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The Case for a Multi-Decade Bear Market

Dave Collum | Cornell University

“Dear Cornell Students: Don’t learn economics from your chemistry professor”

MATT YGLESIAS, SLATE

**“I can think of no one better than
you, Dave, to fill the void of an
increasingly undistinguished
profession of economists”**

STEPHEN ROACH, FMR. EXECUTIVE DIRECTOR, MORGAN STANLEY

“Dave: You **do** lack self control”

LARRY SUMMERS



#INVESTING

An Ivy League professor who nailed the financial crisis says another 'colossal disaster' is on the way — and warns of a 50% market crash

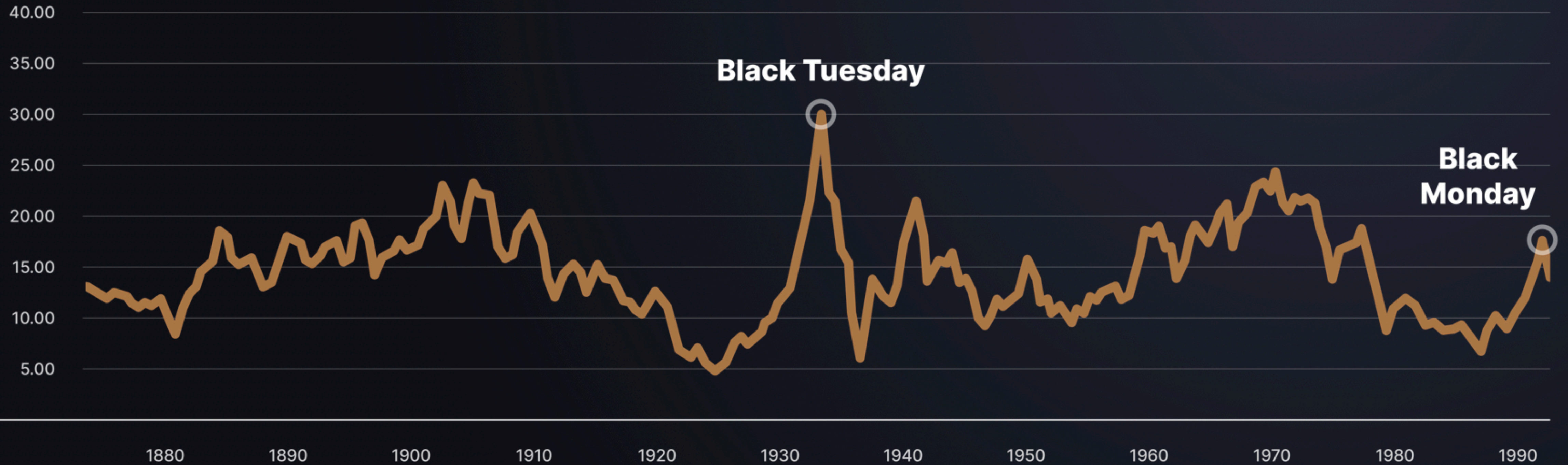
⚡ Business Insider - Christopher Competiello

