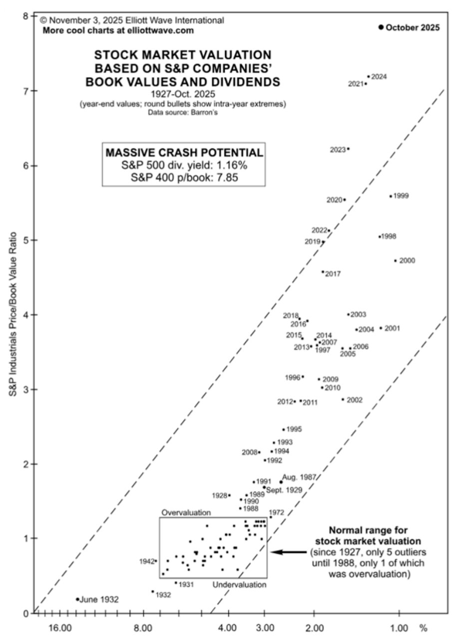
Harry's Take

December 23, 2025

Stocks Most Overvalued Ever!

This chart should make anyone invested in stocks “shiver ye timbers.” It plots stock valuations combining two measures: dividend yield and price to book value. When the dividend yield is low, like today at 1.16%, you are getting a low cash return on your investment. In this case well below inflation of about 2.7% today. When the price to book value is extremely high like now at the unprecedented 7.85 times, you are wildly overpaying for future growth. There’s simply no way stocks are going to continue to grow fast enough to be a worthwhile investment. Book value is simply the net worth at cost of the assets the companies own less their liabilities or debts.

Stocks 2019-2025 Top Anything in History!



Source: www.ElliottWave.com

www.hsdent.com

This should be obvious, but most investors don't notice the "creep" as it happens gradually over time. They buy stocks because they are going up, not because they represent good value and future returns. People don't notice such obvious bubbles as they are too "high" on the giddy returns. We all love "something for nothing."

Note that valuations have been rising over time. There is generally progress and most so in all of human history since the early 1900s. Our standard of living adjusted for inflation has gone up near 10 times in the last 128 years… since the Long Depression of 1873 – 1897.

Also note that the valuations were rising the strongest in history in the first tech bubble into 2000 with the high book values between 5 and 6 in 1998-2000. The Nasdaq crashed 78% between 2000 and 2002. But they were still within the long-term band of progress. But 2019 to 2025 takes the cake. They've stayed well above this band for 7 years. Now price to book value is up to 8 times!!!

Folks, it couldn't be simpler than this. Stocks are the most overvalued ever, ever. This bubble has lasted a record 16.8 years, 5 to 5.5 is the longest prior like late 1994-2000 and late 1924 to late 1929…

This is a time to be as safe as possible and wait for the inevitable crash of our lifetime. And it will most likely come in 2026-2028, a time wherein there are no natural down cycles to warn, like the Decennial Cycle in the first 3 years of each decade, the Generational Spending Wave down 2008 – 2022, or the Innovation Cycle winter season from 2021 to 2032. Why? Our government (and others globally) have put off this bubble crash with off-the-charts stimulus especially since late 2019, and the valuations are clearly showing that!

Be safe, not sorry. Be like Jesse Livermore, often considered the greatest stock trader in history: "I always got out a little early."

Harry

Got a question or comment? You can reach us at info@hsdent.com.