



STOCK	BID	OFFER	LAST
BASE RESOURCES	0.220	0.225	0.220
BASS METALS LTD	0.005	0.006	0.000
BASS OIL	0.001	0.002	0.000
BASSARI RESOUR	0.018	0.019	0.019
BATHURST RESOL	0.096	0.097	0.097
BATTERY MINERAL	0.006	0.008	0.007
BAUMART HOLDIN	0.000	0.200	0.000
BBXMINERAL	0.170	0.180	0.160
BCI MINERALS	0.150	0.160	0.155
BEACH ENERGY	2.010	2.020	2.015
BEACON LIGHTING	1.015	1.040	1.015
BEACON MINERAL	0.033	0.034	0.034
BEAM COMS	0.230	0.255	0.250
BEGA CHEESE	4.210	4.220	4.210

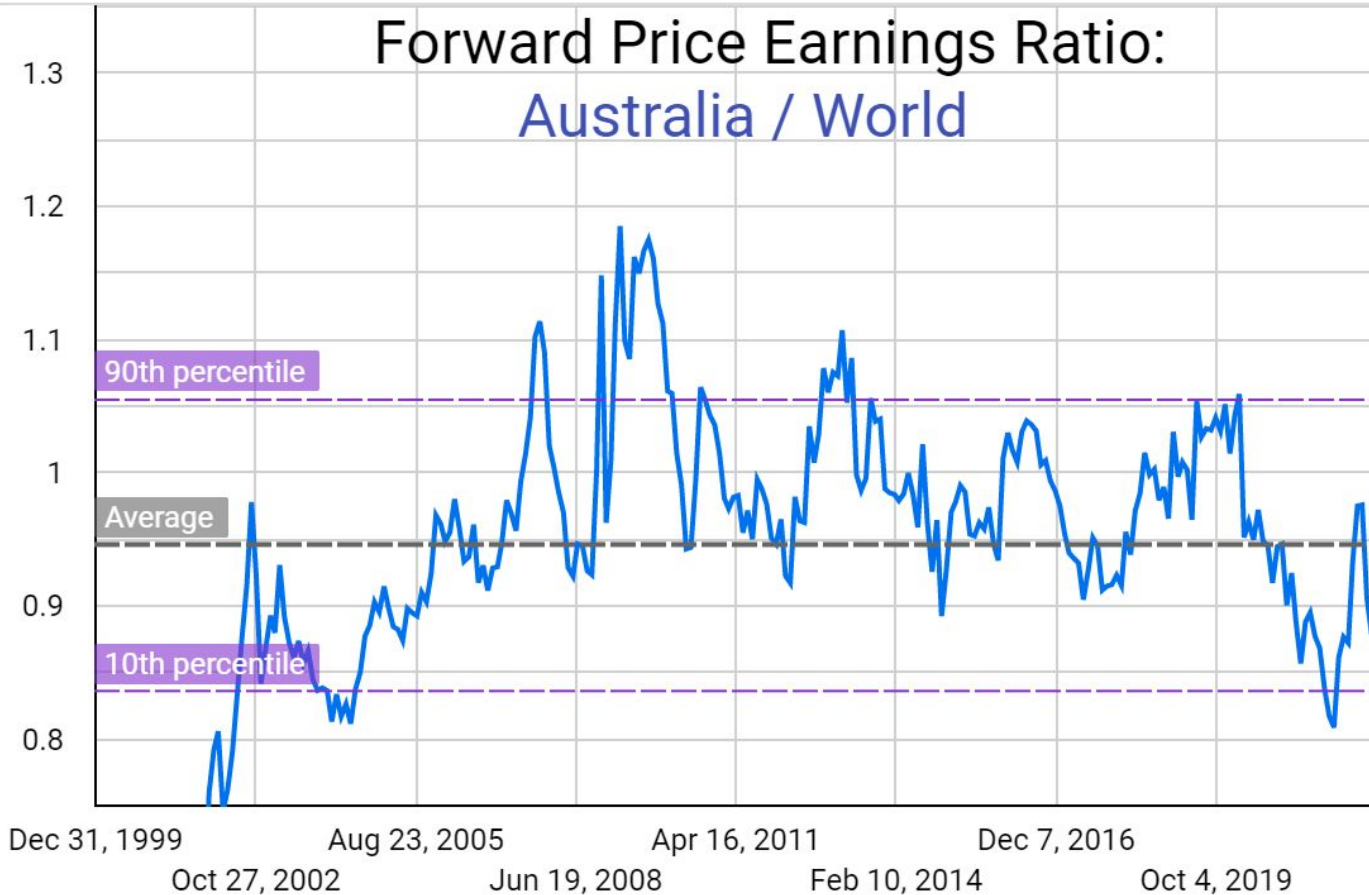


DISTURBING TRUTHS ABOUT ASX VALUATIONS

Agenda: Disturbing Truths about ASX Valuations

- Global Valuation overview
- Australia vs World
- Sectors
- Stocks
- Reportings season and earnings
- Implications for markets

