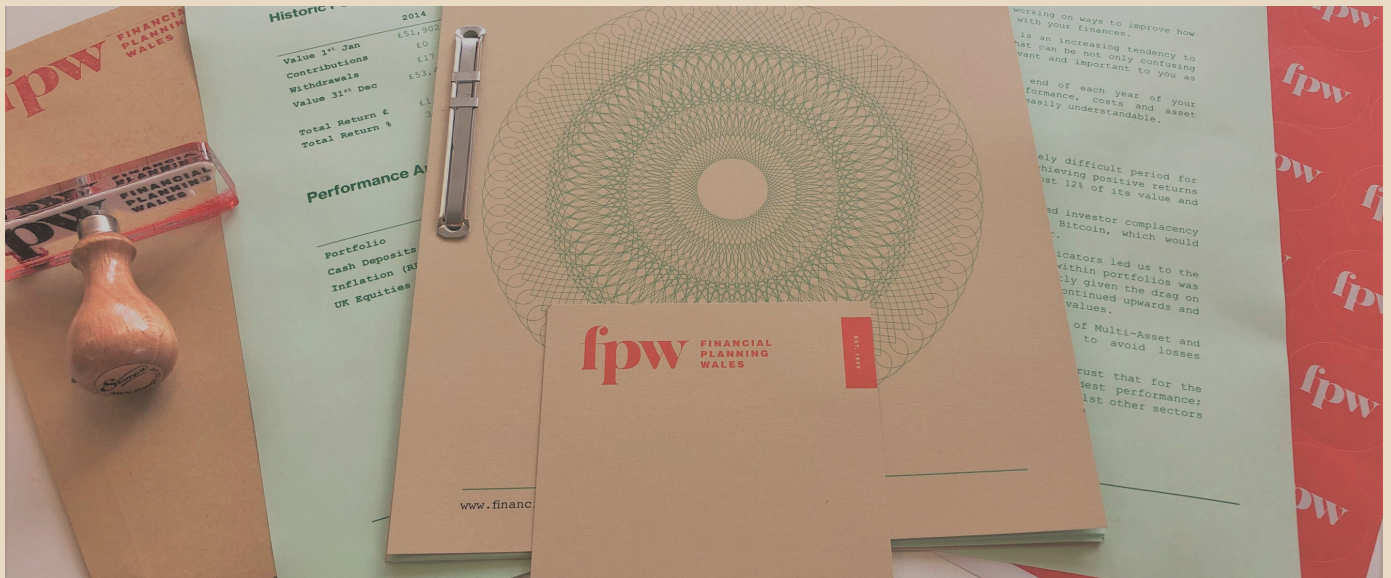


THE MARKET BAROMETER

Measuring Risk in the UK & US Stock Markets



A Snapshot of Risk

Article by Andrew Chorley

Over the years we have invested a significant amount of time in identifying and developing historically accurate indicators. Our Market Barometer looks at five key measures of Stock Market activity to provide us with a gauge of investment risk.

- 1.Sentiment - do investors prefer shares to other assets
- 2.Momemntum - is there support to keep prices high
- 3.Price Action - compared to history and other assets
- 4.Yields - how attractive is the income from shares
- 5.Valuation - price ratios relative to history

In the UK our measure of risk rose by around 3% from last month; this was driven mainly by modest increases across all five of our risk measures. This puts the UK in borderline high risk and a reduction in the potential future returns.

Risk levels in the US Stock Market increased by 2% over the month and we may be heading back towards the all time high of 79%. At present our valuation measures are at their highest ever reading at close to 95% - even at the peak of the Tech Bubble in 2000 this measure hit a maximum of 83!

UK Barometer



51%

The highest ever reading in the UK was 75% in 1987 and the lowest 13% in 2009

US Barometer



73%

The highest ever reading in the US was 79% in 2021 and the lowest 6% in 2009