

Why SP 500 May Fall By 10%

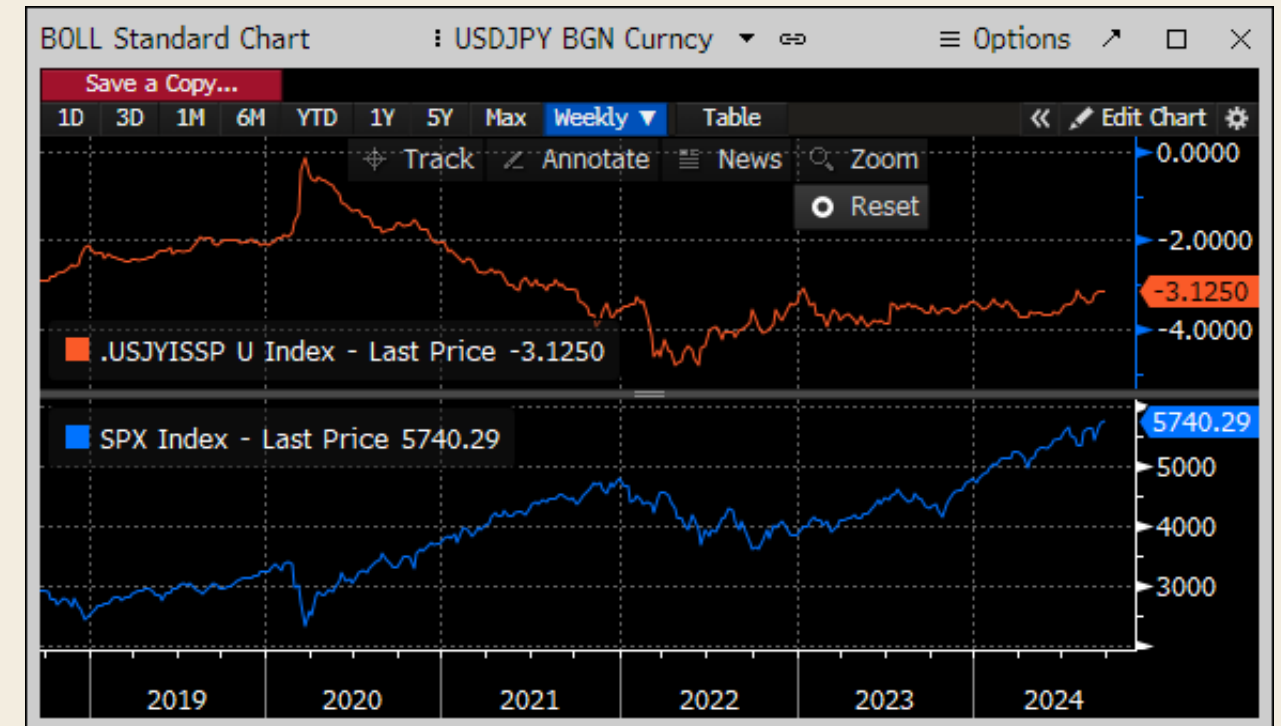
The chart summarizes how the time series of 5 Years inflation indexed return differential between the USD and Yen - displayed as the red line and the SP 500 Index as the blue line - behaved over the past 5 years.

It is clear that the inflation-indexed return differential fell and the SP 500 index rose from 2019 till the end of 2022 in the way that both series almost mirror reflected each other. After 2022, the SP 500 index has continued rising while the inflation-indexed return differential also increased moderately.

Market participants expect Japan's inflation to continue to rise, implying that Japan's inflation-indexed bond returns may be stranded. Note that the opposite may apply to the US, suggesting that the differential may continue to rise.

From a historical point of view, a rise in the inflation-indexed return differential may lead the SP 500 Index to fall in the months ahead.

With this respect, I expect such a correction to be around by at least 10%, such that the SP 500 index may fall about 600 points from this time until March 2025.



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SP 500

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