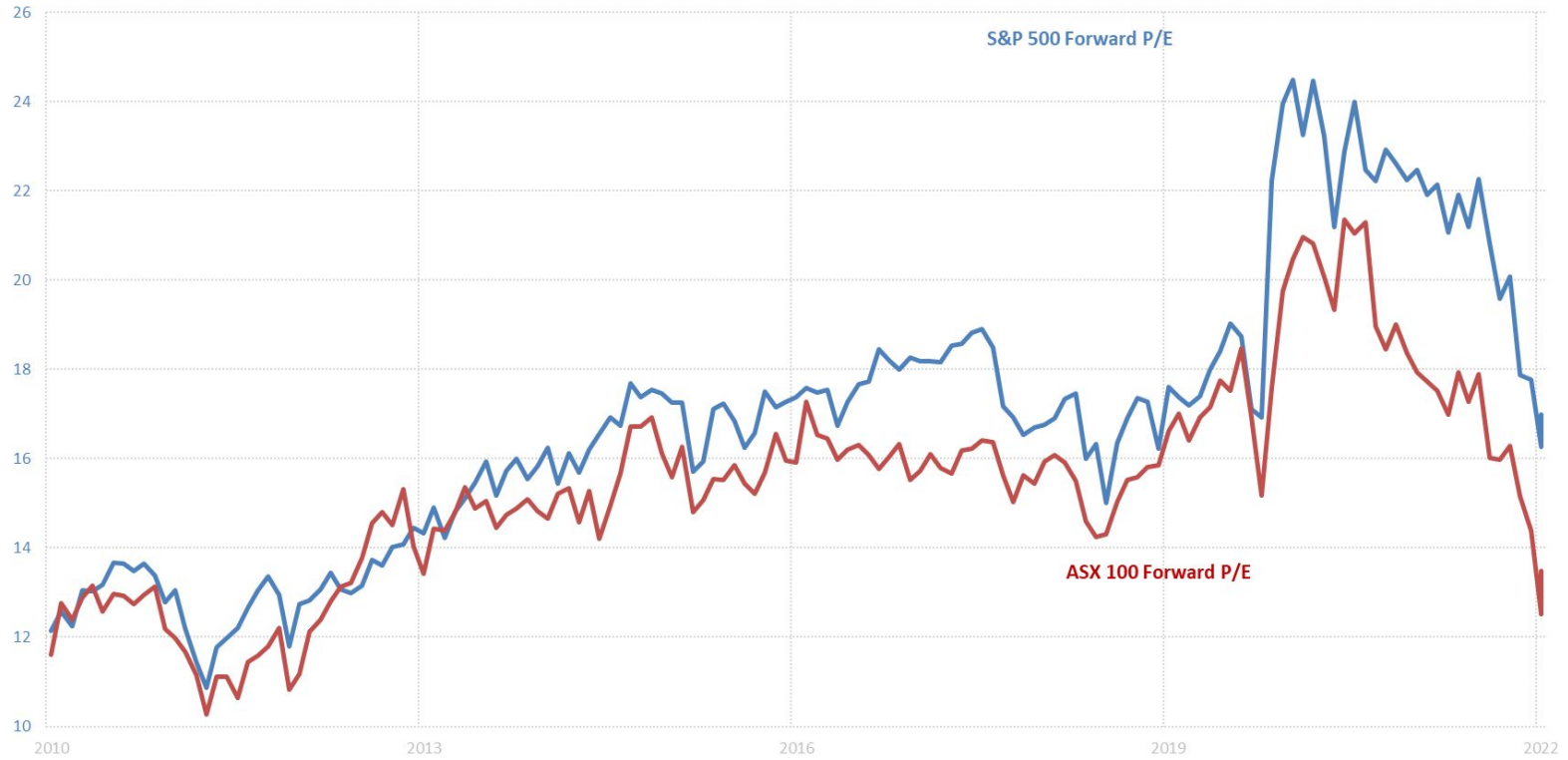
All is not as it seems



Source: Nucleus Wealth, Capital IQ

Valuation 101

Price / Earnings



Source: S&P Capital IQ, Nucleus Wealth

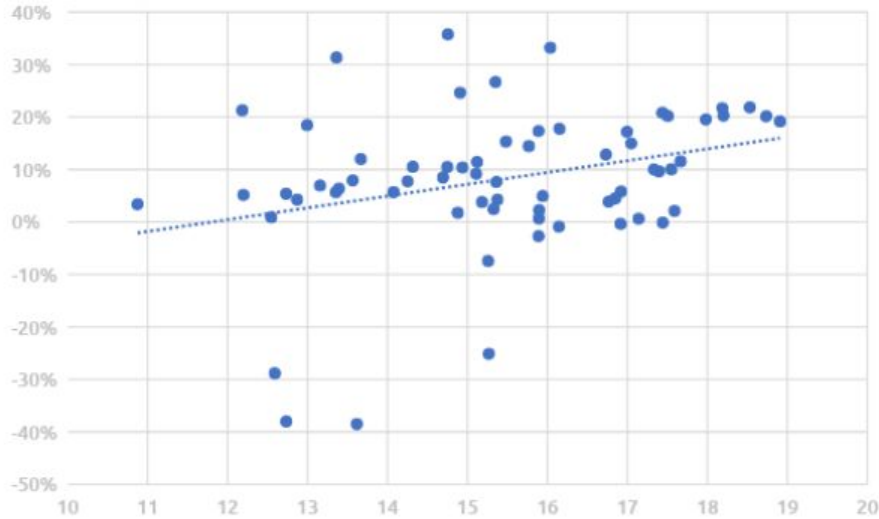
Valuation Exuberance or Prescience?



