



Harry's Take

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Stock Valuations Extreme: CAPE Ratio Second Highest Ever

There are many signs of overvaluation in this second, extreme tech-driven bubble to follow the first one that peaked in early 2000. Now it's AI and crypto instead of the Internet and dot.com stocks. The CAPE (Cyclically-Adjusted P/E Ratio) indicator for the S&P 500 has recently gotten to 40.46, very close to the 44.19 peak at the top of the first tech bubble. That is the second highest ever and following the first tech bubble. But note that both of these are far above past extreme levels since 1870.

Shiller PE Ratio at Second Highest Ever; Finally Rivaling 2000 44 Peak



Source: <https://www.multpl.com/shiller-pe>; Robert Shiller from *Irrational Exuberance*

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Between 1870 and 1995 when the first tech bubble started, the highest valuations were 23.17 in 1903 and then 23.93 in late 1965. The lowest

valuations were just under 5 in 1921 and just under 7 in late 1982. The higher they go in the boom, the lower they go in the bust to follow.

The bubble from 1995 into early 2000 took them to the highest ever at 44.19, but this time a substantial recession did not follow so they held near 14 into 2009. But then the second great bubble followed into 2025 from the largest stimulus program ever by 10X or more. This bubble was longer, but less steep. Hence, this time the valuations have gotten just a bit lower to 40.46. That's still very close to the highest and way higher than any other rare peak.

This is another of many indicators that say this is the second great bubble in history and it will burst and end very badly. Late in odd years are the best time for such bubbly tops, so I think the odds are very high that this is it, especially since we are nearing the end of this odd year where such a top is most likely.

Be decisive and act fast as the Xmas season wears off early next year... and this crash should have occurred between late 2019 and late 2022. It's been held back by massive stimulus for 6 years.

History says if you wait to see if such a crash is real, stocks will be down around 50% within a few months!

Harry

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

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