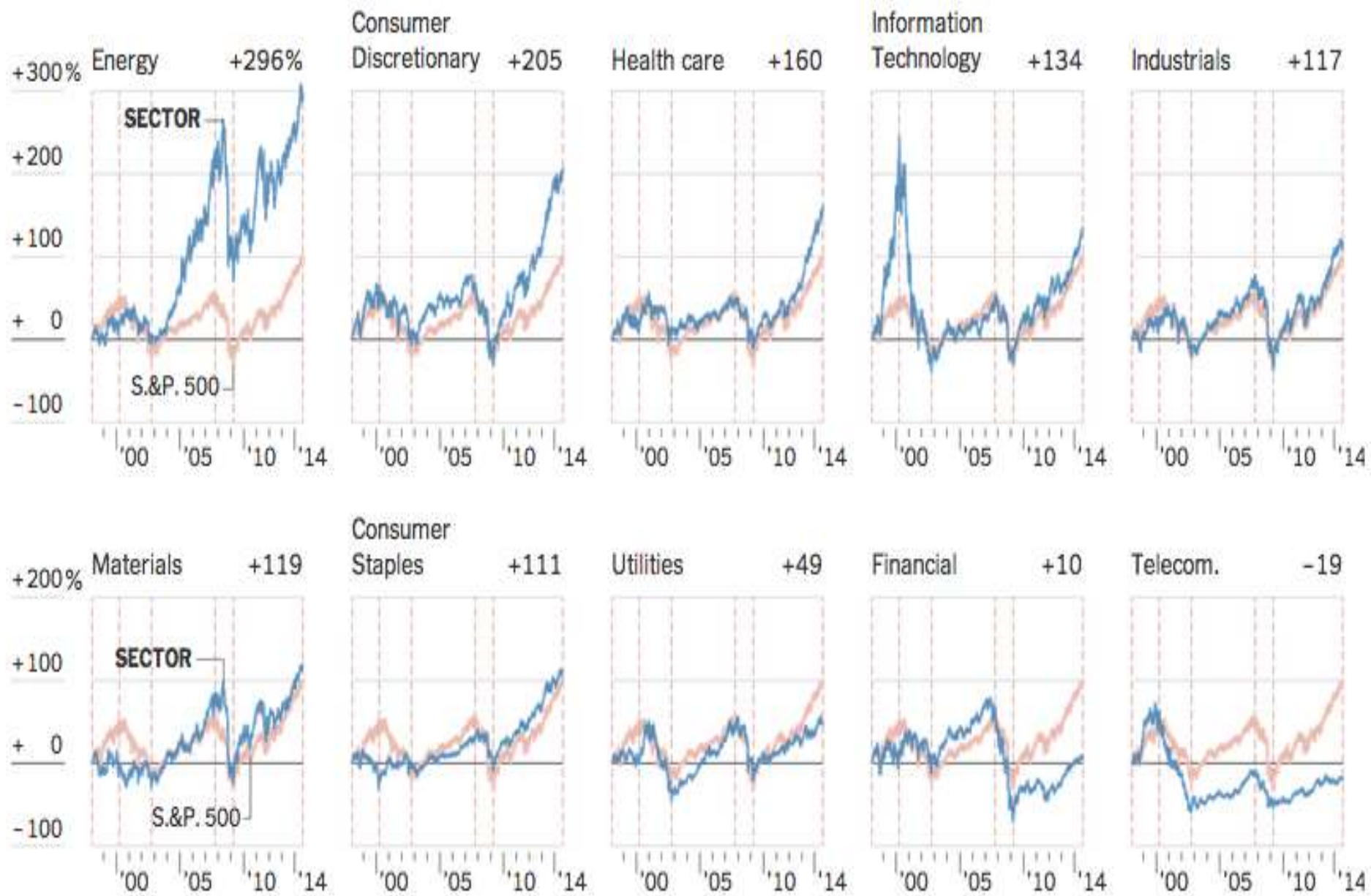
S&P 500



Dividend Yield    Median: 4.35    Current: 1.92



Source: Standard and Poor's and Robert Shiller



Sources: Bloomberg; Standard & Poor's

## Berkshire Hathaway Portfolio, CAPE Ratios and Prices

	<b>% of Portfolio</b>	<b>CAPE</b>	<b>Current Price</b>
American Express	13%	\$23.30	\$87.64
Coca Cola	18%	\$24.40	\$41.46
IBM	15%	\$20.40	\$191.28
Wells Fargo	21%	\$17.41	\$51.70
All Other Holdings	33%		
	100%		