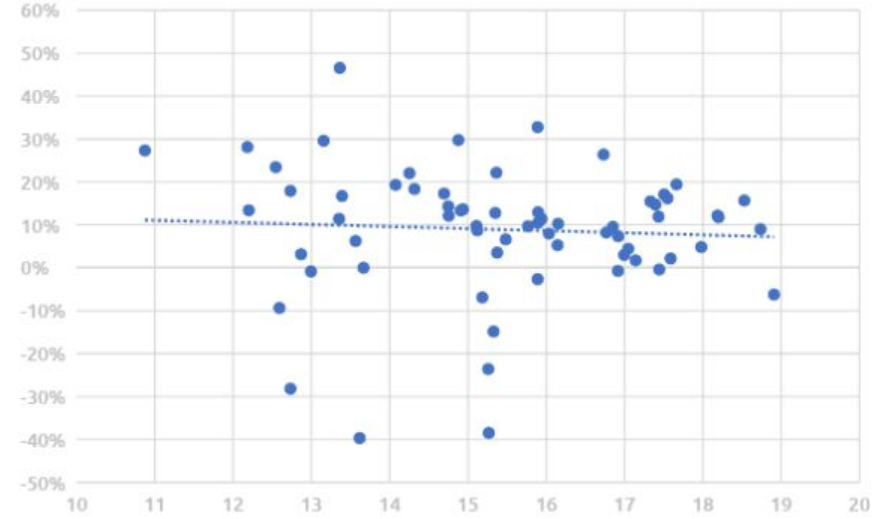
Source: S&P Capital IQ, Nucleus Wealth

Prescient on Earnings, not so much on Price change

Forward Price/Earnings vs Subsequent Earnings Growth



Forward Price/Earnings vs Subsequent Price Growth



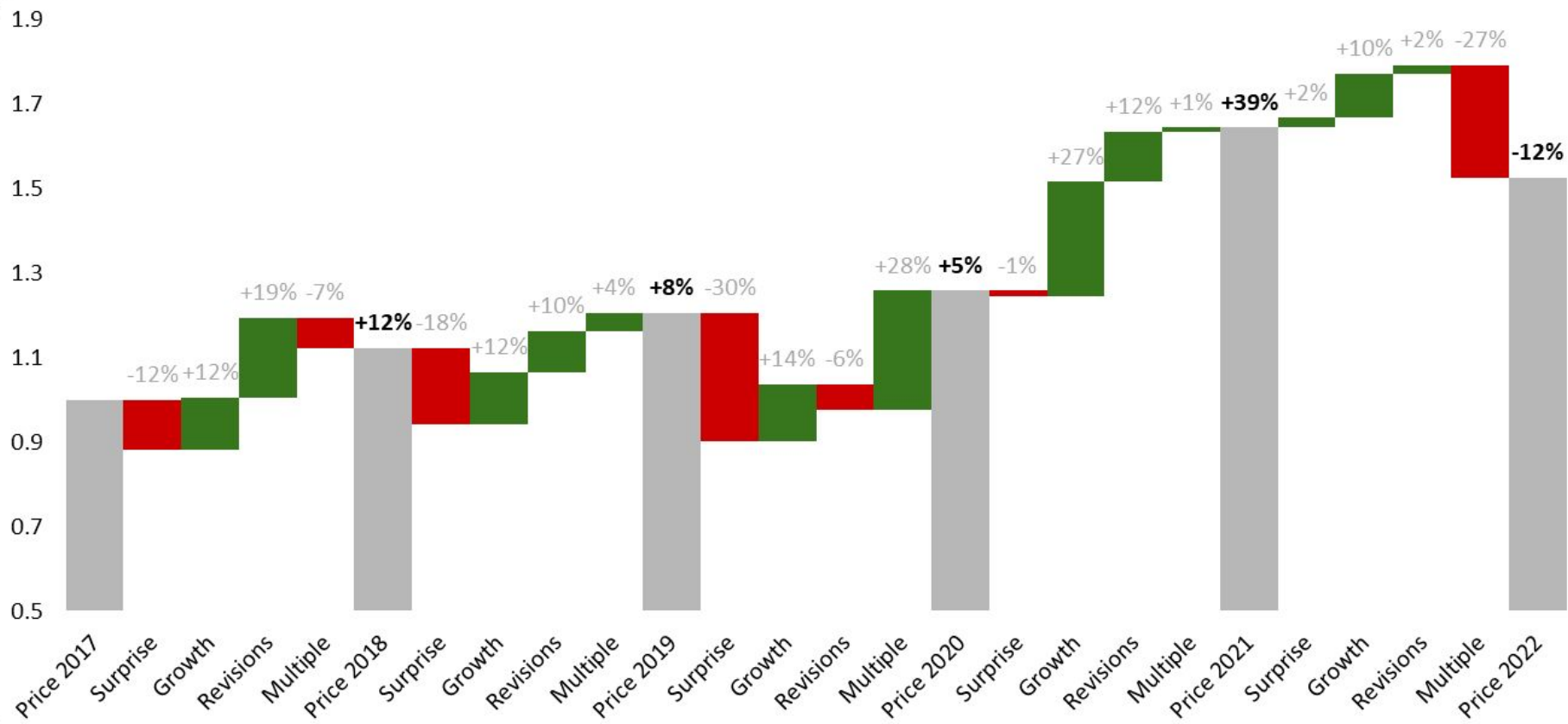
Source: S&P Capital IQ, Nucleus Wealth

Prescient on Earnings, not so much on Price change

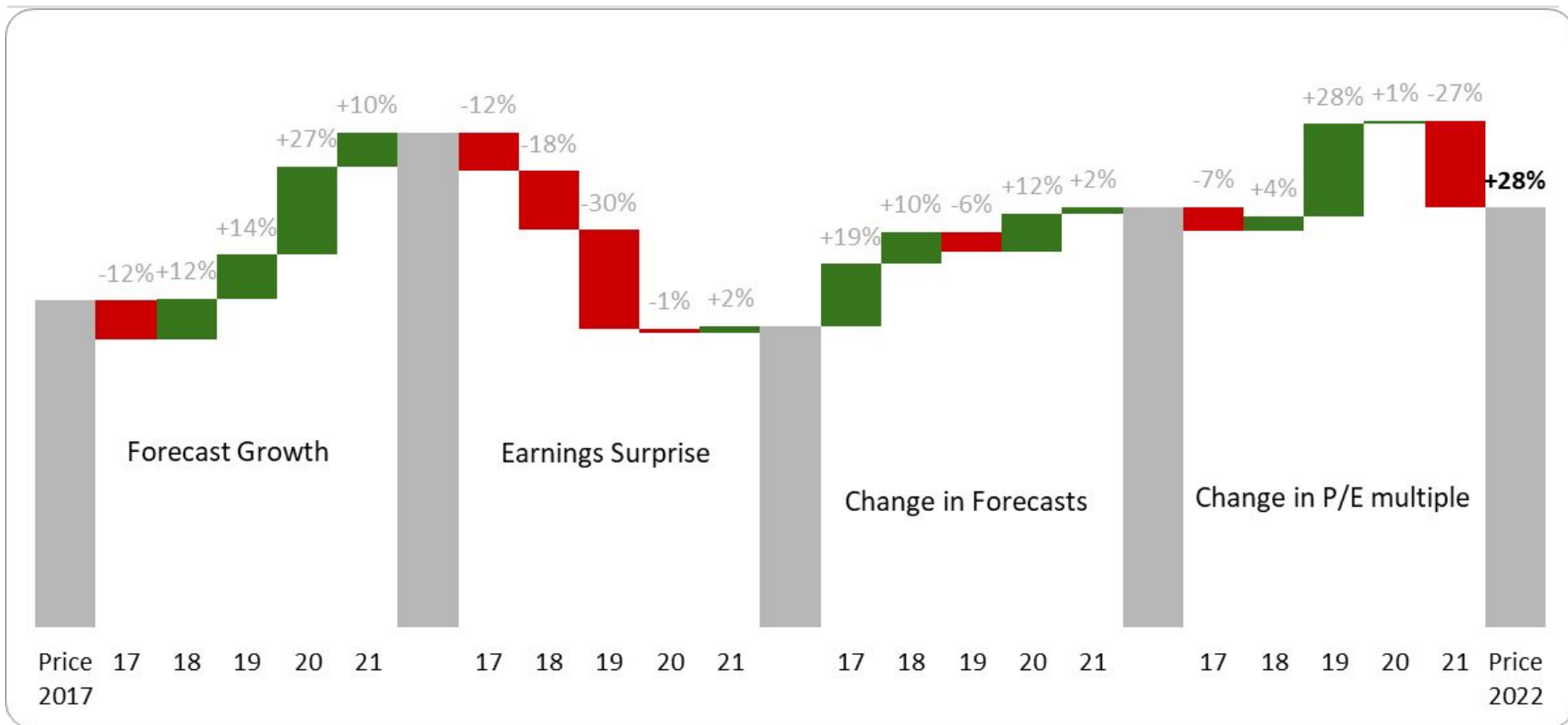
Change in Price =

