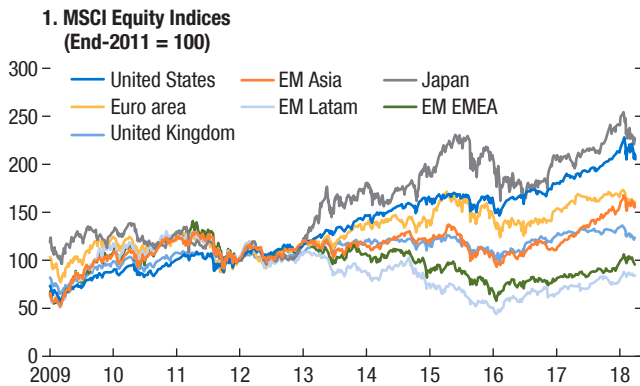
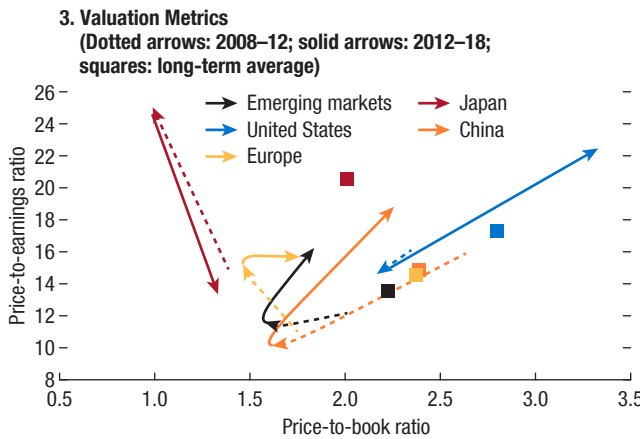


Figure 1.7. Valuations of Global Equities

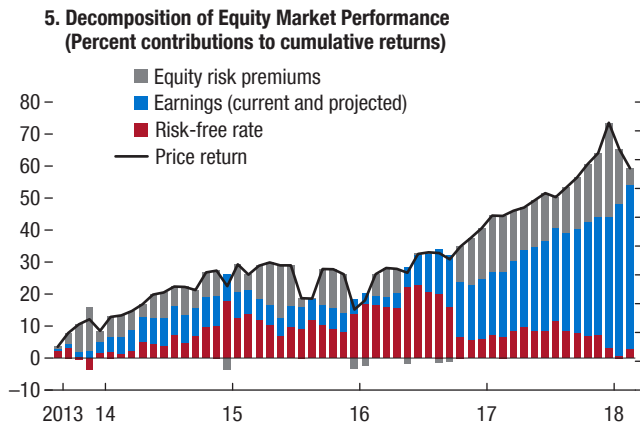
Global equities have extended their rally in recent months, on balance, since October ...



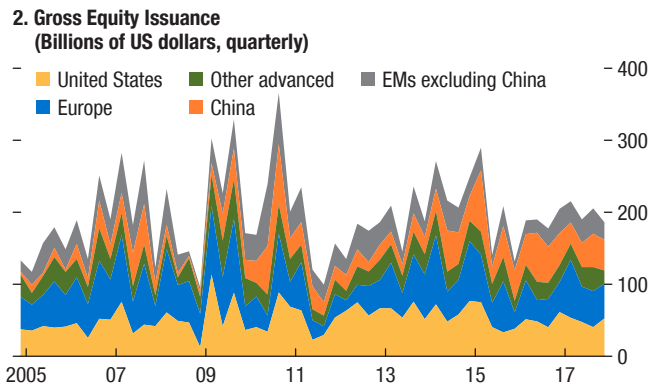
In the United States, valuations are high relative to their historical averages and pre-GFC peak, and to other countries.



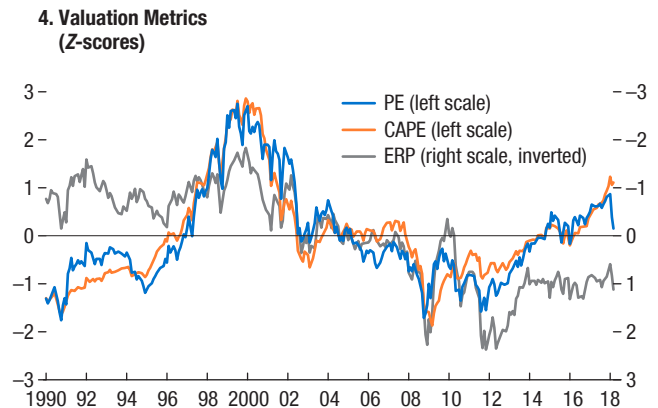
Equity valuations have been supported by historically low interest rates and robust earnings expectations.



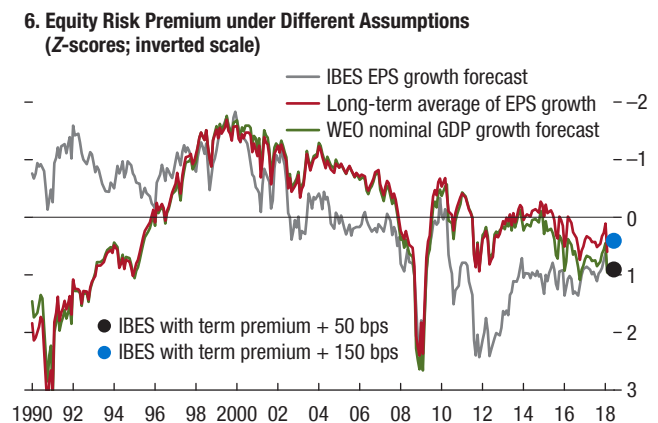
... supporting a rebound in equity issuance, especially in emerging markets.



However, US equity valuations appear low relative to US Treasuries.



The relative equity valuations are closer to their historical averages if more sustainable earnings are assumed.



Sources: Bloomberg Finance L.P.; Citigroup Index LLC; ICE Bank of America Merrill Lynch; JPMorgan Chase & Co; IMF, World Economic Outlook (WEO) database; Morgan Stanley Capital International (MSCI); Standard & Poor's; Thomson Reuters IBES; and IMF staff calculations.
 Note: bps = basis points; CAPE = cyclically adjusted price-to-earnings ratio; EM = emerging market; EMEA = Europe, Middle East, Africa; EPS = earnings per share; ERP = equity risk premium; GFC = global financial crisis; Latam = Latin America; PE = price-to-earnings ratio.