## Strassmann Actual Portfolio

	CAPE
AVX	18.5
CAG	21.2
COH	15.8
CS	8.5
DE	16.5
ESV	9.6
FCX	25.8
GE	14.7
MDC	29.0
MOS	15.2
NM	7.5
ONB	13.4
PRU	18.8
SPTN	16.1
TDW	10.8
TGT	15.8



Max 20 Yr 10 Yr 5 Yr

Market Cap / GDP Median: 0.65 Current: 1.27



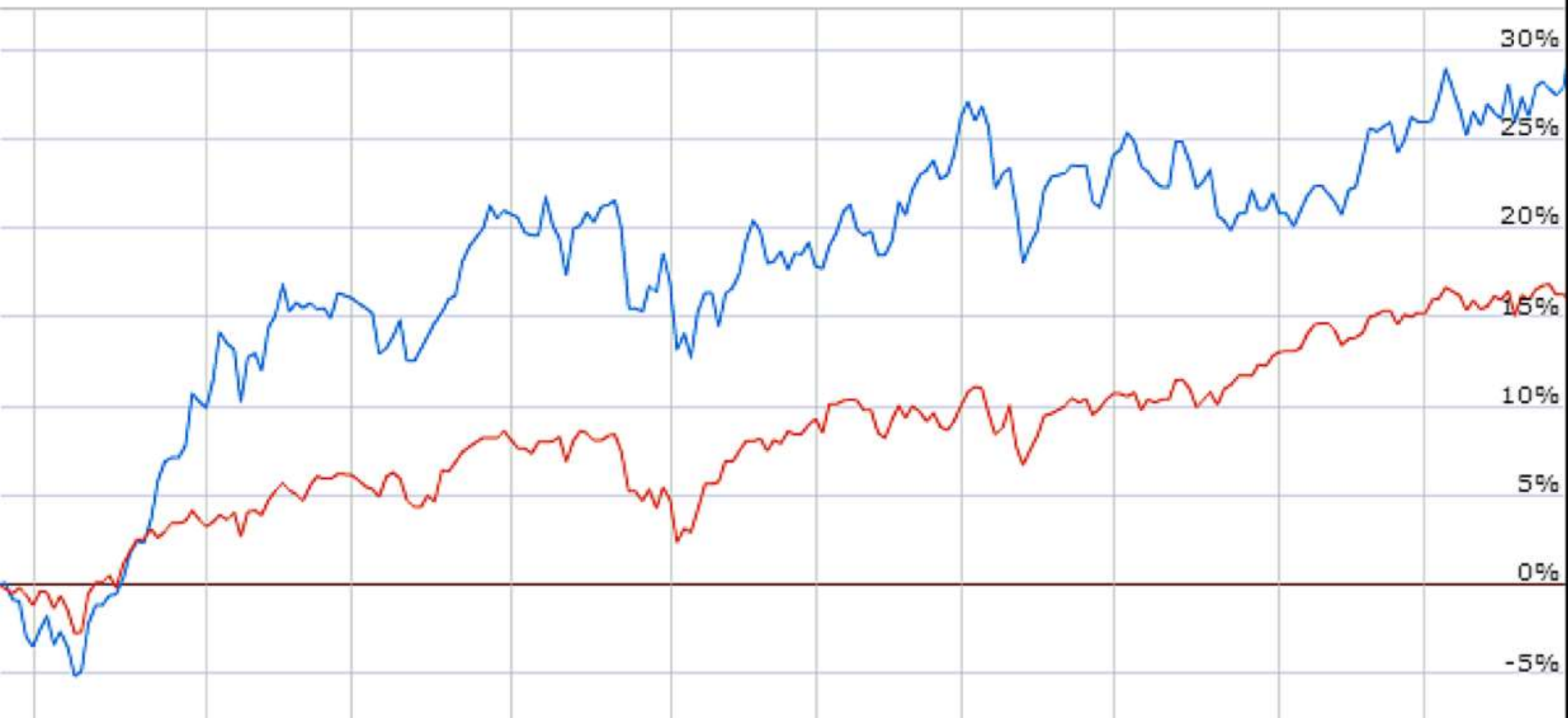
Source: Board of Governors of the Federal Reserve System and U.S. Bureau of Economic Analysis