- +/- **Growth** expected in earnings from the first year to the second year
- +/- **Revisions** in growth expectations from the first year to the second year
- +/- Earnings **surprise** as first-year earnings go from a forecast to an actual
- +/- Change in valuation **multiple**

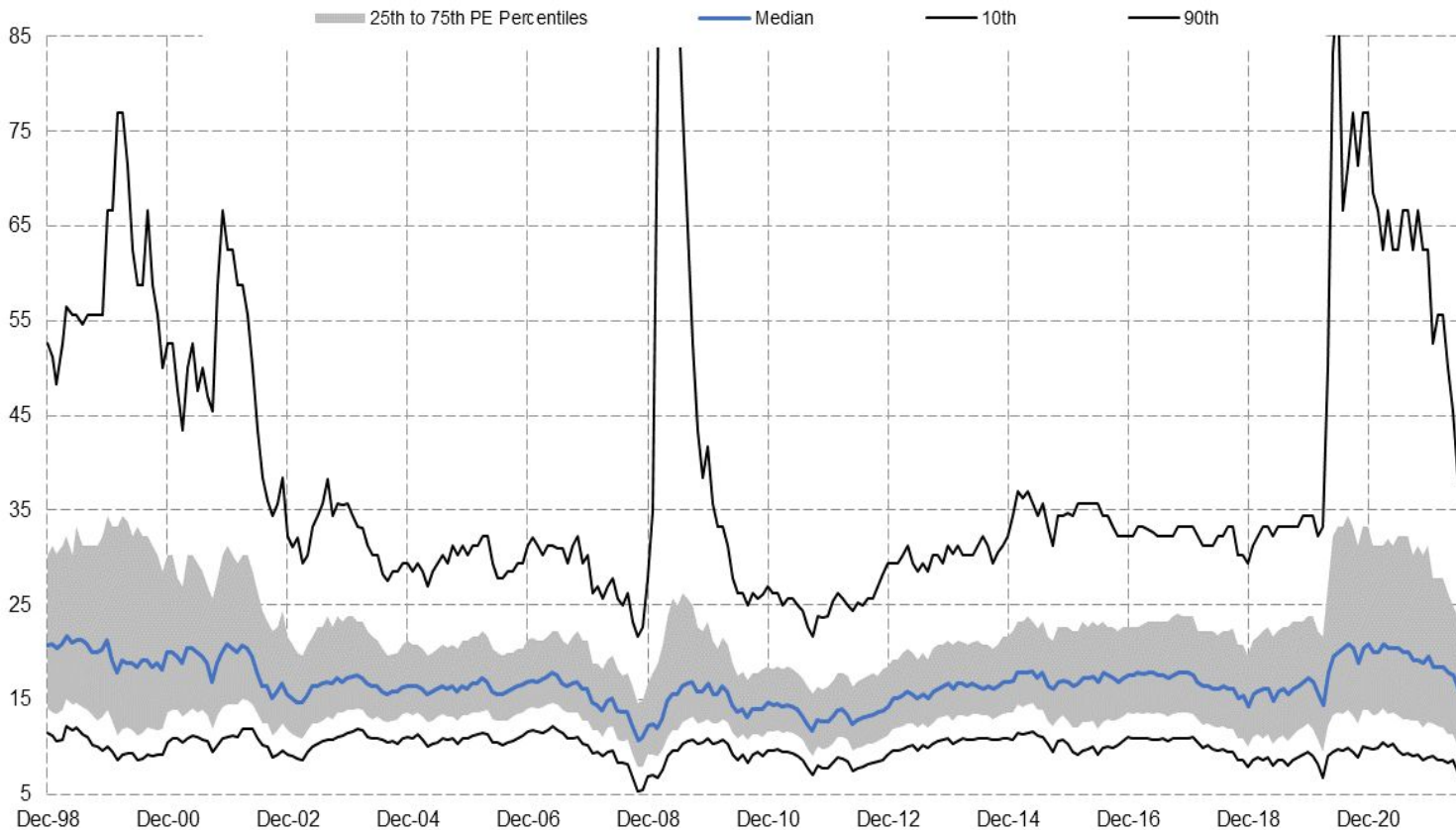
Price change decomposition: year to 30 June



Price change decomposition: year to 30 June 2022



12m Forward P/E: distributions matter.