Sentiment Indicators



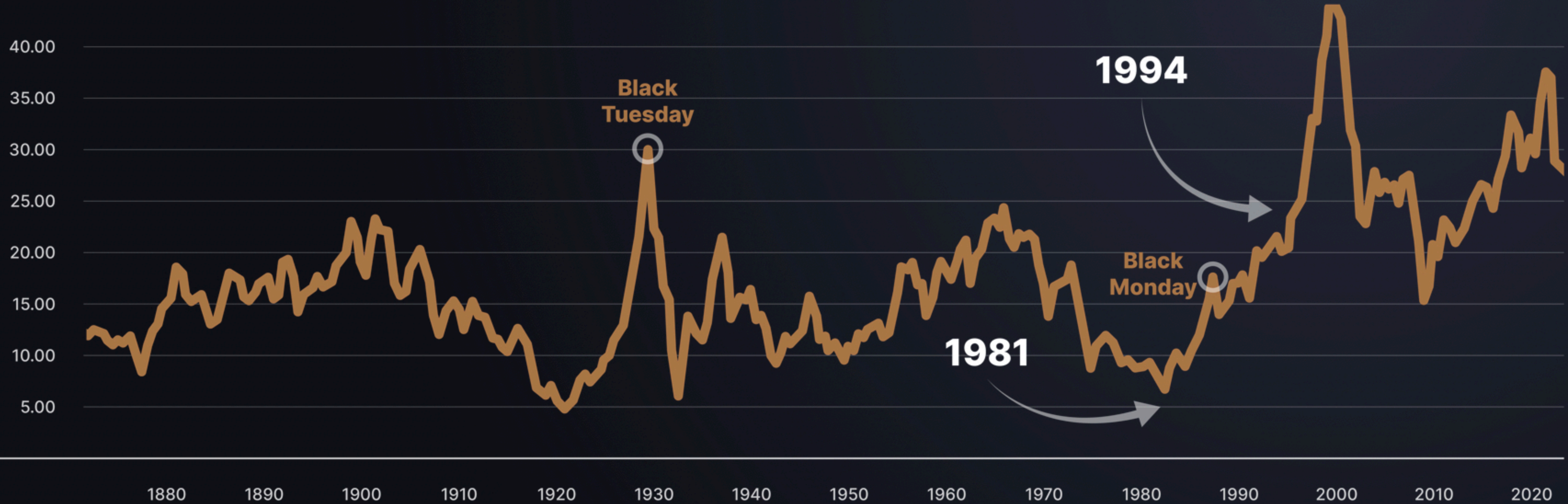
Valuations

Shiller PE Ratio



Valuations

Shiller PE Ratio



Valuations

Stock Price / Sales Ratio **Highest in Ten Years**

S&P 500 INDEX PRICE / SALES RATIO



Source: Bloomberg as of Dec. 2, 2000

Ratio Since 1900



● Quarterly Data ● Annual Data

Source: advisorperspectives.com, May 2021

Average of the Four Valuation Indicators

WITH STANDARD DEVIATIONS HIGHLIGHTED



Source: advisorperspectives.com, December 2021

Hussman Strategic Advisors

NATIONAL NONFICTIONAL CORPORATE GROSS VALUE ADDED



Source: Federal Reserve Z.1 flow of funds

Valuations

Working Hours to Buy the S&P 500



Wilshire Total Market Cap Index



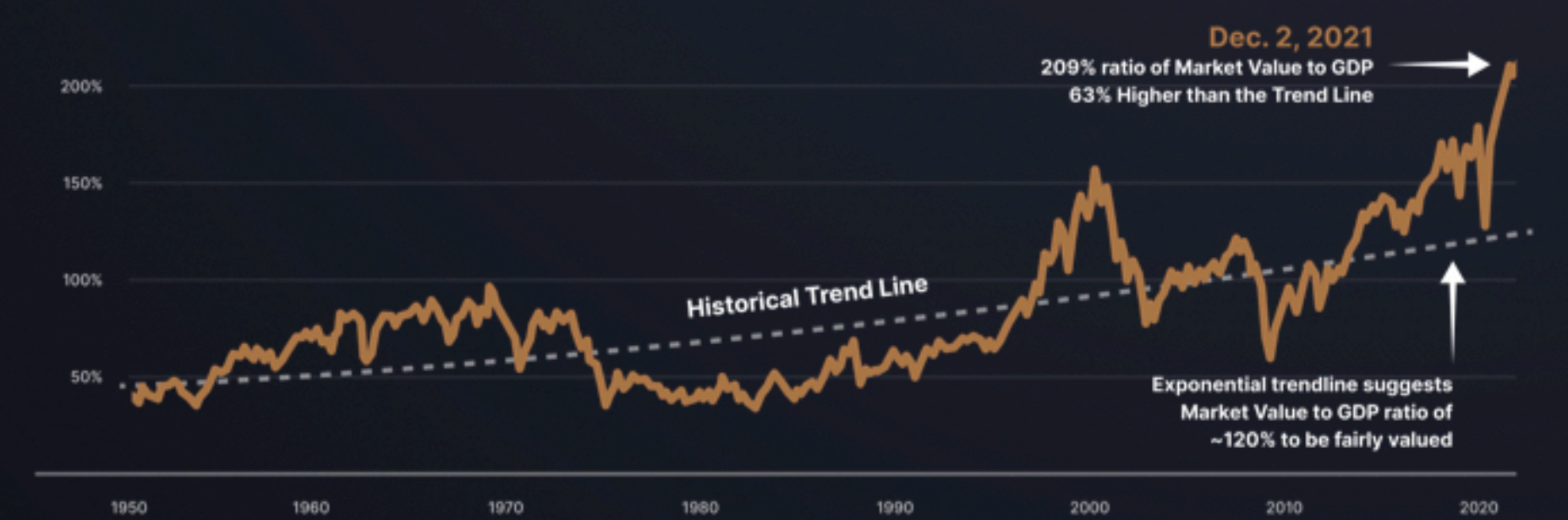
Source: Wilshire Total Market Index, BEA