## Bottom Ranked CAPE Perform Better

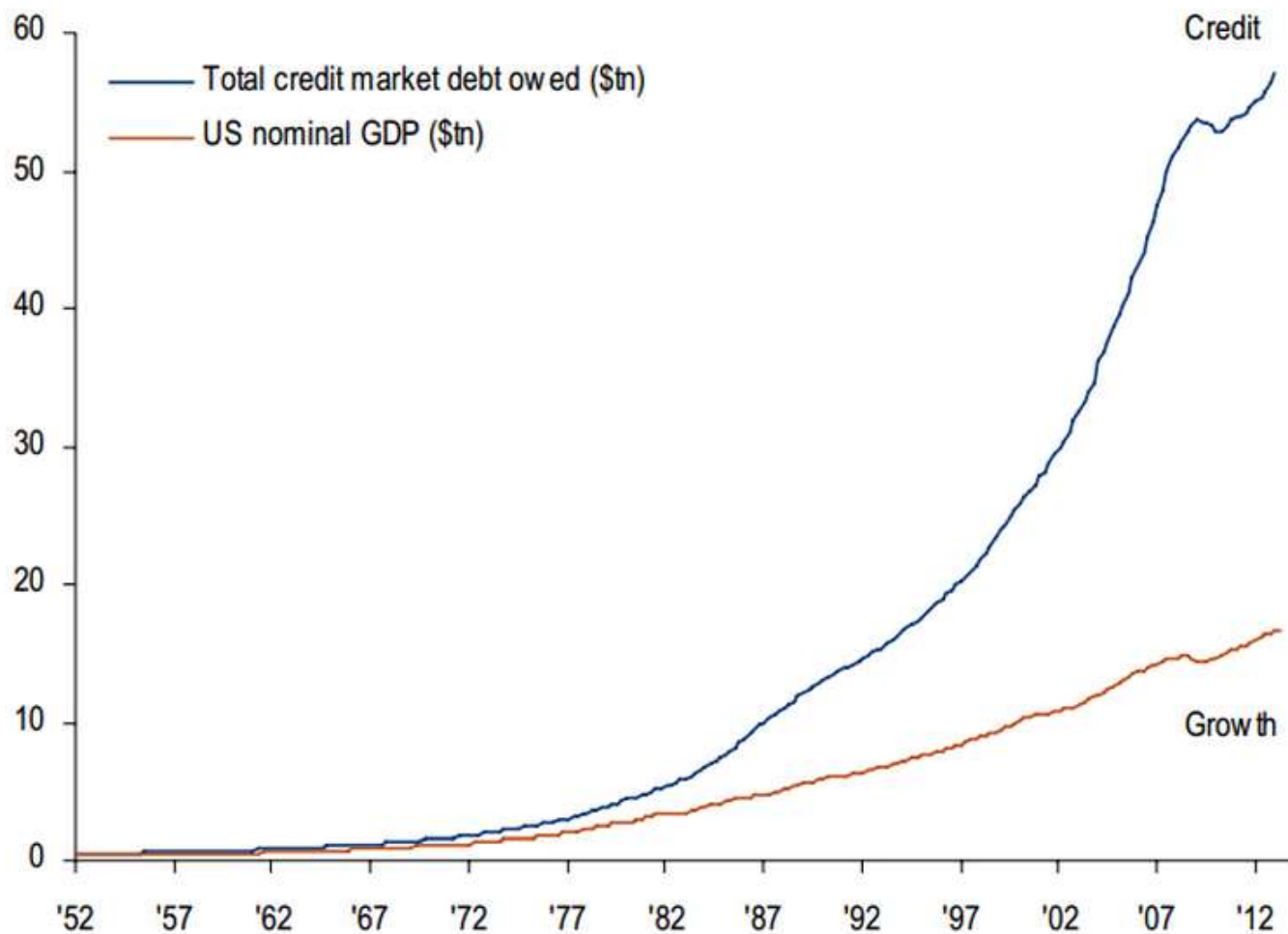
Zoom: [3m](#) [6m](#) [YTD](#) [1y](#) [5y](#) [10y](#) [All](#)

