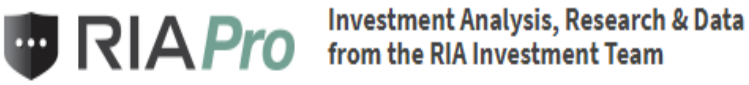
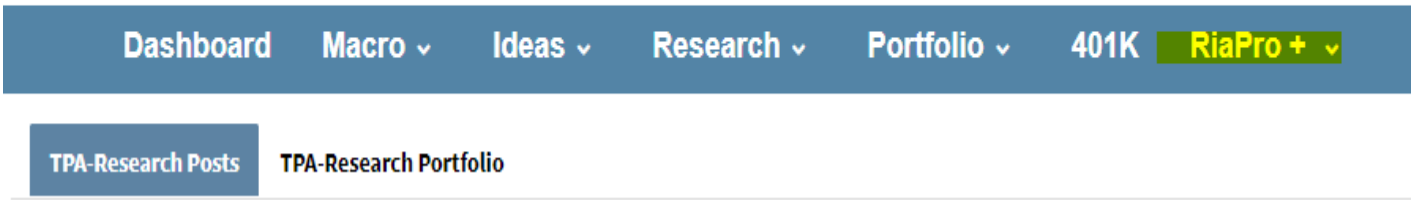
TPA Analytics: Using Historic Price/Book Value

Like this analysis on Price/Book value?&#2013266080;*Turning Point Analytics utilizes a time-tested, real-world strategy that optimizes the clients entry and exit points and adds alpha.&#2013266080;* ***Add TPA Analytics to your current membership plan for additional market, and trading, insights. You can see an overview under RIAPro+***





TPA defines each stock as Trend or Range to identify actionable inflection points. Trade specific commentary and portfolios are available now. _____

WHAT IN THE WORLD IS OVERBOUGHT USING HISTORIC PRICE/BOOK VALUE (5, 10, & 15 years)

TPA uses **Price/Book Value** to determine what areas of the market are historically overbought and oversold.

Book Value is the worth of a company if it liquidated its assets and paid back its liabilities. Since book value represents the intrinsic net worth of a company, Price/Book Value (P/BV) is a helpful tool for investors looking to determine if a company is underpriced, or overpriced. P/BV can also be determined for indexes and so it is helpful to determine the value of broad market categories, sectors, and even countries. **Even if clients do not like using P/BV as a measuring stick, looking at P/BV historically can give clients an idea of how overbought or oversold certain areas of the market are on a relative basis.**

The tables below calculate the average P/BV and standard deviation of P/BV for U.S. broad market, major U.S. sectors and countries for ALL (15-year), 10-year, and 5-year periods. TPA then calculates how many standard deviations the current P/BV is away from the period average. The more standard deviations away from the average, the more likely the recent direction has to reverse course (revert to the mean).

TPA has highlighted several areas of the market that are at long term statistical extremes. Ranking them based on the standard deviation distance from the mean on a 10-year basis, they are:

1. ***Large Cap Growth (+4.26 STD DEV)***
2. ***Technology (+3.42 STD DEV)***
3. ***Consumer Discretionary (+2.61 STD DEV)***
4. ***Healthcare (+1.93 STD DEV)***
5. ***Large Cap (+1.93 STD DEV)***

6. ***Small Cap Growth (+1.92 STD DEV)***

Globally, the most overbought Countries on a 10-year basis using relative P/BV are:

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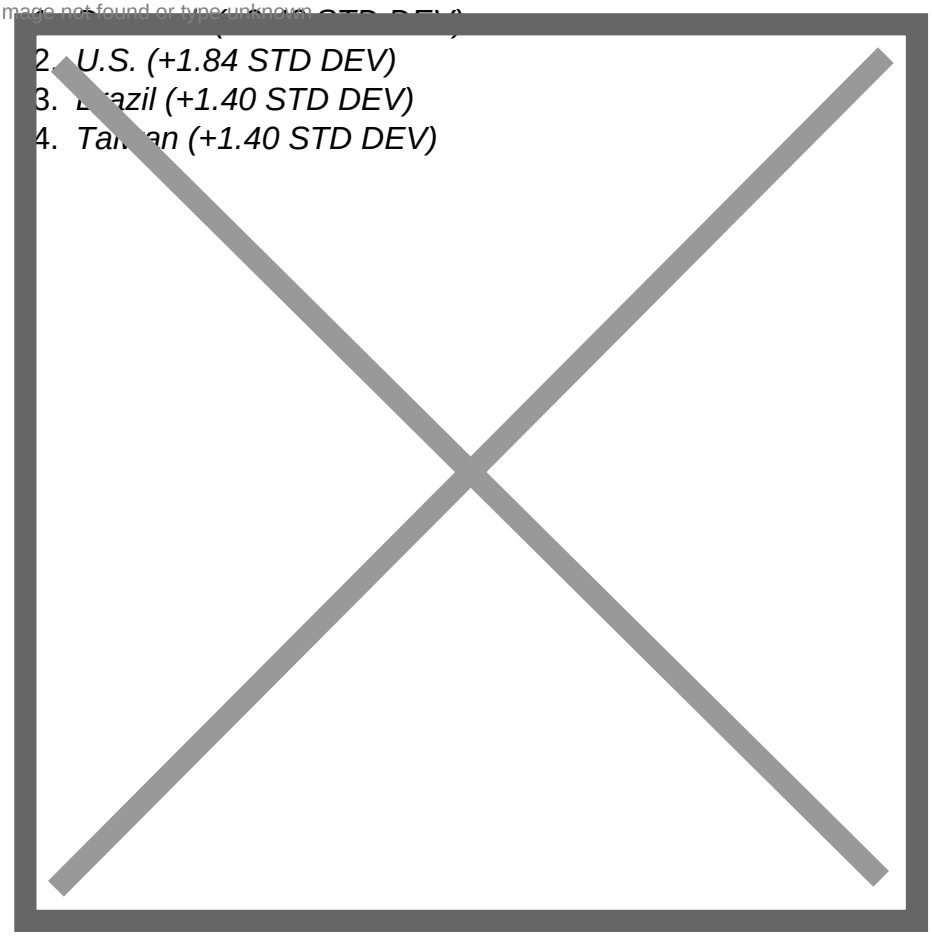
2. *U.S. (+1.84 STD DEV)*
3. *Brazil (+1.40 STD DEV)*
4. *Taiwan (+1.40 STD DEV)*



Clearly, we are living in extreme times and the overbought areas of the world indicate expectations and relative expectations for potential earnings and for safety. Regardless of the reasons, however, these areas are clearly statistically overbought and crowded on a historic basis and clients should be wary of being the last one out the door.