90th=20% above

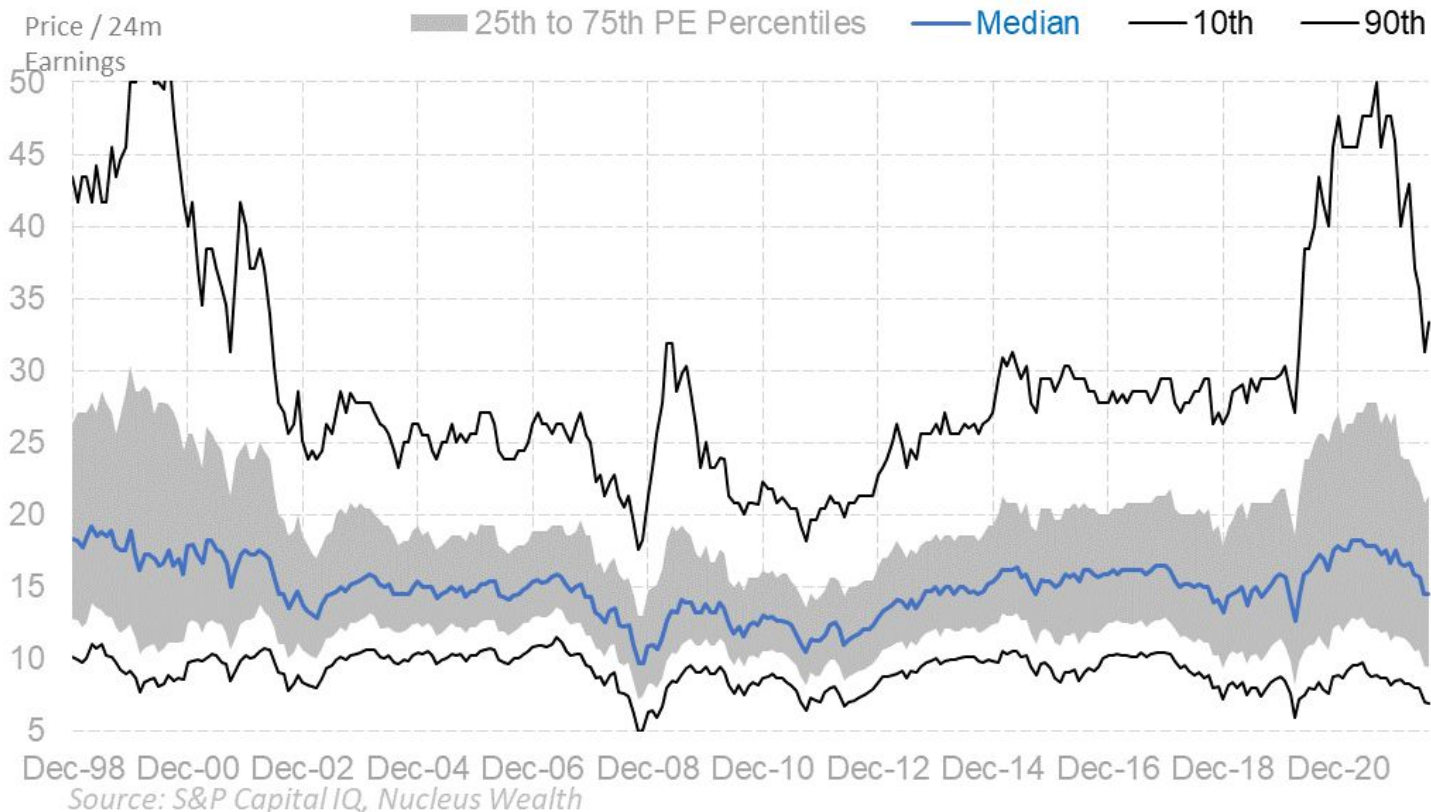
75th = 7% above

50th = 2% above

25th = 23% below

10th = 37% below

24m Forward P/E: distributions matter.



12m Forward P/E: distributions matter.