S&P 500 Price / Revenue Ratio



Source: Bloomberg

Buffett Indicator: Composite Market Value to GDP



Source: Bloomberg

40 Years of **Recency Bias**

- **Since 1981...**
 - Rooskies needed capital: sold resources
 - China needed capital: sold labor
 - Interest rates dropped from 15% to 1%
 - Global debt-to-GDP rose 2.3x
 - Boomers flooded the workforce
 - Tame domestic and global politics
 - Debt-based share buybacks
 - Passive investing
 - Superstocks

**“The age of financial
assets is over”**

MURRAY STAHL, HORIZON KINETICS

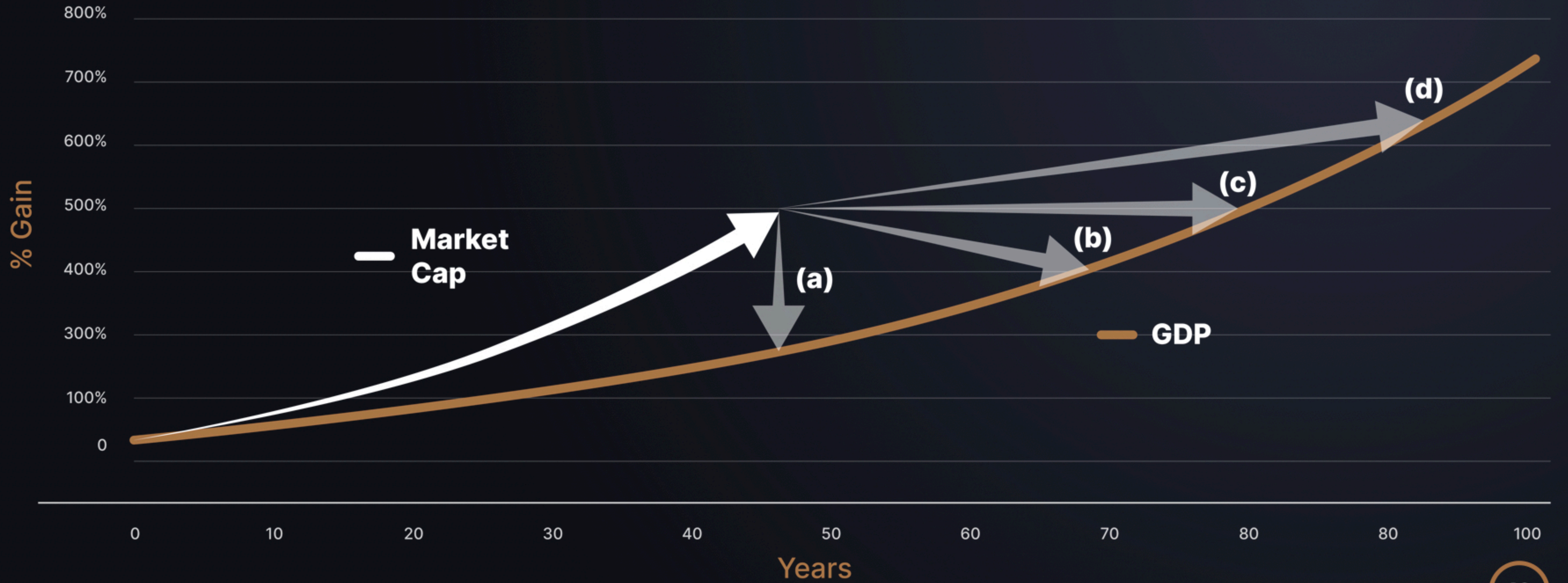
Compounded **Valuations**

- Valuations compounded $>3\%$ annualized for 40 years.
- What if this reverses to -3% annualized for 40 years?

Corrections

- A correction must correct
 - Price
 - Investor attitudes
- V-bounces correct neither

