THE MARKET BAROMETER

Measuring Risk in the UK & US Stock Markets



A Snapshot of Risk

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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.

Sentiment - do investors prefer shares to other assets
Momemntum - is there support to keep prices high
Price Action - compared to history and other assets
Yields - how attractive is the income from shares
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 boderline 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

US Barometer





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



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



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