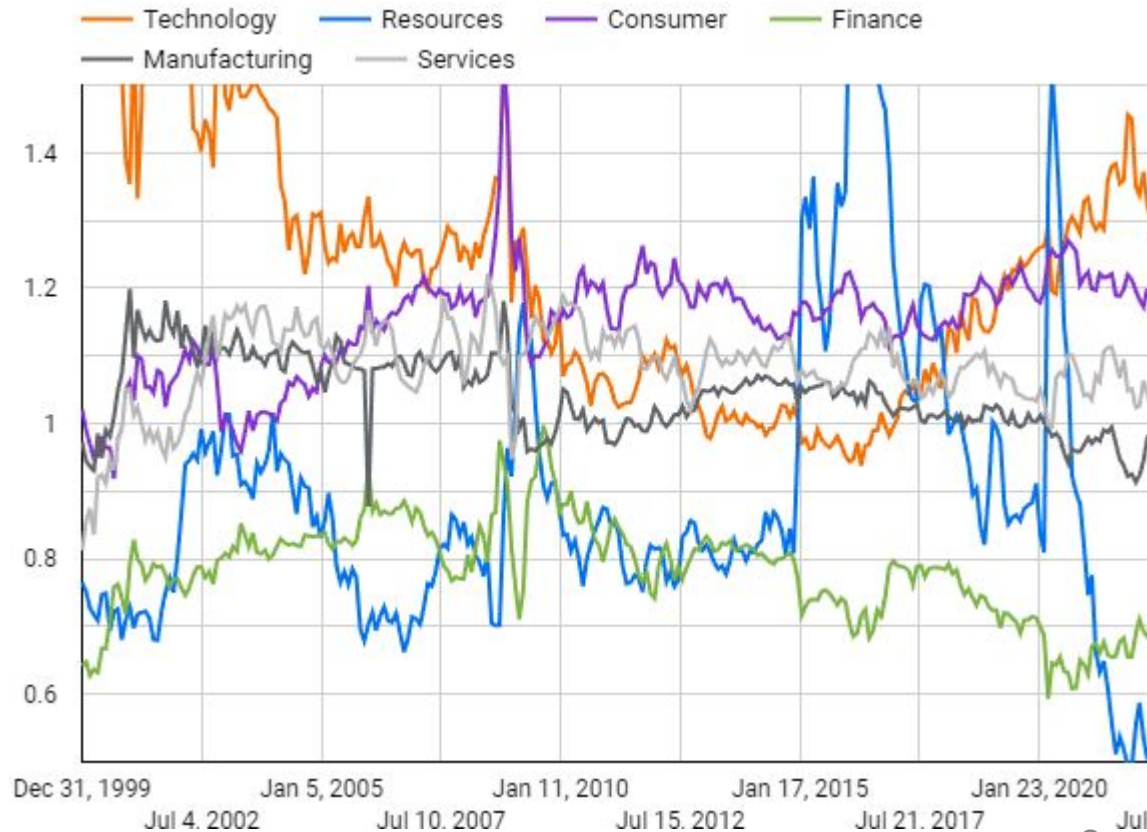


Source: S&P Capital IQ, Nucleus Wealth



Source: S&P Capital IQ, Nucleus Wealth

12m Forward P/E: sector relative to world



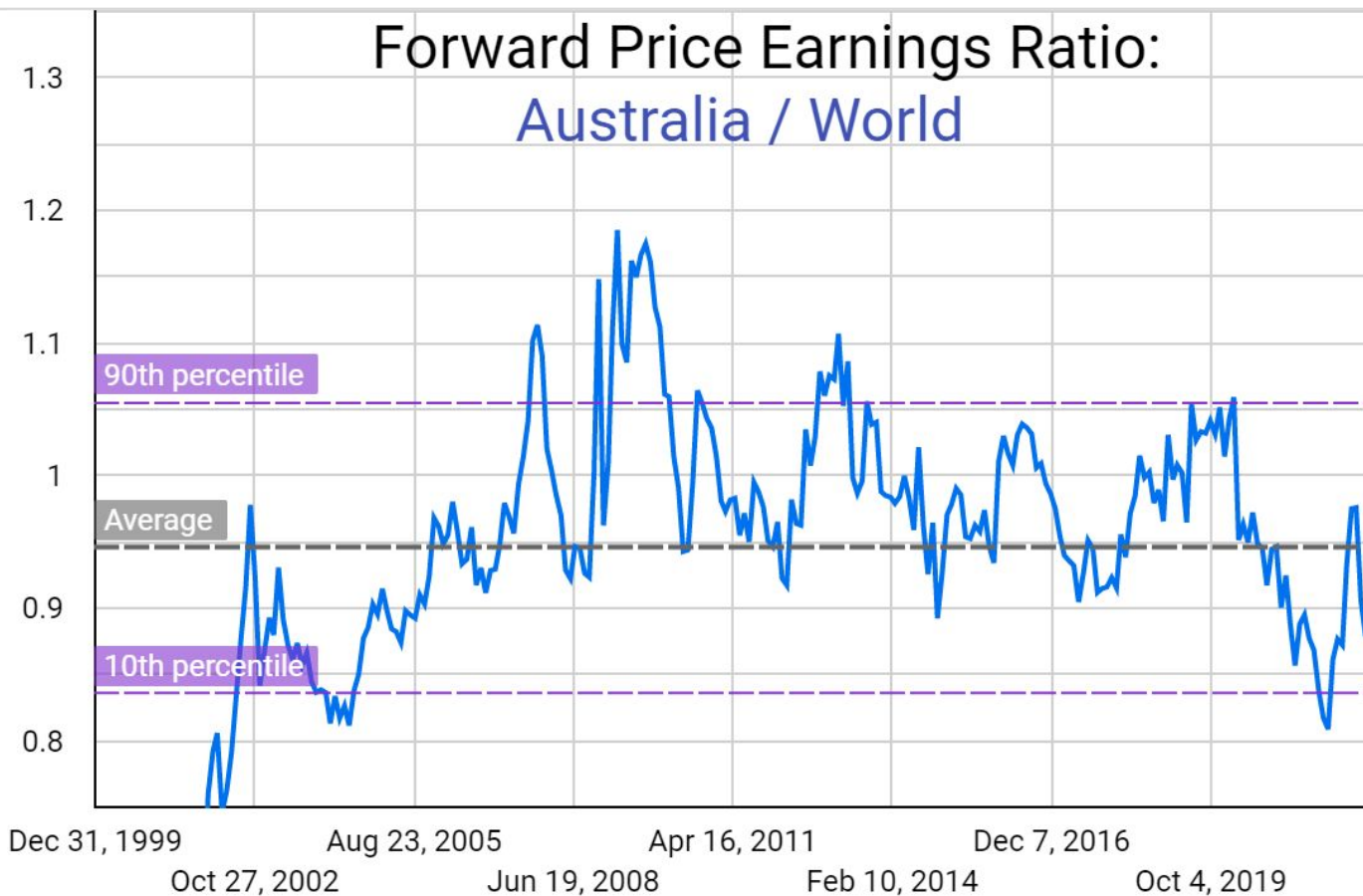
Source: Nucleus Wealth, Capital IQ

12m Forward P/E: sector relative to world

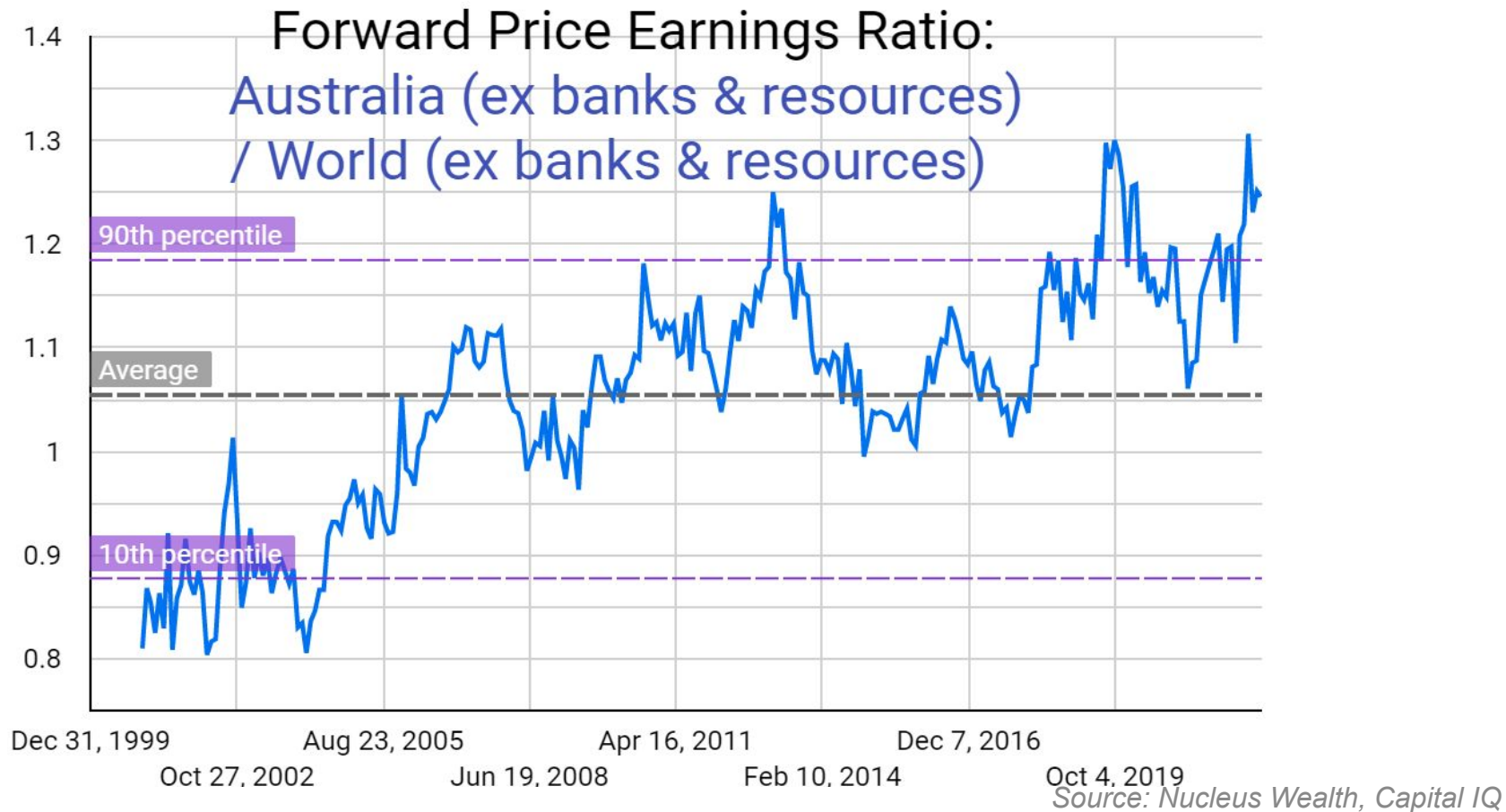
sector_gics1 / current_fwd_pe											
region2	Real Estate	Informatio...	Consumer...	Consumer...	Utilities	Health Care	Communi...	Industrials	Financials	Materials	Energy
US	36.1	21.6	20.5	24.5	19.1	16.5	15.7	16.6	11.6	11.3	8.5