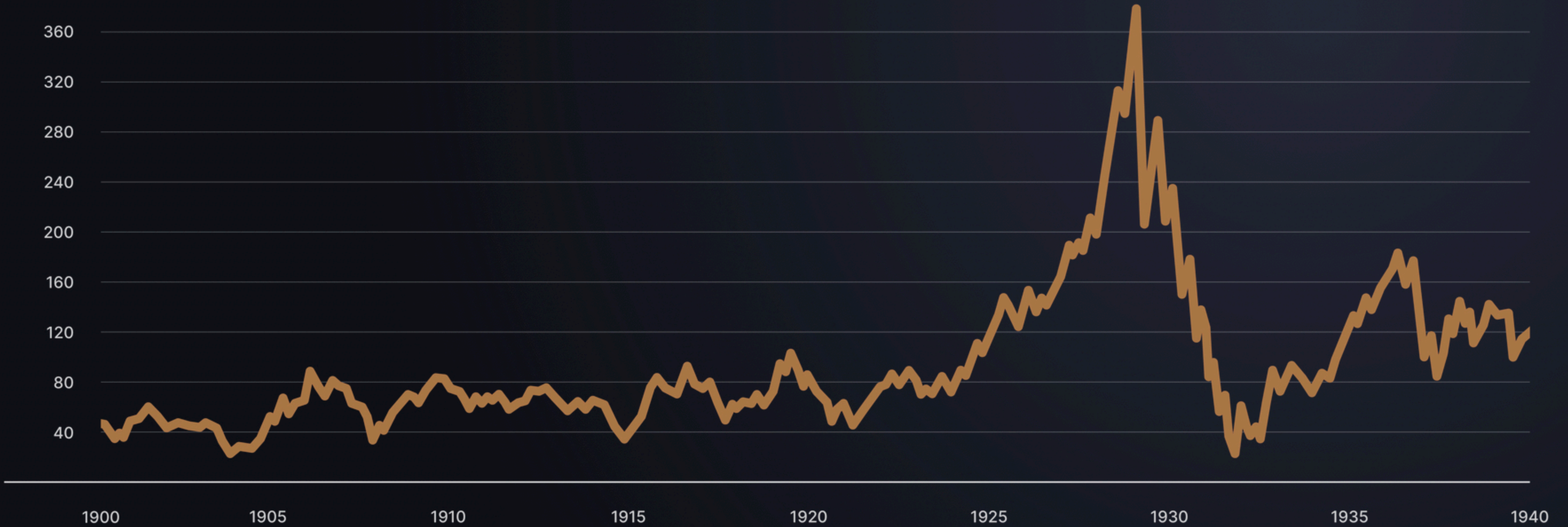
Corrections



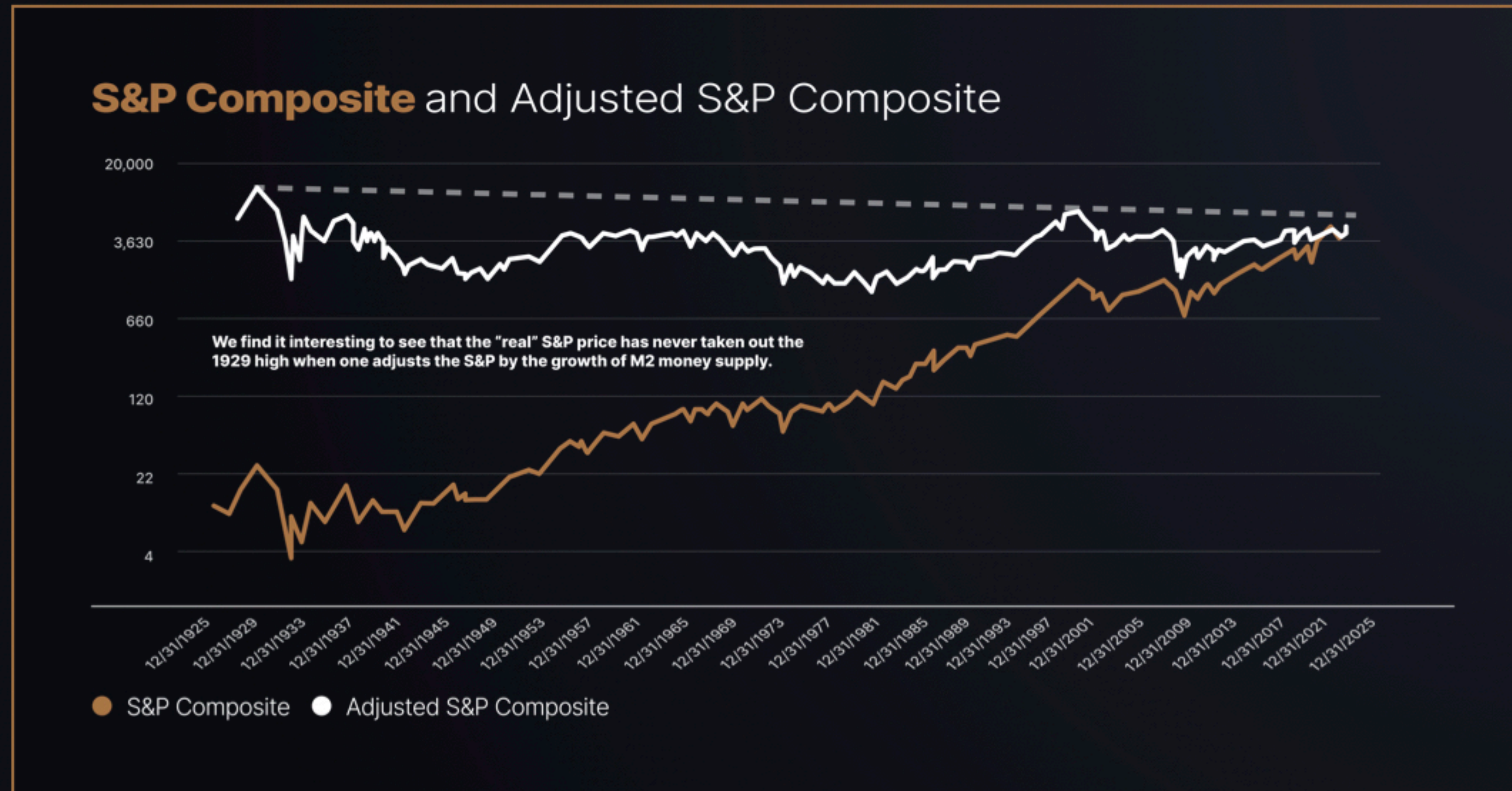
S&P 500 Monthly Adjusted for Inflation



Dow Jones Industrial Average: 1900 - 1940



Stocks Always Go Up...



S&P dividend yield dropped from >6% to 1.5%

The Year of Our Lord 2063



Keep Perspective...



Thanks to Porter: "Dave, buy RLI..."

