

Googins&Anton

Investment Advisors

August 1, 2011 Newsletter

Stocks are not considered expensive.

Here are the numbers: by March 2009, stock indexes known as the DJIA and S&P 500 had declined over 50% from highs reached in 2007. Stocks were "50% off" in price.

P/E ratios are the **Price** of one stock in relation to its **Earnings**. **Earnings** are what's left after expenses are paid out of revenue brought in per share.

Since March 2009, markets..i.e..Prices have rebound but stocks have not become expensive; it's not just the **Price** of the stock that has increased, the **Earnings** of the company have jumped accordingly. Thus the **P/E** ratio has remained low enough to consider stocks inexpensively priced.

During the heyday of great bull markets, **P/E Ratios** generally climb. Standard and Poor's Historical Chart shows P/E ratios reaching 46 in the last quarter of 2001.

The current **P/E Ratio** of the S&P 500 is 16.55 (Wall St J, 7-27-11). I heard James Paulsen, chief investment strategist of Wells Fargo, say he was surprised P/E ratios weren't currently at 20, considering the opportunities he sees in the markets. He thinks it's a mystery that savers accept 0% in Treasuries and ignore the great opportunities in the stock market.

While the debate about the debt limit has raged on in Washington, companies are declaring better and better earnings. Dividends are significant and IPO's (initial public offerings) are on the rise. The economy continues to grow.

Sincerely,

Louise Googins and Tracey Anton

P.S. An article we considered interesting on manufacturing in the U.S. was posted at <http://www.ftportfolios.com/Commentary/MarketCommentary/2011/7/19/issue-46.-july-2011>