Australia & NZ	15.6	45.2	24.8	23.0	27.6	33.0	25.1	30.1	14.2	8.6	7.6
Developed Asia	12.3	13.9	11.0	23.6	15.9	-	16.2	9.8	14.1	-	-
Non-EZ Europe	20.2	17.8	17.9	15.3	19.3	18.5	12.9	15.0	8.8	8.3	4.8
Japan	14.8	17.0	21.2	11.8	11.9	24.3	15.0	10.9	8.8	8.9	5.6
EZ Europe	11.2	22.0	19.0	12.2	12.5	12.7	14.0	15.3	7.2	10.0	4.6
Canada	13.5	21.7	16.5	12.5	19.5	-	16.5	22.9	9.5	8.9	9.0

Source: Nucleus Wealth, Capital IQ

All is not as it seems



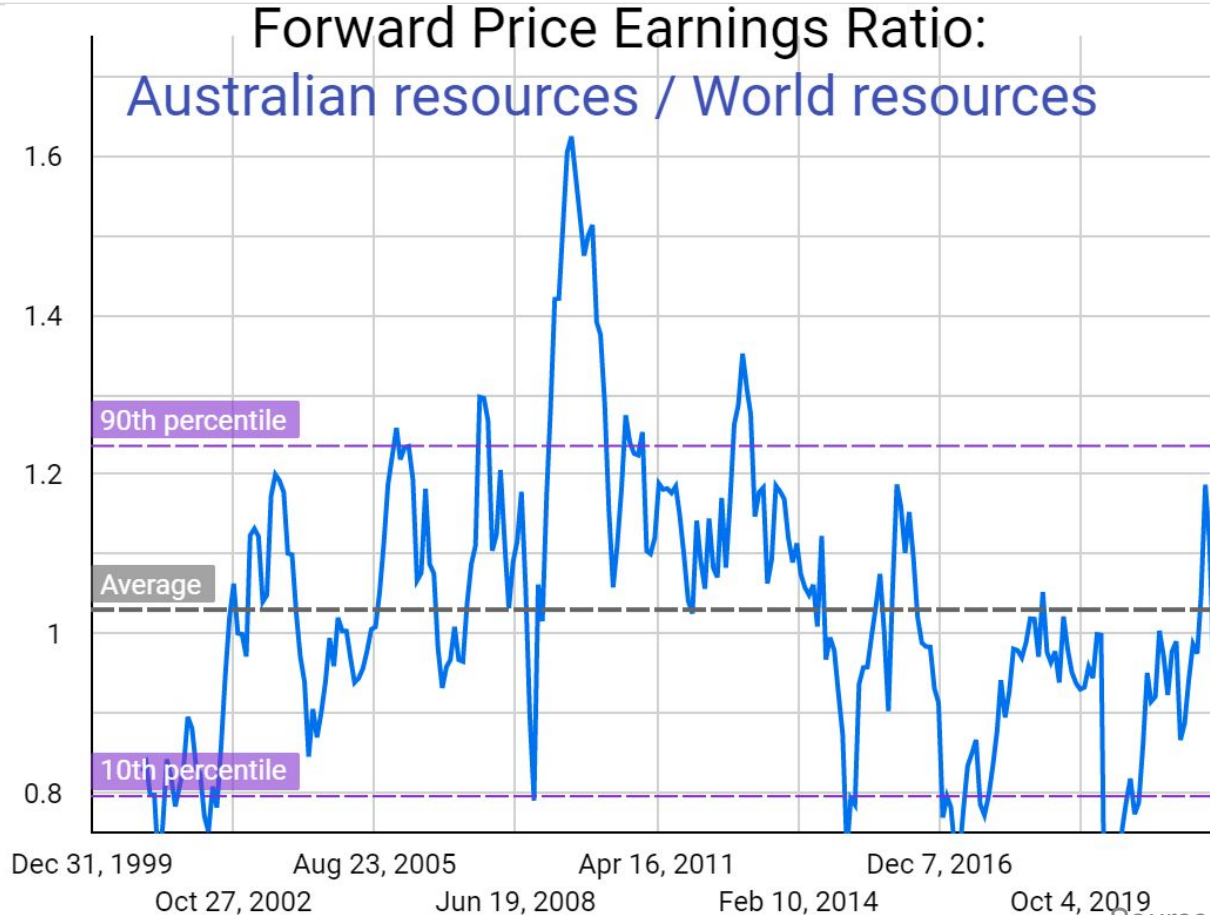
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Source: Nucleus Wealth, Capital IQ