Sep 24, 2013 - Jul 29, 2014

● 10 - 9.24.13 +30.98% ● S&P 500 +15.75%

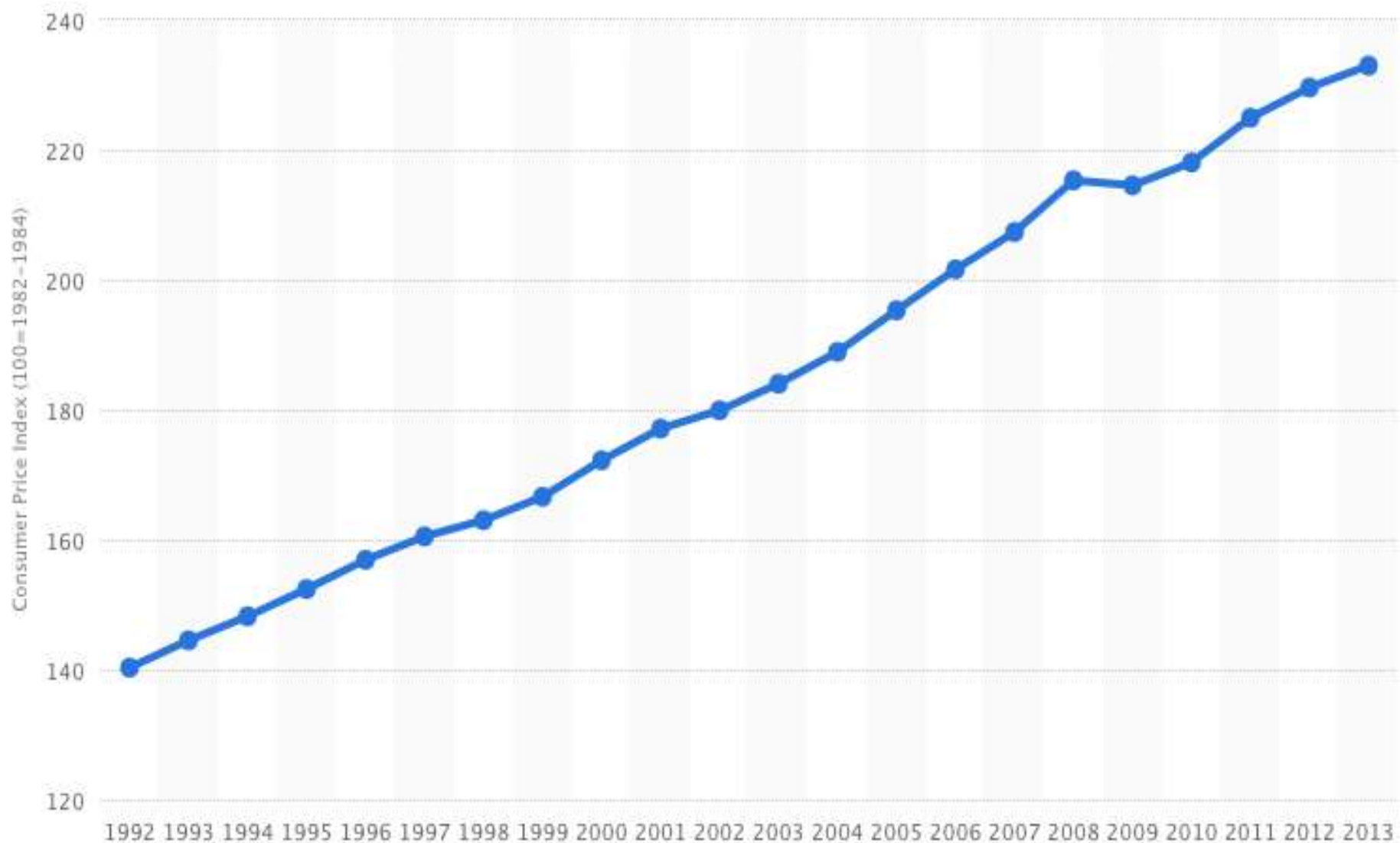


# US debt & GDP



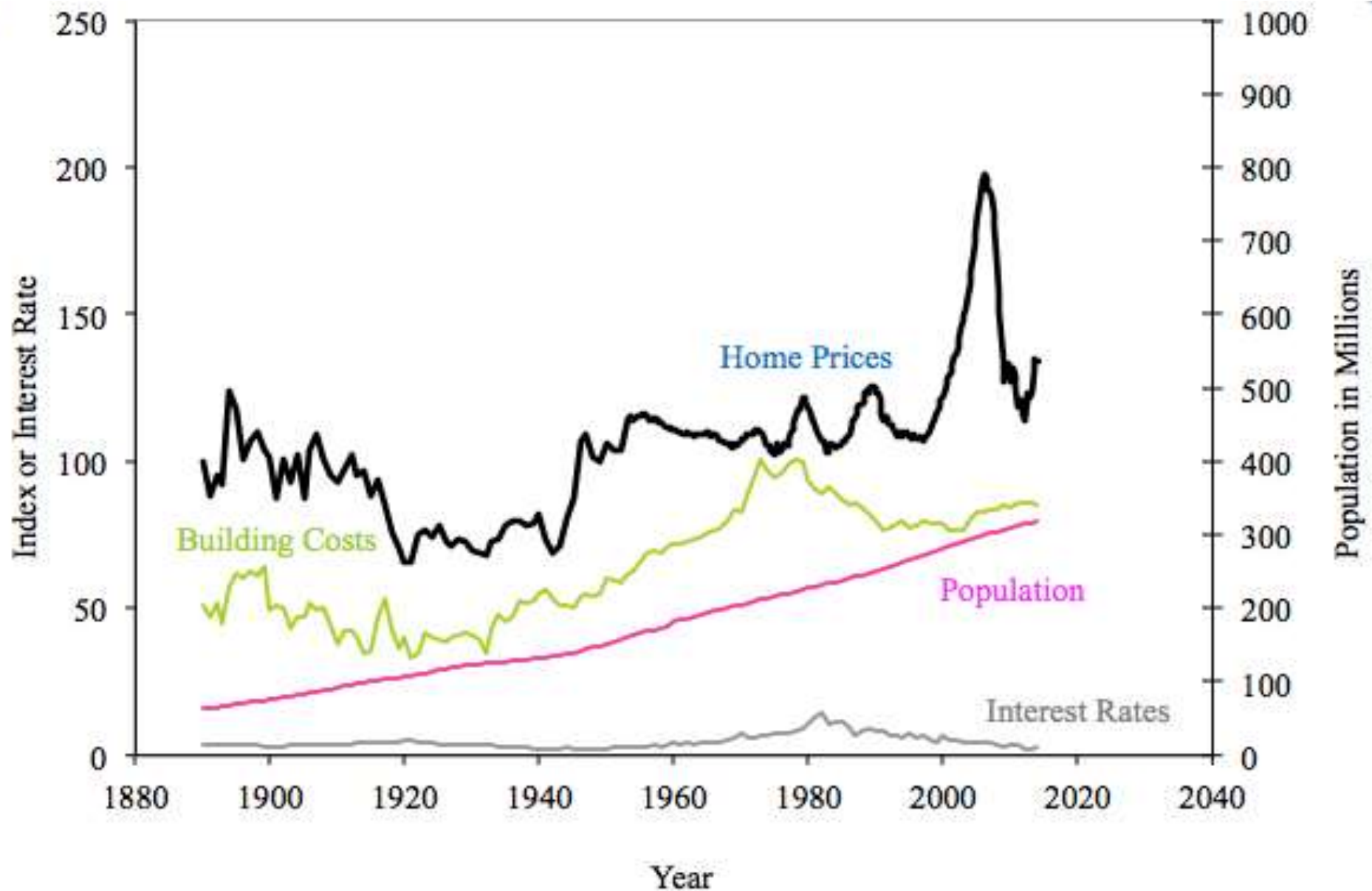
Source: BofA Merrill Lynch Global Investment Strategy, Haver

# Consumer Price Index (CPI) of all urban consumers in the United States from 1992 to 2013



1992 – 2013 Increase in Price Index = 66%   Increase in GDP = 69%

## Shiller Home Prices Index





## Cost of Living in New Canaan (zip 06840), Connecticut

[Overview](#), [People](#), [Health](#), [Economy](#), [Housing](#), [Rankings](#), [Climate](#),  
[Crime](#), [Comments](#), [Transportation](#), **Cost of Living**, [Religion](#), [Voting](#)

Cost of Living	New Canaan, CT	United States
<a href="#">Overall</a>	292	100
<a href="#">Grocery</a>	116.8	100
<a href="#">Health</a>	115	100
<a href="#">Housing</a>	650	100
<a href="#">Utilities</a>	138	100
<a href="#">Transportation</a>	123	100
<a href="#">Miscellaneous</a>	129	100

## Summary

- CAPE should be used as benchmark for investments
- Market is getting ready for a major correction
- Only selective long term investments for retirement
- Housing is overpriced and ready for correction
- Investment Club will track prudent investment methods