Stocks

Name	Country	12m Fwd P/E	Name	Country	12m Fwd P/E
T-Mobile US	United States	29.4	Cochlear	Australia	45.5
Telstra Corp	Australia	22.7	Eli Lilly	United States	37.0
KDDI Corp	Japan	15.2	CSL	Australia	34.5
SoftBank	Japan	13.9	Novo Nordisk	Denmark	31.2
Telefónica	Spain	13.2	Thermo Fisher Scientific	United States	24.4
Vodafone	United Kingdom	12.0	AstraZeneca	United Kingdom	18.5
Deutsche Telekom	Germany	11.9	Johnson & Johnson	United States	16.7
Nippon Corp	Japan	11.0	Roche	Switzerland	15.4
Verizon Communications	United States	8.5	AbbVie	United States	11.8
AT&T	United States	7.3	Pfizer	United States	9.1

Reporting Season

Percentile	US & Canada	Europe	Developed Asia
2Q Surprise vs 1 month prior			
10%	-5%	-18%	-31%
25%	1%	-2%	-14%
50%	7%	7%	-4%
75%	14%	15%	10%
90%	24%	35%	52%
Next Twelve Month Forecast: Now vs 1 month ago			
10%	-9%	-13%	-9%
25%	-2%	-2%	-2%
50%	1%	2%	1%
75%	4%	6%	4%
90%	9%	12%	10%
2022 Forecast: Now vs 1 month ago			
10%	-9%	-16%	0%
25%	-3%	-4%	0%
50%	0%	0%	0%
75%	1%	2%	0%
90%	4%	6%	5%
2023 Forecast: Now vs 1 month ago			
10%	-10%	-10%	-6%
25%	-4%	-4%	-2%
50%	-1%	0%	0%
75%	0%	1%	1%
90%	1%	3%	5%

Source: Nucleus Wealth, Capital IQ

Reporting Season

%tile	Energy	Materials	Cons. Discret.	Cons. Staples	Health Care	Industrial	IT	Financials	Real Estate	Comm. Services	Utilities
2Q Surprise vs 1 month prior											
10%	-1%	-1%	-24%	-36%	-8%	-14%	-3%	-7%	-43%	-20%	-7%
25%	5%	5%	-14%	-5%	2%	1%	1%	1%	-5%	-2%	-4%
50%	8%	12%	5%	5%	3%	5%	7%	7%	7%	6%	1%
75%	11%	20%	15%	13%	10%	13%	11%	15%	95%	56%	6%
90%	207%	27%	21%	35%	21%	23%	15%	23%	254%	216%	15%
Next Twelve Month Forecast: Now vs 1 month ago											
10%	1%	-23%	-14%	-1%	-8%	-6%	-7%	-7%	-9%	-21%	-9%
25%	4%	-14%	-1%	0%	-1%	-2%	0%	-2%	-3%	-6%	1%
50%	16%	-4%	1%	1%	2%	1%	2%	2%	2%	0%	1%
75%	18%	3%	8%	3%	4%	4%	4%	5%	10%	4%	2%
90%	22%	4%	14%	7%	7%	9%	7%	9%	12%	6%	4%
2022 Forecast: Now vs 1 month ago											
10%	-3%	-17%	-19%	-2%	-12%	-6%	-10%	-11%	-5%	-32%	-1%
25%	4%	-7%	-3%	0%	-2%	-1%	-2%	-6%	-2%	-5%	-1%
50%	8%	-2%	0%	0%	0%	0%	0%	-1%	0%	0%	0%
75%	10%	0%	0%	2%	1%	2%	1%	2%	2%	0%	0%
90%	11%	4%	3%	3%	5%	5%	5%	5%	3%	1%	0%
2023 Forecast: Now vs 1 month ago											
10%	-6%	-15%	-14%	-3%	-12%	-8%	-9%	-8%	-1%	-9%	-11%
25%	0%	-8%	-8%	-1%	-4%	-3%	-4%	-4%	-1%	-4%	-2%
50%	5%	-3%	-2%	0%	-1%	-2%	-1%	-1%	0%	-1%	0%
75%	10%	0%	0%	1%	0%	0%	1%	1%	1%	1%	0%
90%	15%	3%	2%	2%	2%	1%	4%	3%	5%	3%	0%

Source: Nucleus Wealth, Capital IQ

Agenda: Implications for markets

- Inverted yield curve signalling recession
- Stocks expensive given declining earnings prospects
- Inflation has lowered level of Fed “put” and needs a commodities bust
- DXY bull market to make it worse. AUD to continue falling
- Eventual capitulation of stocks

Viewer question of the week:

Will you still buy Aussie stocks at these valuations?

Drop your answers in the comments

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